



Auditor-Client Negotiation in Non-Financial Reporting Assurance Missions

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Abstract

This paper seeks to present the auditor-client negotiation process from non-financial assurance perspective, as to understand those factors that determine the way auditors conduct negotiations. For this, the authors analyzed a series of articles and publications extracted from Web of Science (WOS) or other research databases. These were selected based on their research topic, that focused mainly on auditor-client negotiation, assurance mission, and non-financial reporting. Further, the paper investigates most relevant research publications starting from year 2000 until present (from citations and journal ranking point of view) with the purpose of identifying those factors influencing the negotiation process when auditing non-financial information. In addition, this qualitative research represents a literature review synthesis of most relevant articles.

Key words: auditor-client negotiation; assurance mission; non-financial reporting;

JEL Classification: M42

To cite this article:

Bunget, O. C., Dumitrescu, A-C., Sumănanu, A.D., Lungu, C. (2024), Auditor-Client Negotiation in Non-Financial Reporting Assurance Missions, *Audit Financiar*, vol. XXII, no. 2(174)/2024, pp. 287-300, DOI: 10.20869/AUDITF/2024/174/008

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2024/174/008>
Received: 18.08.2023
Revised: 21.08.2023
Accepted: 19.03.2024

Introduction

Our research topic represents a theoretical versus practical perspective upon an increasingly debated topic at the national and international level among researchers and practitioners. In this paper, we focus on the negotiations process during non-financial audit missions. More precisely, we describe all the conceptual aspects that make up the subject of negotiations, especially the factors that determine the way auditors conduct negotiations. Also, we consolidate the theories of the specialized literature and bring our own contribution to this research, through a quantitative analysis of articles and publications extracted from WOS and other databases, the purpose being to determine the factors influencing audit - client negotiation for non-financial reporting. Basically, we analyze the auditor-client negotiation process during the audit mission, to shed light on the factors that influence the degree of negotiation. Moreover, when differences of perspective arise between the auditor and the client, negotiation is how the two parties tend to achieve their goals and expectations.

Therefore, our research focuses on the presentation and analysis of the main factors that shape and define the negotiation in non-financial information audit, that arise in auditor-client interactions, contributing to the difficulty of carrying out the audit mission. Better insight into this phenomenon thus improves audit outcomes directly and indirectly for all parties involved.

Methodology

The research methodology involves more stages, namely:

- (1) qualitative study, through literature review, upon the most relevant and recent publication in World of Science (WOS) database as well as other research databases from various topics such as the negotiation between auditor and client, assurance mission, reporting on non-financial information; these were analyzed through the lens of factors influencing auditor-client negotiation in the context of non-financial reporting.
- (2) selecting only those research publications starting from year 2000 until present, that contain the highest quotations according to citations, journal ranking, country of origin etc.
- (3) identification of factors influencing the negotiation process in terms of non-financial information.

Literature review on non-financial audit negotiation

This section contains literature on auditor-client negotiation and provides information on the dynamics of negotiation in the non-financial audit context.

Unlike traditional financial audits that focus on a company's financial statements and transactions, non-financial audits examine various non-financial aspects, such as environmental, social, and governance (ESG) performance, corporate social responsibility (CSR) initiatives, and other sustainability-related practices. In addition, scholars and academics (Jackson et al., 2020; Szabó & Sørensen, 2015; Knebel, S., & Seele, P., 2015; Aureli et. al., 2019) refer to standards flexibility in case of non-financial audit as to the adaptability and customization of auditing procedures and criteria used to assess an organization's non-financial performance or sustainability practices. Moreover, auditors determine which sustainability-related issues are important enough to warrant disclosure or consideration in the audit report with the help of materiality tool, assessing the significance of environmental, social, and governance (ESG) factors on an organization's overall performance and reporting (Juma'h, A.H., 2009; Cerbone, D., & Maroun, W., 2020; Baag, P.K., 2021).

Gibbins, M.S. (2001) presents a comprehensive model of audit negotiation through three types of factors for non-financial reporting assurance missions: external conditions and constraints, the capabilities of the parties, and interpersonal context. An auditor with relevant experience in the field has the knowledge and skills to identify any issues of non-compliance concerning non-financial reporting. On the other hand, even when the auditor requests the adjustments, he may not be able to convince the client of the identified issues concerning non-financial reporting because he does not have the knowledge or experience in negotiation. Thus, Gibbins' model analyzes the factors that affect the negotiation of auditors with clients and takes into account the potential interactions between the characteristics of the parties, such as knowledge, experience and skills, respectively environmental characteristics such as the risk of involvement, the nature of the accounting standards that they combine with the characteristics of the relationship between the auditor and the client to explain the performance and the results of the negotiation (Gibbins, M.S., 2001).

Experience in negotiation improves negotiator's performance and, consequently, the results obtained (Trotman, 2005; Brown H. L., 2009). Specifically, experienced auditors can develop a wider range of alternatives, particularly with risky clients, compared to less experienced ones. Thus, auditors' knowledge is beneficial in terms of non-financial reporting quality. In the same context, Brown (2009) studies the effect of negotiation experience on concessions to customers. The results indicate that low negotiation experience leads to concessions regarding the method chosen by the client when a high degree of involvement, compared to those auditors who manage to stand against client pressure. Similarly, Sun (2015) found a correlation between the expertise of the auditor and the attitude towards client non-financial reporting practices. Fisher (2015) and Felix Jr. (2005) argue that the auditor's negotiation experience influences the clients' negotiation style as well as the outcome of the negotiations in which the auditors were involved. The optimal result is obtained when the parties collaborate in the negotiation process. Experience and knowledge from previous negotiations improve negotiation skills (Brown, H.L., 2009; Trotman, 2009). In this context, Gibbins (2001) argues that the auditor-client negotiation often involves several stages. Therefore, auditors gain knowledge about how clients negotiate, which allows them to gain an advantage over the client. Audit quality could be improved by involving more senior auditors in the audit process with a high degree of understanding and competence regarding the non-financial audit engagement.

If an auditor has background in a specific industry, this will improve his performance in general (Moroney, 2007). Thus, industry-specialized auditors perform better in assessing inherent risks more effectively (Trotman, 2005), and assess audit risk much better (Iyer, 2004). For example, Brown & Fanning (2016) shows that auditors with better knowledge of the client's industry are less influenced by the persuasion tactics used by clients and propose more adjustments. According to Robert Ewing (2021), auditors use industry specialization as an advantage to win more clients. Industry expertise effects refer to how the audit firm's specialization affects negotiation performance and outcomes. However, if the audit firm has a certain position, it can become less objective and independent (Gangl, 2019). This is

explained by the fact that auditors want to keep their clients in the industry in which they specialize.

Bame-Aldred (2007) suggests that auditors must be trained to deal with complicated errors and mistreatments and investigate the reasons behind them. Thus, the role and importance of their work derives from the auditor profession, which must be characterized by integrity, honor and transparency. When auditors put themselves in the client's shoes before negotiations take place, and come to understand the client's needs very well, they gain more advantages in the negotiation process, including the efficient flow of information that results in increased quality of non-financial reports (Trotman, 2005).

Therefore, the client's negotiation with the auditors depends on various factors (e.g. understanding the industry of the client, years of auditing experience, or negotiation experience and training. Most important is the finding that negotiation experience improves negotiation performance and can therefore lead to better negotiation outcomes.

Professional skepticism on the part of auditors will make the auditor refuse non-financial alternatives from clients. This leads to conflict between the auditor and clients over complex non-financial matters that may involve auditor-client negotiation before agreeing on the appropriate reporting alternative. Brown (2009) studies the impact of professional skepticism and management incentives in the negotiation process. These results support previous research (Nelson, 2006; Hartl, 2015) that means skepticism in audit profession becomes an important factor for non-financial audit missions.

The auditor-client relationship assumes a certain probability that the client will cooperate with the auditor, to the extent that he could be convinced of his opinion. In this context, researchers suggest that this relationship determines, in fact, the elements to be negotiated, the duration of the negotiation, as well as the manner of negotiation approached, respectively strategies or tactics (Perreault, 2011). Also, much research has been done on how client pressure influences the client-auditor negotiation process (Nelson, 2006). Resistance to the pressure of the client is a major issue in the context of auditor-client negotiations.

Negotiation theory suggests that when the auditor informs the client of the necessary adjustment while leaving it up to the client to adopt it, a collaborative environment is created, which will enhance the relationship between the negotiators and improve future negotiations.

Engagement risk in auditor-client negotiations is fundamental because engagement risk is a prominent feature of the audit environment (Shadish, 2002). The main risk for an auditor is in fact the possible denigration of professional practice (Brown, H.L., 2009). Auditors understandably want to keep this risk as low as possible, and the most effective way to do this is by refusing to give in to pressure from clients. Auditors are becoming more conservative when approving non-financial reporting, given the risk of litigation or the involvement of negative publicity.

The PCAOB (Public Company Accounting Oversight Board) states that keeping the audit mandate in the long term can be a threat to auditor independence and that the imposition of rotation of audit firms helps to solve this problem. Experimental research undertaken by Dopuch (2001) demonstrates that the imposition of rotation of auditor reduces the cases in which auditors accept client proposals and lowers non-financial audit quality, thus favoring the management of the audited entity. In the context of negotiation between auditor and client, Wang (2009) confirms that the probability of auditors accepting client proposals is lower if this rotation of firms is imposed.

A previous study by Iyer (2004) studied audit activity as being influenced by four factors namely: the auditor's mandate, the client importance and value as perceived by the partner, the non-audit service provided and the existence of former auditors.

Overview on standard setters in the field of non-financial audit

The Standard for International Assurance Engagements (ISAE) 3000 - "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" contains useful information on how to conduct non-financial audit missions. These subject matters may include environmental reports, social responsibility reports, internal controls, or other non-financial information. The standard outlines the general principles that auditors and

assurance practitioners should follow when conducting such engagements, including planning, obtaining evidence, and reporting. It emphasizes the core elements of independence, skepticism as a characteristic of professional audit, and the use of appropriate methodologies (ISAE 3000, revised, December 2023).

Standards and regulatory authorities maintain that auditors should review non-financial reports quality from the perspective of the audit committee (Sonnerfeldt & Pontoppidan, 2020). In addition, Sarbanes-Oxley gave this committee additional power from a financial information point of view. The audit committee has a significant role in overseeing the audit process and internal control. Although not directly involved in the negotiation process, the audit committee is considered an important ally for the auditor in the negotiation process, as it provides direct support in negotiation. It should be noted that bargaining power is an important determining factor in auditor-client negotiations (Gibbins, M. S., 2001). In addition, the bargaining power of the auditor is influenced by the power of the audit. In general, the role of audit committee in mediating conflicts among management and the auditor is important for non-financial information quality. Consequently, the audit committee's impact on the auditor-client negotiations depends considerably on the power of the committee.

According to Krasodomska et al. (2021), Adams (2004), Adams and Evans (2004), Moneva, Archel, and Correa (2006), the most relevant non-financial reporting assurance standard references are AA1000AS and IASE 3000 (respectively 2008, issued in 2015). A comparison among the two mentioned international standards reveals that ISAE 3000 is much more advanced than AA1000AS, being free, with a mandatory characteristic, targeting all type of auditors as assurance services providers, being flexible in adopting the criteria of compliance, engaging in reasonable or limited assurance, and maintaining high standards for quality control. As a contrast, AA1000AS does not have a formal definition, presents high or moderate assurance levels, considers the Accountability principles solely, ensures quality of non-financial information disclosure, asks for a license in sustainability assurance, has a voluntary basis, and assumes royalty payments (Table no. 1).

Table no. 1. Standards for main non-financial reporting assurance - comparative analysis		
	ISAE 3000- 2015	AA1000AS-2008
Recent release	Dec 2013 (for use after Dec 15, 2015)	2008 New release in 2020?
Fee for usage	No fee	Royalty payment by assurance provider
Mandatory	Mandatory use for accounting firms	No
Target users	All assurance practitioners-members of a firm subject to ISQC 1 (Internal Standard on Quality Control) or more demanding standards	All licensed sustainability assurance practitioners
Criteria	Any «applicable criteria» used for the particular engagement	Adherence to Accountability Principles Quality of sustainability disclosure («suitable criteria»)
Risk/Levels of Assurance	Reasonable (lower risk) of Limited (higher risk)	High assurance (lower risk) or Moderate assurance (higher risk)
Quality Control	Practitioner must be a member of a firm that is subject ISQC 1 or stricter	No formal definition

Source: extracted from Krasodomska et al., 2021: page 113

Specific regulation initiatives for non-financial reporting also influenced the trend of assurance in this area. At European level, there is Directive 2014/95/EU, that stipulates how to report on business models, non-financial performance (through KPIs or Key Performance Indicators), or other relevant non-financial information, also advising companies to use international non-financial reporting guidelines (most having a voluntary disclosure-compliance character), such as IR (Integrated Reporting), GRI (Global Reporting Initiatives), SASB (Board for Sustainability Accounting Standards), (FEA) Federation of European Accountants, EC (European Commission) guidelines, UNGC (United Nations Global Compact), Sustainability Code of the German Council for Sustainable Development, UK FRC Guidance on the Strategic Report etc. (Krasodomska et al., 2021).

There has been an increasing emphasis on adopting an evidence-informed approach to setting standards by various standard-setting bodies, such as AASB (Board of Australian Accounting Standards) and AUASB (Board for Auditing and Assurance Standards). An evidence-informed approach involves using empirical research, data analysis, and feedback from stakeholders to inform the development and revision of corporate reporting and assurance standards (Garg et al., 2020).

The Corporate Sustainability Reporting Directive (CSRD) had not yet been formally adopted, but it was being proposed as part of the efforts of EC to update and expand the existing Directive for Non-Financial Reporting

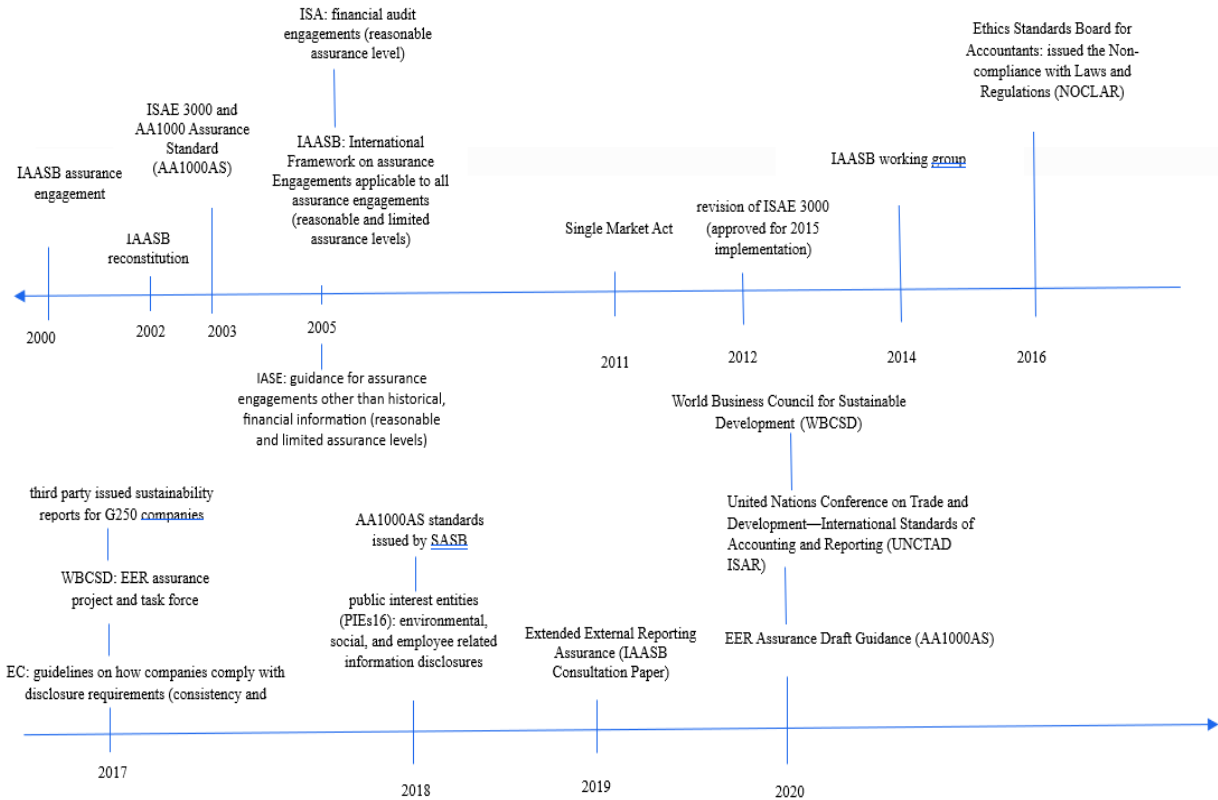
(NFRD). The CSRD aims to enhance the sustainability reporting requirements for companies operating within the European Union (EU) and is expected to bring significant changes to corporate governance practices (Primec&Belak, 2022).

Figure no. 1 outlines the roadmap to non-financial audit in terms of standardization. A very early stage was the IAASB framing on assurance engagement in year 2000, followed by the reconstitution of IAASB two years later. In 2003, Assurance Standards ISAE 3000 and AA1000 are issued, while year 2005 is marked by a series of important events, namely: (1) setting of reasonable assurance levels by ISA, (2) reasonable versus limited assurance levels through the Assurance Engagements International Framework issued by IAASB; (3) assurance engagements guidance on non-financial information as of ISAE. 2011 was marked by the publication of the Single Market Act, in 2012 there was the ISAE 3000 revision, with later implementation in 2015 while 2014 debuted with the development of an IAASB working group. In 2016, the Standards Board for Ethical Accounting finalized the Laws and Regulations for Non-compliance under the form of a response (NOCLAR), and year 2017 was subject to three main international movements: (1) EC guidelines on non-financial reporting disclosure requirements, (2) Extended External Reporting (EER) audit project and task force development, as an action of World Business Council for Sustainable Development (WBCSD), (3) sustainability reports of G250 companies audited by third party. In 2018, SASB launched its AA1000AS standards, and in 2019

IAASB initiated the External Reporting Assurance under the form of a Consultation Paper. Finally, 2020 was a representative year for non-financial audit reporting through the work and effort developed by WBCSD, as well as the organization of Trade and Development

Conference as an initiative of International Standards of Accounting and Reporting (UNCTAD ISAR) and United Nations, and not least, the Draft Guidance on EER Assurance (AA1000AS).

Figure no. 1. Roadmap to non-financial audit



Source: adapted after Farooq and de Villiers, 2017; Sonnerfeldt & Pontoppidan, 2020; Krasodomska et al., 2021; Garcia et al., 2018

Discussion and results

This section of the paper outlines our qualitative study on research publications starting from year 2000 until present that contain the highest quotations according to citations and journal ranking.

Moreover, stakeholders are demanding more transparency and accountability from companies regarding their non-financial performance. This trend creates opportunities for audit firms to expand their service offerings to include non-financial reports assurance (Bartoszewicz & Rutkowska, 2021).

Non-financial assurance literature identifies a series of disclosure items that can be used as checklist for non-financial information audit, namely:

- disclosure content (Garcia et al., 2018);
- compliance with regulations and standards, legal and regulatory frameworks, assurance methodologies and standards (Garcia et al., 2018; Eugénio et al., 2022; McCracken et al., 2008; Kulset, 2013; Ștefănescu et al., 2020; Anderson et al., 2012; Fiandrino & Tonelli, 2021; Trucco et al., 2022; Hategan et al., 2021; Rennie et al., 2014; Ștefănescu, 2021)

- industry-specific analysis (Anderson et al., 2012; Garcia et al., 2018; Hatfield et al., 2007);
 - performance metrics and targets, (KPIs) key performance indicators (Garcia et al., 2018; Tsagas & Villiers, 2020);
 - stakeholder engagement (Garcia et al., 2018; Tsagas & Villiers, 2020; Hategan et al., 2021; Ștefănescu, 2021) including impact on investors (Ștefănescu et al., 2020);
 - benchmarking and comparability (Garcia et al., 2018; Ștefănescu et al., 2020);
 - materiality assessment (Tsagas & Villiers, 2020; Ștefănescu et al., 2020; Ștefănescu, 2021);
 - clear and concise reporting, contextual information, communication, reporting quality, and information sharing (Tsagas & Villiers, 2020; McCracken et al., 2008; Ștefănescu et al., 2020; Rennie et al., 2014; Eugénio et al., 2022);
 - focus on impact and outcomes (Tsagas & Villiers, 2020);
 - integrated reporting (Tsagas & Villiers, 2020; Ștefănescu et al., 2020; Ștefănescu, 2021);
 - collaboration with other professionals (Eugénio et al., 2022);
 - auditor independence and objectivity, trust and professional skepticism, professional judgment and decision-making (McCracken et al., 2008; Kulset, 2013);
 - early-stage conversation, conflict resolution through auditor-client negotiation, power dynamics and negotiation strategies, negotiation tactics of auditors, negotiating power, clients' auditing experience (McCracken et al., 2008; Kulset, 2013; Agrawal et al., 2020; Hatfield et al., 2007; Azmi & Voon, 2016; Rennie et al., 2014);
 - client size and complexity (Hatfield et al., 2007);
 - management integrity and transparency, management bias, influence of client characteristics, challenging management's assertions (Hatfield et al., 2007; Awadallah, 2018; Rennie et al., 2014);
 - previous audit history, past auditor-client relationship (Hatfield et al., 2007; Agrawal et al., 2020);
 - non- financial reporting expertise of client personnel (Hatfield et al., 2007; Eugénio et al., 2022);
 - non-financial performance and risk profile (Hatfield et al., 2007; Cam, 2015; Eugénio et al., 2022);
 - fewer resources and less extensive procedures (Hatfield et al., 2007);
 - business risk of auditee versus the risk in audit / business risk for the auditor (Sahnoun & Zarai, 2009; Cam, 2015);
 - effects on negotiation outcome: increased scrutiny, resistance to audit findings, adjusted audit approach, greater reliance on management representations, heightened professional skepticism, pressure to reach a common agreement (Sahnoun & Zarai, 2009; Rennie et al., 2014);
 - corporate governance practices (Hatfield et al., 2007; Anderson et al., 2012);
 - audit quality (Hatfield et al., 2007; Awadallah, 2018);
 - audit scope and procedures (Hatfield et al., 2007);
 - enhanced confidence, balanced perspective, reduced bias, ability to manage conflicts, impartial decision-making, avoidance of undue influence, assertiveness, cooperativeness, building trust with clients, offering professional advice and guidance (Svanberg et al., 2019; Awadallah, 2018);
 - efficient communication (Azmi & Voon, 2016);
 - resistance to auditor recommendations, concession-timing strategies, early concessions, late concessions, balanced concessions (Azmi & Voon, 2016).
- Table no. 2** presents a synthesis of main factors that influence negotiation in non-financial audit processes, grouped into the following categories:
- (1) voluntary versus mandatory disclosure and standards flexibility
 - (2) sectorial/industry characteristic
 - (3) results of audit process
 - (4) materiality threshold
 - (5) auditor side of negotiation (expertise, skills, and competences)
 - (6) client side of negotiation
 - (7) intrinsic characteristics of the non-financial audit negotiation process, that describes the same time auditor-client relationship aspects.
- Also, we distinguish among internal versus external factors, or the ones that are inside the audit-client

relationship aspects (auditor and client characteristics, interactions between client and auditor, materiality issues in non-financial audit) and the external conditions/influences from the macroeconomic environment (stakeholders/key actors for corporate reporting, standards, industry specific conditions and benchmarks). All these are meant to highlight the impact

of these factors on the negotiation process, as for instance some positive traits/specific characteristics on the side of the client as well as from the auditor, will increase the premises for negotiation in non-financial audit. Further on, the flexibility of standards along with defining materiality in non-financial audit helps the negotiation process between auditor and its client.

Table no. 2. Factors that influence negotiation in non-financial audit processes

Factor	Category/group of factors in relation to the non-financial audit negotiations process	Type of factor (internal/external) in relation to the non-financial audit negotiations process
compliance with regulations and standards, legal and regulatory frameworks, assurance methodologies and standards; disclosure content; integrated reporting	voluntary versus mandatory disclosure and standards flexibility	external
industry-specific analysis; performance metrics and targets, (KPIs) key performance indicators; benchmarking and comparability; non-financial performance and risk profile	sectorial/industry characteristic	external
stakeholder engagement, including impact on investors; focus on impact and outcomes; collaboration with other professionals	results of audit process	external
materiality assessment; clear and concise reporting, contextual information, communication, reporting quality, and information sharing;	materiality threshold	internal
auditor independence and objectivity, trust and professional skepticism, professional judgment, and decision-making; business risk of auditee versus the risk in audit	auditor side of negotiation (expertise, skills, and competences)	internal
client size and complexity; management integrity and transparency, management bias, influence of client characteristics, challenging management's assertions; non-financial reporting expertise of client personnel; business risk for the auditor; corporate governance practices	client side of negotiation	internal
early-stage conversation, conflict resolution through auditor-client negotiation, power dynamics and negotiation strategies, negotiation tactics of auditors, negotiating power, clients' auditing experience; previous audit history, past auditor-client relationship; fewer resources and less extensive procedures; effects on negotiation outcome: increased scrutiny, resistance to audit findings, adjusted audit approach, greater reliance on management representations, heightened professional skepticism, pressure to reach a common agreement; audit quality; audit scope and procedures; enhanced confidence, balanced perspective, reduced bias, ability to manage conflicts, impartial decision-making, avoidance of undue influence, assertiveness, cooperativeness, building trust with clients, offering professional advice and guidance; efficient communication; resistance to auditor recommendations, concession-timing strategies, early concessions, late concessions, balanced concessions.	intrinsic characteristics of the non-financial audit negotiation process, that describes the same time auditor-client relationship aspects	internal

Source: authors' projection

By implementing these steps, companies can streamline their non-financial reporting initiatives and ensure that the disclosed information is relevant, transparent, and supports sustainability goals effectively. This approach helps to avoid information overload, enhances stakeholder engagement, and focuses on the key issues that drive meaningful change towards a more sustainable future (Tsagas & Villiers, 2020).

Sonnerfeldt & Pontoppidan (2020) analyze assurance in terms of non-financial reporting discussing international standards, guidelines, frameworks, and other forms of sustainability and corporate social responsibility landscapes. Non-financial assurance becomes thus the process of evaluating strategies of corporate reporting, defining management values, and checking against information systems maturity (Sonnerfeldt, 2011), as well as measuring the environmental impact of ESG (Environmental Social and Governmental) reporting. Nevertheless, challenges in non-financial audit are marked by diversity in corporate reporting practice, the large number of guidelines and standards on sustainability and corporate social responsibility reporting, differences in national regulations and lack in conformity etc. (Sonnerfeldt & Pontoppidan, 2020). Additional challenges include the scope of non-financial reporting assurance, criteria used (general versus specific), assurance on company planning, internal control, governance aspects, predicted information, along with judgement and skepticism of the auditor, his competences, as well as the final form of non-financial audit report, and not least investor perspective, along with the ability of communicating the added value or ensuring the quality of non-financial information disclosure (Krasodomska et al., 2021). However, it is noted the most relevant standard in terms of non-financial audit practices (Sonnerfeldt & Pontoppidan, 2020) is ISAE 3000 that militates for assurance levels in what regards non-financial reporting as well as evaluation of materiality and risk concerning non-financial aspects of corporate reports. Further, the large diversity regarding standards and guidelines generates multi reporting on non-financial information in practice (Krasodomska et al., 2021), e.g. the company Vornado Realty Trust that uses two different frameworks for their reporting: SASB standards and Global Reporting Initiative (GRI). According to Anderson et al. (2012) there are various factors that have influenced the growth or changes in the internal audit departments within organizations on 2002 Sarbanes-Oxley Act (SOX) implementation of, namely: compliance requirements,

corporate governance practices, risk versus financial and nonfinancial performance and, organizational size and complexity, outsourcing versus co-sourcing practices, industry and regulatory environment, impact of technology, voluntary initiatives.

Auditor-client management relationships influence the non-financial audit negotiation. These relationships involve interactions between auditors and the management of the client organization and can influence the process and outcome of negotiations for non-financial assurance (McCracken et al., 2008).

Characteristics of the client as well as the tactics of negotiation for non-financial assurance are relevant for the completeness and accuracy of disclosures, not to mention the overall reliability of non-financial disclosure. It is important for auditors to consider these adjust their negotiation tactics accordingly to ensure that non-financial information is true and fair in what concerns the firm performance derived from non-financial information (Hatfield et al., 2007)

While field evidence specific to auditor-client negotiations may be limited due to the confidential nature of these discussions, research highlights the importance of professional judgment, power dynamics, negotiation strategies, professional skepticism, and the influence of client characteristics and the regulatory environment. These factors shape the dynamics and auditor-client outcomes in terms of assurance negotiations impacting financial reporting quality and reliability (Kulset, 2013).

It is important to note that auditors must maintain professional skepticism throughout the audit process, regardless of early-stage conversations or past relationships. Professional skepticism involves questioning and critically assessing the information and evidence provided by management experts, irrespective of any prior interactions. It is expected that an evaluation of the qualifications and independence of management experts is made, as well as assessment of experts' work. Reliance on management experts depends on auditors' competence evaluation, independence, and the reliability of their work, rather than solely relying on early-stage conversations or past relationships (Agrawal et al., 2020).

Auditors should uphold their professional responsibilities and ethical obligations throughout the negotiation process, regardless of the risks involved. They should prioritize, maintain independence, and ensure reliability in non-financial reporting. Their objectivity refers to the ability of auditors to maintain an unbiased and independent

mindset while performing their audit duties. Auditor negotiation self-efficacy beliefs, on the other hand, refer to auditors' confidence in their negotiation skills and ability to achieve favorable outcomes during the negotiation process. It is important to note that while negotiation self-efficacy beliefs can positively influence auditor objectivity, auditors must also be cautious about overconfidence or overreliance on their negotiation skills. They should continuously assess and reflect on their objectivity throughout the audit process, seeking appropriate consultation and considering relevant ethical and professional standards. Auditor objectivity should always take precedence over negotiation outcomes. Auditors have a responsibility to maintain their independence, exercise professional skepticism, and perform their duties objectively to ensure the integrity for non-financial information (Svanberg et al., 2019).

The application on dual concerns model in auditor-client negotiations in an emerging economy involves considering the interplay between assertiveness and cooperativeness, which are two key dimensions of negotiation behavior (Awadallah, 2018).

Krasodomska et al. (2021) set the core elements of non-financial audit. Thus, materiality threshold becomes connected to stakeholders needs and expectations: strategies, governance, business model, reporting transparency, or other relevant non-financial information such as Green House Gas (GHG) emission, efficiency in energy or water consumption etc.

The application of the dual concerns model requires auditors to find an appropriate balance between assertiveness and cooperativeness. They need to assertively uphold audit quality and professional standards while fostering a cooperative environment that facilitates effective communication, trust-building, and collaboration with clients. It is important to note that the specific application of the dual concerns model in auditor-client negotiations may vary based on the cultural, legal, and regulatory context of the emerging economy in question. Auditors should consider the unique characteristics and challenges of the specific market they operate in while applying negotiation strategies that align with professional standards and ethical principles (Awadallah, 2018).

Negotiations between auditor and its client has a consistent impact for the assurance process, as they involve discussions and agreements between auditors and their clients regarding various accounting and auditing issues. The dynamics of these negotiations can be

influenced by several factors, including the clients' auditing experience and concession-timing strategies (Azmi & Voon, 2016).

The level of clients' auditing experience can affect their negotiating power, communication efficiency, and their willingness to accept auditor recommendations. Concession-timing strategies, such as early or late concessions, can influence the negotiation dynamics and outcomes. Both auditors and clients should aim for fair and constructive negotiations while adhering to ethical principles and professional standards (Azmi & Voon, 2016).

Assurance reports are independent assessments conducted by third-party auditors to verify and provide assurance for CSR reporting/ disclosure. CSR reports are documents published by organizations to communicate their ESG performance and activities to stakeholders, including investors, customers, employees, and the public. The purpose of assurance reports is to enhance the credibility and reliability of the information disclosed in CSR reports. By having an independent party review the data and processes used to generate the report, stakeholders can have greater confidence in the accuracy and transparency of the disclosed information (Monjarret, 2018).

It's essential to note that while macroeconomic determinants can influence the extent and pace of non-financial reporting harmonization, they are just one set of factors among many that can shape companies' reporting behavior. Cultural, legal, and organizational factors, as well as stakeholder demands and market expectations, also play vital roles (Ștefănescu, 2014).

Assessment and practice of companies' sustainable reporting involve evaluating the quality, transparency, and effectiveness of their reporting on environmental, social, and governance (ESG) matters. Sustainable reporting, often included in Corporate Social Responsibility (CSR) or Sustainability Reports, enables companies to communicate their sustainability performance and initiatives to stakeholders. Assessment of companies' sustainable reporting can be performed by stakeholders, analysts, rating agencies, and independent researchers. They may evaluate the quality, completeness, and responsiveness of the report to stakeholder expectations. Companies can also conduct internal assessments to identify areas for improvement and strengthen their reporting practices. Ultimately, robust sustainable reporting fosters transparency, accountability, and

responsible business practices strengthen the reputation of that company and contribute to value creation (Oliinyk et al., 2022).

Conclusions

This paper represents a qualitative study that assumes an analysis of articles and other publications extracted from Web of Science (WOS) or other research databases, selected based on research topics: auditor-client negotiation, assurance mission, and non-financial reporting. In addition, it includes a broad literature review study upon most relevant research publications starting from year 2000 until present (from citations and journal ranking point of view). The aim was to identify the main factors influencing the negotiation process of non-financial audit.

Findings of our research reveals general aspects concerning non-financial /sustainability reporting focusing upon the relevance of the audit process within the progress of corporate reporting. We analyzed the non-financial audit negotiation literature, and then made a trespassing along the most important standards in the field. Our qualitative study reveals the main categories of factors influencing non-financial reporting assurance mission: disclosure content, compliance with regulations and standards, industry-specific analysis, (KPIs) key performance indicators, stakeholder engagement,

materiality assessment, integrated reporting, auditor versus client characteristics.

Nevertheless, non-financial reporting audit missions assume early-stage conversations between auditors and clients, as well as conflict resolutions through auditor-client negotiation. The latter is based on power dynamics and negotiation strategies, negotiation tactics of auditors, negotiating power, clients' auditing experience, client size and complexity, management integrity and transparency, management bias, past auditor-client relationship, business risk of auditee versus risk of audit.

The effects on the results of negotiation uphold increased scrutiny, resistance to audit findings, adjusted audit approach, greater reliance on management representations, heightened professional skepticism, pressure to accommodate, corporate governance practices, audit quality, scope and procedures, enhanced confidence, balanced perspective, reduced bias, ability to manage conflicts, impartial decision-making, avoidance of undue influence, assertiveness, and efficient communication,

Finally, we admit the importance of audit-negotiation process for setting non-financial assurance missions, this resulting from the relevance attributed through prestigious authors, scholars and academics from audit negotiation and non-financial reporting literature.

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