

The Relationship Between Joint Assurance and Environmental Development and Its Impact on the Quality of Financial Reporting

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ABSTRACT

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In understanding the relationship between joint assurance, environmental development and their effect on financial reporting quality this study intends to see how changes in the environment may influence the functioning of businesses and how this links to the concept of joint assurance. The study also aims at investigating the assurance services, especially the joint assurances in order to know its definition, nature, and other related matters. In addition, a model for sustained environment is discussed looking at its linkage with nature perspective on social economic order. Also, it evaluates financial report quality with respect to both joint and environmental factors. The study aimed at achieving three objectives with the help of three theories which are as follows: ecological science theory, the labor value and surplus value theory, and stakeholder theory. Phase two entailed gathering and evaluating data from a stratified sample of staffs employed in agricultural and manufacturing corporations that are enlisted in the Iraq Stock Exchange; a hypothesis-testing research tool known as multiple-item questionnaire was used. The research draws a number of conclusions among them; joint assurance is statistically related with financial reports quality and it significantly influences the natural environment. It was also observed that there exists statistical relationship between nature of financial reports and progress in socio-economic order but first evaluating on which side it influences.

Keywords: sustained, financial, stakeholder, environment

INTRODUCTION

One must practice sustainability in order to be competitive in today's business. Corporate sustainability is now seen as very important and it includes three dimensions; social, environmental and economic. This involves formulating policies and making sure that they are enforced to protect the environment while at the same time promoting healthy relationships with the nearby society so that it may benefit all who are involved with the organization. These sustainability practices also create an environment of trust and inclusivity with oversight authorities, shareholders, and other stakeholders thereby enhancing employment and customer loyalty. Besides, when a company adopts sustainable practices, it is able to disclose important information to potential investors who can then use such disclosures for their investment decisions. The interest in sustainability reporting has increased following the emergence of environment disclosure revolution as well as international efforts like those of UN and GRI. The GRI is used globally for sustainability reporting by many companies across borders because it offers a coherent framework that includes general guidelines on how to implement it and additional advice for certain sectors. As such, more individuals now understand why separate sustainability reports must be issued alongside the traditional financial ones. At present, sustainable environmental development stands out as one of globally agreed upon and prioritized sustainable development goals under 2030 Agenda for Sustainable Development. This agenda aims at ensuring that there is sustainability at a worldwide level taking into consideration all these three factors i. E., economic growth, environment, society.

"Audit firms and legal accounting offices offer assurance services which may include some specific procedures referred as joint assurance" is how we can define it. These services primarily aim at confirming that company or institution submitted financial statements are free from material misstatement; this is achieved through a combined effort of auditing the financial records and surrounding circumstances. Such services are meant at attesting the accuracy and integrity of financial documents like balance sheets or accounting transactions of which could be very much important to the buyers of such records; they therefore form part and parcel of audit function just like examinations carried out over historic records been made by some independent person so as determine whether events these led to preparation those accounts or reports happened in due course and if they have been done properly and truthfully.

The audit team works with the audited organization (client) closely to make sure that what is being given out is correct and dependable. The collaboration requires high levels of trust and communication between the two parties and involves sharing information like documents, data or other proof for every step taken while examining the financial statements. On the other hand, this process aids in coming up with reliable financial reports that follow the necessary rules and laws.

We should point out that sustainability disclosure is a new vocabulary that has gained popularity in financial and accounting sectors. Sustainability disclosure refers to how organizations deal with important economic and noneconomic concerns (for instance environmental conditions, social factors, and macroeconomic variables) including inherent hazards/vulnerabilities and prospects for tomorrow's performance vis-a-vis top line monetary returns and intrinsic market valuations (Abu Zar, 2011).

The last decade was marked by a growing interest among various standard setting bodies in environmental issues. At the turn of the century, Robin Jarvis (1995) noted that there had been an increase in literature focusing on accounting for environmental costs but little attention paid towards social aspects within financial statements.

In the 1990s, professional accounting bodies across the UK and Europe started getting involved with environmental reporting practices, mostly focusing on two emerging issues - the greenhouse effect and depletion of natural resources. Before long, companies started reporting on sustainability which later became obligatory. Gray (2010) identified several names given to such reports including sustainability report, corporate social responsibility (CSR) report, and corporate responsibility (CR) report among others. Social and community report

Nevertheless, the term "triple bottom line reporting" is the most common term with regard to sustainability reporting. Introduced by Elkington (1997), this approach involves evaluating how economic, social and environmental activities undertaken by an organization or business and which together contribute towards the total added value within the society (Matar & Al-Suwaiti, 2012). Assurance networks refer to collaborative platforms that involve parties like the government, environmental bodies, as well as financial institutions, and have been established to ensure that economic agents follow sustainable development practices and comply with the set environmental targets and objectives. This kind of assurance strengthens the adherence to environmental sustainability standards and results in overall improvements within the economic and ecological sectors. It helps to increase the level of corporate compliance with environmental regulations and laws and also promotes the development of sustainable environment through various ways such as promoting environmental knowledge and enhancing eco-friendly risk management strategies. It also attracts socially responsible investors and customers supporting ecological protection efforts through available market tools and mechanisms (Assad & Alshurideh, 2020, p. 57). According to Dmitrenko (2017, p. 167), joint assurance can have various positive influences on sustainability indicators and environmental standardization, in particular:

1. Improving compliance with laws and regulations

When companies and organizations activate joint assurance mechanisms, they feel more obligated to follow environmental laws and regulations. Continuous monitoring and verification of sustainability practices make business and companies improve their environmental behavior continuously.

2 . Enhancing Compliance with Laws and Regulations: By activating joint assurance mechanisms, companies and institutions become more motivated to comply with environmental legislation and regulatory requirements .

Ongoing auditing and monitoring of sustainability practices encourage firms to continuously improve their environmental performance .

3 . Stimulating Environmental Innovation: To achieve a meaningful environmental impact, companies must pursue innovative solutions to minimize their ecological footprint . Joint assurance can stimulate the development and implementation of more effective and sustainable environmental technologies and practices .

4 . Improving Risk Management: Joint assurance plays a vital role in improving environmental risk management . When companies collaborate with environmental and governmental institutions, they are better equipped to identify potential risks and formulate suitable strategies for mitigation .

5. Raising Awareness and Promoting Education: Joint assurance contributes to raising awareness of environmental sustainability across businesses and the wider community .

6. Attracting investors and customers

When companies take up sustainable environmental standards, they become attractive to investors who invest in businesses that take social responsibility and customers seeking to promote the natural environment through their expenditure on environmentally responsible products. With assurance services playing a key role in influencing both long-term investments with regards to company stake and sustainable environmental development practices, the result is that there is an increase in terms of quality for financial reports of organizations.

Reinforcing adherence with rules regarding the environment and making sure that information on the environment is openly provided and lovers of environment can improve the quality of financial reports of a company . By engaging in this, they will make the financial reports good for individuals who may want to invest their money in them, help in running the businesses well with reduced risks as they will also support the firms' financial security over a long time . This paper discusses how combined assurance and sustainability development influence financial reporting quality as follows:

1 . Promoting Financial Transparency: The participation of the combined assurance partners helps companies take a leading part in revealing their economic as well as social practices' related information within the public domain. Hence, this widens up the scope for users including investors and other stakeholders who may wish to gauge the effect of the organization's activities on the environment from evaluating such reports.

2 . Evaluation of Risks and Opportunities Joint assurance fosters corporate examination of financial risks linked to ecological sector growth that accompany emerging chances for the environment; this prepares businesses to face new green issues and gain from such opportunities.

3. Enhancement of Financial Plans: Joint assurance provides the necessary environmental data and information for organizations to make dependable financial plans that enhance their ability to provide accurate and sustainable financial forecasts. 4 . Strengthening Investment Choices: Investment decisions are mostly based on the presence of sustainable strategies in organizations. Consequently, joint audit and environmental projects will increase the investment attractiveness and market capitalization of the company.

5 . Enforcement of Laws and Regulations: Joint assurance encourages adherence to environmental laws and policies, therefore lowering the risk of non-compliance penalties that could undermine financial statement integrity. The significance of disclosing financial as well as non-financial records for decision-making among investors cannot be underestimated given the current business environment characterized by increased international trade and investment activities . It is impossible for the companies to ignore the environmental performance report as it communicates a lot about their stand concerning the environment since there are many individuals who depend on their products or services. There is much economic gain when a person protects the environment (Khalil & Babaker, 2016, pp . 40-41). Therefore, we can say that environmental disclosure is "the act of presenting environmental activity information in annual reports and accounts for the purpose of facilitating environmental performance appraisal which could aid in making proper choices" (Al-Humairi, 2017, p . 72). C. M. Ekwueme et al. (2013) and Kaveen et al. (2013) argue that giving reliable information concerning economic, social as well as environmental events and transactions is crucial in assessing how well a business does and reduces the

gap in information between managers and external users. It also agrees with stakeholder theory that states a company can only succeed in the long term if it is able to meet the expectations of those parties having, owning or controlling key resources. On top of that, it is the opinion of this researcher that sustainability accounting disclosure could enhance the quality of accounting earnings by improving sustainability reports with relevant information. In line with this, the Global Reporting Initiative (GRI) guidelines outline that sustainability reports must give an inclusive view on companies' economic, social, environmental and governance activities. Such information should comply with some specifications such as being comparable, verifiable, clear and timely i. E. Meeting the financial accounting information characteristics (Saber, 2010). As a result, enhancing sustainability disclosures' transparency and information content about value creation enhances stakeholder decisions, ensures proper judgment of companies' actual financial position and improves the market efficiency. Evidently, there is an interaction effect of the development of the environment on the association between joint assurance and the quality of accounts. From this it can be inferred that joint assurance is essential in enhancing financial reporting quality within public and private sector entities. Through this, public trust is enhanced while increasing confidence levels among shareholders and investors thus promoting adherence to accounting standards and related regulations with a view of improving their financial and management performance effectiveness. It is therefore clear that joint assurance remains a critical aspect towards realizing high quality financial reports and fostering transparency and confidence over financial records that would otherwise compliment economic progress. This study is based on the idea that when organizations promise to work together, share responsibility for following green policies, and do business in a sustainable manner, they will be more likely to report about or disclose their environment. The research aims to prove that joint assurance has an effect on financial statement quality, which depends on environmental progression. The following are therefore sub-hypotheses deduced from the main hypothesis:

- a . There is a statistically significant effect of environmental development on the relationship between management's joint assurance and the quality of financial reporting .
- B . There is a statistically significant effect of environmental development on the relationship between internal auditor's joint assurance and the quality of financial reporting .
- C . There is a statistically significant effect of environmental development on the relationship between external auditor's joint assurance and the quality of financial reporting .

Results of the Research Hypotheses Testing

Based on the structural equation modeling (SEM) analysis, the effect of environmental development on the relationship between joint assurance and the quality of financial reporting was examined. As shown in the table below, there is a statistically significant effect of environmental development on the relationship between joint assurance and the quality of financial reporting.

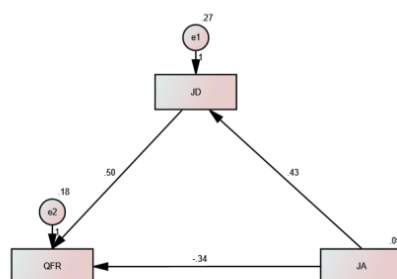


Figure (1): Structural Equation Model (SEM) for Analyzing the Main Hypothesis

Table (1): Paths and Parameter Estimates of the Main Hypothesis Effect Results

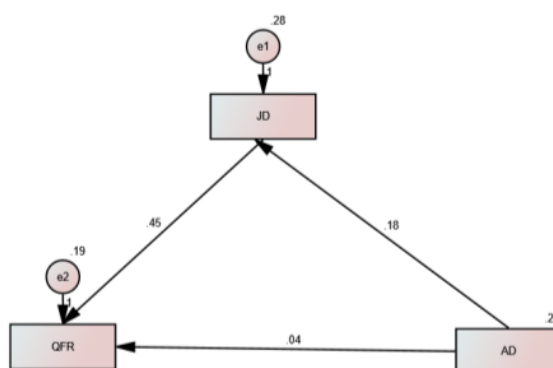
			Estimate	S.E.	C.R.	P
JD	<---	JA	.434	.144	3.021	.003
QFR	<---	JD	.502	.067	7.520	***
QFR	<---	JA	.336	.121	2.785	.005

Source: Outputs of AMOS V.26

Based on the above results, the regression coefficient value reached 0.3360, with a critical ratio of 2.785. These values are significant, as indicated by the p-value of 0.005, which is less than the significance level of 0.05. Consequently, the fourth main hypothesis is accepted, indicating that environmental development has a statistically significant effect on the relationship between joint assurance and the quality of financial reporting. Based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

This main hypothesis further branches into testing the effect for each dimension of joint assurance on the quality of financial reporting, as follows:

1. **Testing the First Sub-Hypothesis:** Based on the SEM analysis, the effect of environmental development on the relationship between management joint assurance and the quality of financial reporting was examined. As shown in the table below, there is a statistically significant effect of environmental development on the relationship between management joint assurance and the quality of financial reporting.

**Figure (2): Results of Testing the First Sub-Hypothesis of the Main Hypothesis****Table (2): Results of Testing the First Sub-Hypothesis of the Main Hypothesis**

			Estimate	S.E.	C.R.	P
JD	<---	AD	.181	.083	2.178	.029
QFR	<---	JD	.451	.067	6.688	***
QFR	<---	AD	.036	.069	.522	.001

Source: Outputs of AMOS V.26

Based on the above results, the regression coefficient value reached 0.036, with a critical ratio of -1.855. These values are statistically significant, as indicated by the p-value of 0.034, which is less than the significance level of 0.05. Consequently, the first sub-hypothesis of the fourth main hypothesis is accepted, indicating that environmental development has a statistically significant effect on the relationship between management joint

assurance and the quality of financial reporting. Based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

2. **Testing the Second Sub-Hypothesis of the Main Hypothesis:** Based on the SEM analysis, the effect of environmental development on the relationship between internal audit joint assurance and the quality of financial reporting was examined. As shown in the table below, there is a statistically significant effect of environmental development on the relationship between internal audit joint assurance and the quality of financial reporting.

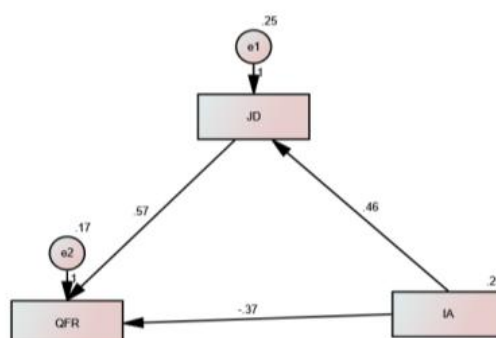


Figure (3): Results of Testing the Second Sub-Hypothesis of the Main Hypothesis

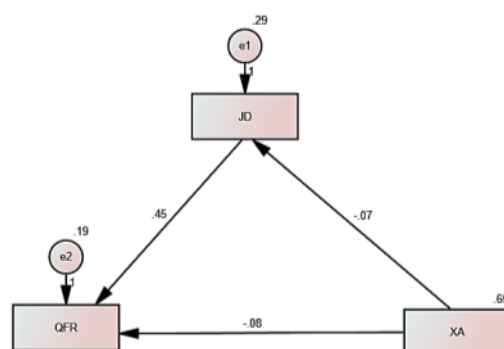
Table (3): Results of Testing the Second Sub-Hypothesis of the Main Hypothesis

			Estimate	S.E.	C.R.	P
JD	<---	IA	.456	.092	4.955	***
QFR	<---	JD	.572	.067	8.508	***
QFR	<---	IA	-.369	.081	-4.536	***

Source: Outputs of AMOS V.26

Based on the results in Table (3), represented by the regression analysis, there is a statistically significant effect of environmental development on the relationship between internal audit joint assurance and the quality of financial reporting. This is indicated by a regression coefficient of (-0.369) and a calculated C.R. value of (-4.536)—which exceeds the standard (tabulated) value—and a p-value of (0.000), which is less than the significance level of 0.05. Consequently, the null hypothesis is rejected and the alternative hypothesis is accepted, confirming that environmental development has a statistically significant effect on the relationship between internal audit joint assurance and the quality of financial reporting.

3. **Testing the Third Sub-Hypothesis of the Main Hypothesis:** Based on the SEM analysis, the effect of environmental development on the relationship between external auditor joint assurance and the quality of financial reporting was examined. As shown in the table below, there is a statistically significant effect of environmental development on the relationship between external auditor joint assurance and the quality of financial reporting.

**Figure (4): Results of Testing the Third Sub-Hypothesis of the Main Hypothesis****Table (4): Results of Testing the Third Sub-Hypothesis of the Main Hypothesis**

			Estimate	S.E.	C.R.	P
JD	<---	XA	-.067	.054	-1.227	.020
QFR	<---	JD	.445	.066	6.740	***
QFR	<---	XA	-.082	.044	-1.855	.034

Source: Outputs of AMOS V.26

Based on the above results, the regression coefficient value reached (-0.082) with a critical ratio of (-1.855). These values are statistically significant, as indicated by the p-value of (0.034), which is less than the significance level of 0.05. Consequently, the third sub-hypothesis of the fourth main hypothesis is accepted, indicating that environmental development has a statistically significant effect on the relationship between external auditor joint assurance and the quality of financial reporting. Based on the above, the null hypothesis is rejected and the alternative hypothesis is accepted.

V. SUMMARY OF RESULTS

From the information provided earlier, the outcomes reveal that there is indeed a statistically significant relationship between joint assurance and environmental development. The results of this study highlight a positive relationship within management, internal audit, external audit and also signify their unity. The relationship emphasizes interaction institutional with integrated corporate among other social actors like managers on one side, internal auditors on another side followed by external auditors all contributing towards credible information for users of financial reports. The joint assurance also ensures that there is increased environmental awareness since most companies will now disclose such information properly just like it was found in related literature, e. G. Rousow and Marais (2015), Adel et al. (2022), Alamanos et al. (2021) who have argued on the significance of environmental transparency especially with monitoring roles. It was also found out that joint assurance does enhance financial reporting quality because it creates some control environment that prevent executive management from engaging in opportunistic behaviors. As the third hypothesis posits, the results confirmed that there is a significant correlation as well between natural habitat conservation and economic account. This finding was justified by the fact that the selected companies were seen to consistently make public their environmental activities. Such commitment is beneficial to both improving disclosure quality and making the reports more comprehensive, while demonstrating the company's position vis-a-vis environmental values and international norms. Two recently related monitories were made by Feroz et al. (2019) and Anto & Yusran (2023) concerning

environmental disclosure which makes financial report more believable. The study supported the fourth hypothesis and its sub-hypotheses, which stated that nature conservation development contributes to linking joint assurance with better financial reporting. One can tell that the environment has an effect on what is disclosed about the environment and the actions that these companies do for environmental betterment. It is, therefore, important that management, internal audit and external audit under joint assurance approach monitor and ensure the credibility of these disclosures .

The outcomes also confirm the related studies of Rossouw & Marais 2015; Alamanos et al. 2021 which argued that if the combination of auditing tools and techniques and corporate social responsibility are used then it would improve information value and mitigate agency costs. From this, we can say that there is an interactive relationship in all the three variables under consideration i. E. Joint assurance, environmental progress and quality of financial statement. This indicates the need for effective regulatory frameworks that encourage full disclosure and enhance business sustainability .

On top of that, it brings out the importance of integrating environment into accounting and auditing systems so as to strengthen environmental and financial leadership and ensure that business pursues its economic, social and environmental goals as espoused in global reporting initiatives like GRI among others

Conclusions and Recommendations

1. Joint Assurance and Stakeholder Interaction:

The study sample companies show that they are seriously concerned whether there should be a joint assurance or not, and how those three parties work together, i. E. Management, internal auditing, and external auditing. This is because most respondents gave elaborate replies.

2. Commitment to Environmental Development:

The study sample companies show a strong commitment to environmental development through the disclosure of both financial and non-financial information related to their environmental services, as reflected in the high-level responses of the respondents.

3. Focus on Quality of Financial Reporting:

The study sample companies are committed to enhancing the quality of financial reporting and reducing fraudulent practices in the preparation and presentation of financial reports, as indicated by the high-level responses of the respondents.

4. Impact of Environmental Development:

The results of testing the main hypothesis and its three sub-hypotheses confirm that environmental development has a statistically significant effect on the relationship between joint assurance and the quality of financial reporting. Moreover, the three dimensions of joint assurance (management, internal auditing, and external auditing) significantly impact the quality of financial reporting through the mediating role of environmental development.

5. Integrated Assurance Processes:

Through joint assurance, the various assurance processes provided by assurance providers are integrated, giving a comprehensive view of all potential risks and coordinating them effectively.

6. Regulatory Reporting:

It is recommended that internal and external auditing provide a supervisory report that includes an audit of the sustainable development dimensions, which is then submitted to the Assurance Committee to consolidate with the assurance provided by management. This will enable the economic unit to monitor its performance in preserving economic and environmental resources.

7. Promoting Sustainable Development in Iraqi Economic Units:

Joint assurance aims to achieve sustainable development in Iraqi economic units and improve assurance processes among assurance providers regarding economic, environmental, and social risks, while eliminating duplications that hinder achieving objectives. It also seeks to identify practical methods to preserve and improve resources to attain sustainable development.

Recommendations After Data Analysis

Based on the analysis and conclusions of the study, the following recommendations are made:

1. Precision in Energy Planning:

Exercise precision in setting sales energy plans in accordance with the generation capacity for the required electric power, and utilize the available planning tools in the sector to accurately forecast future electric power needs.

2. Emphasize the Importance of Environmental Information Disclosure:

Highlight the importance of environmental information disclosure in reducing production costs and thereby increasing production.

3. Training Programs:

Organize training courses in the field of disclosure to enhance the competence and expertise of financial professionals and internal auditors.

4. Ministry of Electricity Reporting:

The Ministry of Electricity should enhance its financial reporting by issuing annual reports that provide comprehensive, detailed information about the ministry's activities, departments, and performance efficiency, while leveraging the country's economic openness with the rest of the world.

5. Implementation of Joint Assurance:

It is necessary to implement joint assurance in Iraqi economic units, especially in the Ministry of Electricity, as it provides a comprehensive overview to senior management regarding potential risks related to economic, environmental, and social activities.

6. Regulatory Reporting by Auditors:

Internal and external auditors should provide a supervisory report that includes an audit of sustainable development dimensions. This report should be submitted to the Assurance Committee to be consolidated with management's assurances, ensuring that the economic unit is effectively preserving its economic and environmental resources.

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