



SPECIFICS OF MAKING DECISIONS ABOUT ACCEPTING A CLIENT AND CONTINUING AN AUDIT RELATIONSHIP IN ESG AUDITING

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Article history:	Abstract:
Received: 10 th February 2026 Accepted: 8 th March 2026	This article identifies, assesses, and addresses threats to client acceptance and audit relationship decisions in ESG auditing in a sustainable development context, and provides suggestions and recommendations on them.

Keywords: Sustainable confidence, sustainable reasonable confidence, client portfolio, threats, audit ethics principles

INTRODUCTION.

The ESG concept, in essence, represents a shift from the classical "profit maximization" theory to the "sustainable value creation" approach. That is, the value of a company is determined not only by current financial results, but also by the long-term consequences of its environmental, social, and management decisions.

Embracing ESG helps businesses reduce risk, thereby creating efficiency and long-term value. Setting ESG goals is important for organizations because it demonstrates their readiness to meet the future demands of a changing business environment.

The economic content of ESG is that it considers non-financial factors that shape the financial results of an enterprise as an object of economic analysis. These factors may not be directly reflected in financial statements, but they have a significant impact on the level of risks, cost of capital, investment attractiveness, and market stability.

ESG (Environmental, Social, Governance) auditing is the process of assessing the reliability, transparency, and sustainability of an organization's environmental, social, and governance disclosures. Ethics are central to this process, as ESG information is often non-financial and based on subjective assessments.

LITERATURE REVIEW.

Linda A. Spedding (2008) provides the following definition of ethics in auditing: "An ethical audit is an effective tool for identifying risks by assessing the culture of an organization."

According to Steven M. Mintz (2011), "Auditor independence is not just an external condition, but also an internal ethical position of the auditor."

Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2014) stated in their work that "The primary responsibility of auditors is to fulfill their responsibility to society, not to the client."

According to William F. Messier Jr., "Audit quality is directly related to the auditor's honesty, objectivity, and professional skepticism."

RESEARCH METHODOLOGY.

The research used induction, deduction, systematic and comparative analysis, grouping, experimentation, adaptive methods, integrative approaches, and analysis and approbation of international experiences.

ANALYSIS AND DISCUSSION OF RESULTS

We know that the auditor's audit services include a review service in addition to the audit service, and this type of service provides limited assurance, which is lower than the reasonable assurance that can be obtained from an audit.

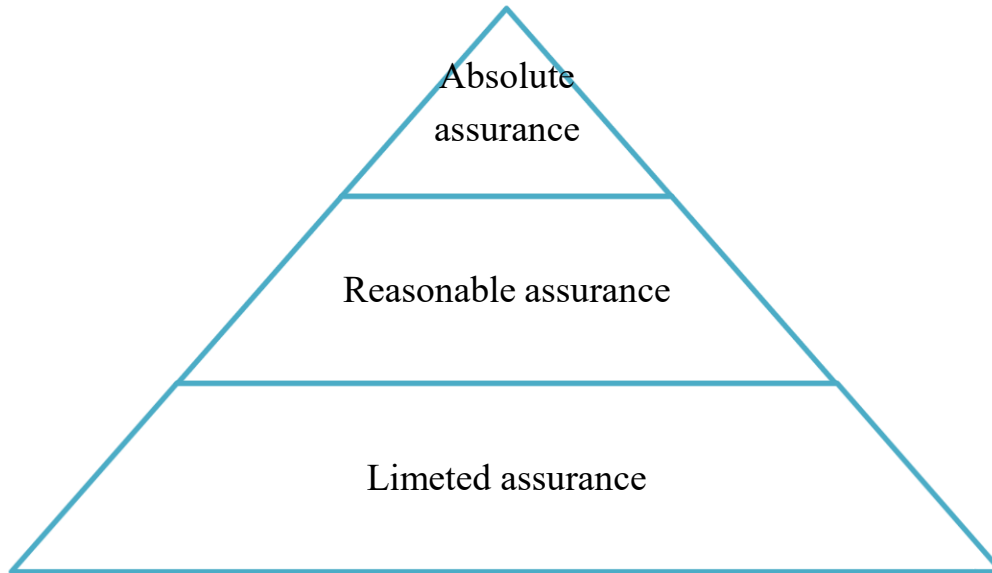


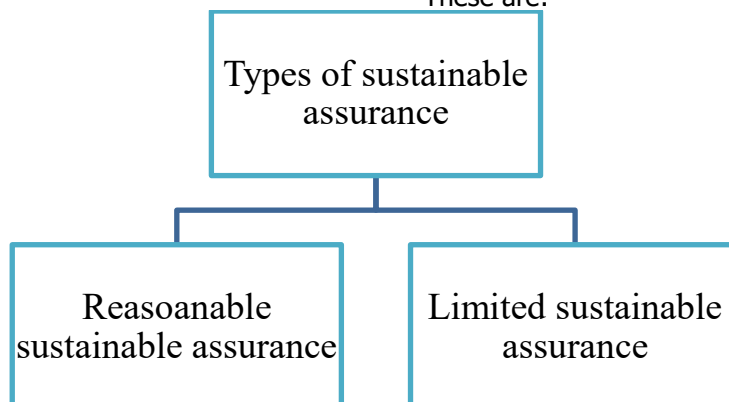
Figure 1. Hierarchy of trust types¹

Based on the above, we can conclude that the auditor should correctly determine the type and purpose of the assurance service based on the proposal received from the client entity and, based on this purpose, conduct an initial acquaintance with the activities of the client entity.

The type of assurance expressed based on ESG audit results is called "sustainable assurance," which is somewhat different from the traditional types of assurance outlined above.

Traditional types of assurance typically indicate that the audited financial statements and the figures therein are fairly prepared in all material respects and in accordance with standards.

Sustainable assurance refers to the objective assurance expressed by an independent expert or auditor that the client entity's sustainability-related information is reliable. Sustainable assurance is usually applied to reports that affect the client entity's sustainability. Sustainable assurance is also divided into two types. These are:



¹Developed by the author



Figure 2. Types of stable trust²

Reasonable assurance is a higher level of assurance, requiring the auditor to have sufficient and appropriate evidence to express this level of assurance.

Stable limited assurance is a moderate level of assurance, and the auditor relies primarily on analytical procedures to express this type of assurance.

The concept of sustainable assurance is defined in the International Standard on Auditing Engagements 3000, "Assurance Engagements for Audits and Reviews of Historical Data," as follows: "Sustainability - A sustainability engagement involves obtaining assurance on a report prepared by management or a management expert (measurer or evaluator) on the entity's sustainability performance."³

The objective of the International Financial Reporting Standard, General Requirements for Sustainability-Related Financial Disclosures, is to "require disclosures by entities and organizations about sustainability-related risks and opportunities that are useful to primary users of general purpose financial statements in making decisions about the entity's resources."⁴

"This Standard requires an entity to disclose information about all sustainability-related risks and opportunities that could affect the entity's cash flows, sources of financing or cost of capital in the short, medium or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'sustainability-related risks and opportunities that could affect the entity's prospects.'"⁵

In conclusion, we can note that the International Financial Reporting Standards S1 set out the requirements for the disclosure of information that affects sustainable development and serve to create an audit object to provide sustainable assurance.

The initial familiarization with the client's business begins with a brief study of the company's activities, but the initial familiarization process in an ESG audit differs from the initial familiarization in other audit processes in that it is somewhat more complex.

The initial ESG audit process should be conducted in three areas: environmental, social, and governance.

The environmental focus is considered a technical focus for these audit processes, and it is advisable to have a mature and experienced specialist who can carry out this audit within the audit team.

When familiarizing specialists with ecological processes, special attention should be paid to the following:

- Assessing the activities of enterprises and organizations and their impact on the ecological environment;
- Studying the state of compliance of enterprises and organizations with environmental legislation;
- Familiarize yourself with the processes of preparing and submitting environmental reports prepared by enterprises and organizations;
- Identifying risks associated with environmental problems caused by enterprises and organizations and misrepresentations in reports, and identifying opportunities to reduce the risk of these risks not being identified to an alternative level;
- Assessing the impact of environmental issues on the sustainable development of enterprises and organizations, etc.

Conducting the initial familiarization process in these areas will help to become more familiar with the company's activities and properly organize the audit process.

In addition to environmental issues, social issues also play an important role in ESG audits. Social issues include assessing the impact of workers and employees in enterprises and organizations on the working conditions they are exposed to, compliance with related legal documents, and sustainable development.

The process of initial familiarization with social issues can be divided into the following areas:

- Studying the working conditions created in enterprises and organizations and their compliance with legislation;
- Assessment of the internal control system and its status regarding the employer's compliance with labor legislation;
- Identify and assess the risk of dismissal and other employment relationships that are contrary to labor legislation and other regulatory legal acts;
- Identifying risks associated with reports prepared on social issues and misrepresentation therein;
- It is advisable to implement social issues in areas such as assessing their impact on sustainable development.

The concept of governance is a broad concept and is considered one of the areas that has its own characteristics in ESG auditing.

²Systematized by the author

³International Standard on Audit Engagements 3000, "Assurance Services for Audits and Reviews of Historical Data"

⁴International Financial Reporting Standard "General Requirements for Sustainability-Related Financial Disclosures"

⁵International Financial Reporting Standard "General Requirements for Sustainability-Related Financial Disclosures"



This area assesses the management status of enterprises and organizations, the effective use of resources, and the fairness and transparency of financial statements prepared.

The specific features of conducting an initial familiarization with the management status of enterprises and organizations are as follows:

- Determining the transparency of management and the proper establishment of internal control systems in enterprises and organizations;
- Familiarization with the situation of effective use of resources;
- Familiarity with financial statements and their submission processes;
- Identifying the risks of material misstatements in financial statements and ways to reduce them to an alternative level;

- It is advisable to implement management issues in areas such as assessing their impact on sustainable development.

In addition to conducting an initial due diligence process with the company, the auditor must also properly assess the company's ability to perform the audit.

In this case, it is advisable for the auditor to first review the process of accepting the client company for compliance with the code of ethics. We know that the code of ethics sets out a number of guidelines for the auditor in the audit of the client company, as well as restrictions.

In an ESG audit, the auditor must also follow other auditing ethics principles and other rules, without fail. Among the principles that the auditor must follow in an ESG audit, we can include the principles listed below.

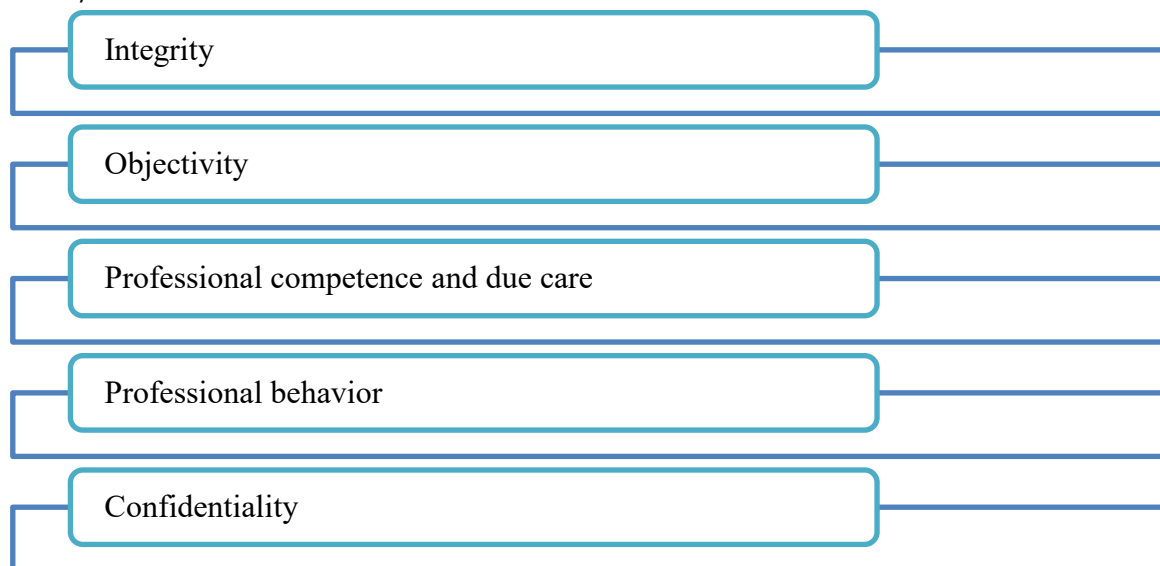


Figure 3. Principles used in ESG auditing⁶

The principles outlined above apply to all audit processes, as well as to ESG audits. While the auditor must adhere to these principles, there are a number of

threats that the auditor may encounter during an ESG audit.

The auditor must be able to assess these threats and their impact before planning the audit.

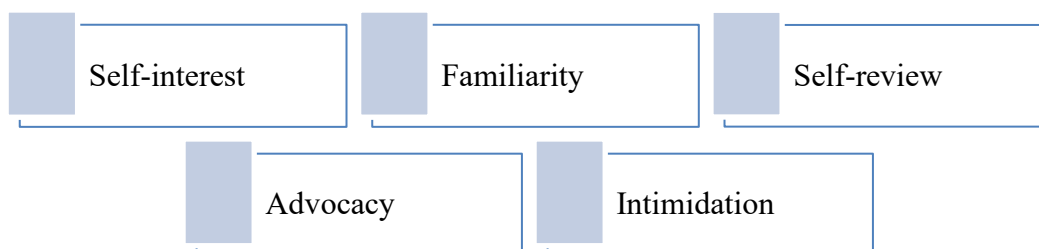


Figure 4. Threats and their classification⁷

In an ESG audit, the auditor must identify these threats and their severity, and then proceed with the next audit steps. The figure below illustrates the auditor's procedures for addressing threats.

⁶Translated into this form by the author

⁷Presented in this form by the author

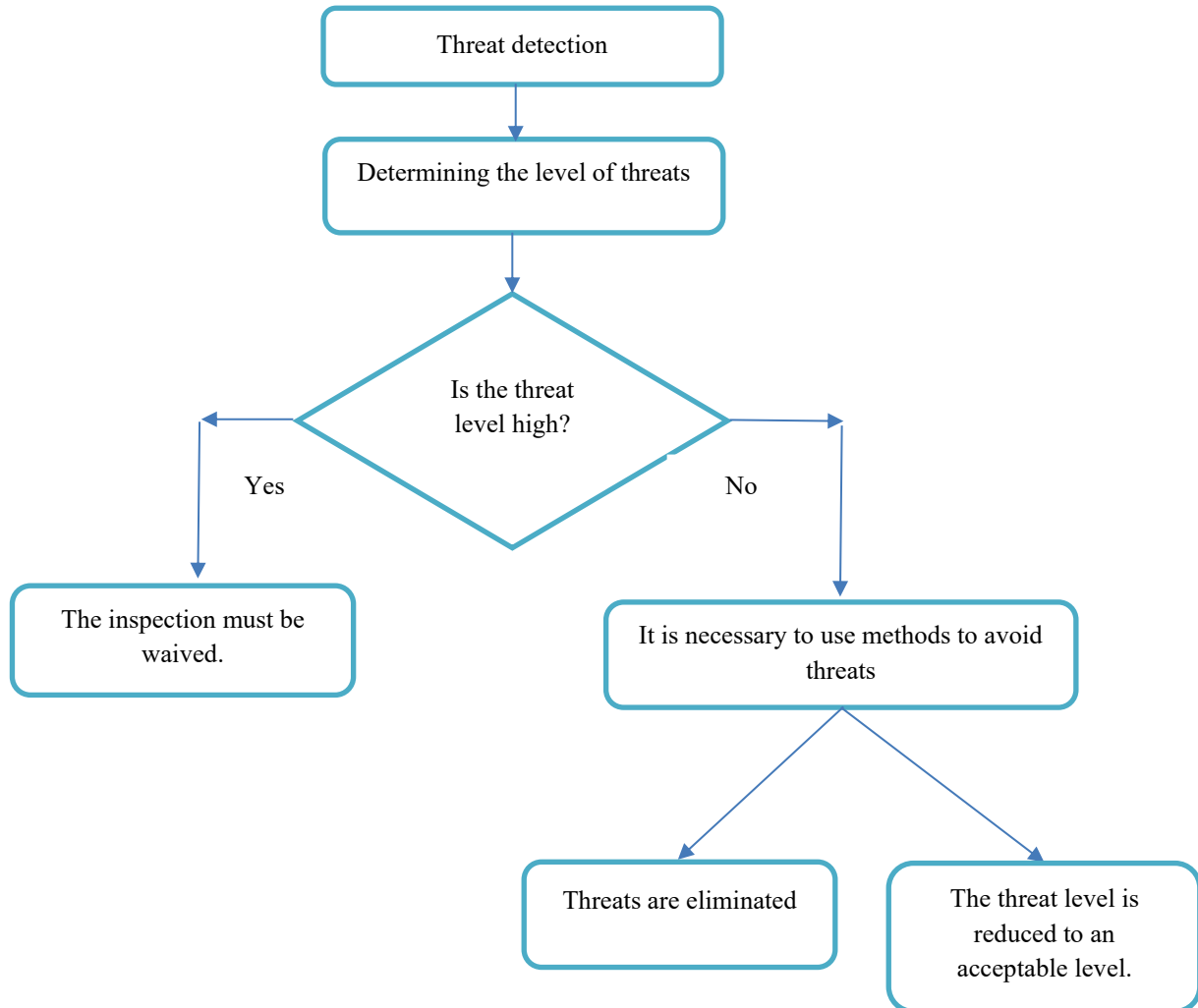


Figure 5. Threats that arise in an ESG audit and the algorithm for eliminating them⁸

Research studies that have been conducted using this algorithm to identify threats and auditor actions and attitudes to avoid threats in ESG audits show that by using this algorithm, an audit firm can increase the stability of its client portfolio by 15–20 percent.

ESG audits require not only accounting and auditing knowledge but also technical knowledge from the auditor. Therefore, the auditor must be directly aware of the threats that arise in the process of hiring experts and using their work in the ESG audit, and be able to apply ways to avoid these threats.

CONCLUSION AND SUGGESTIONS.

In conclusion, it should be emphasized that the complete impartiality and reliability of an ESG audit

largely depends on the process of obtaining an audit assignment and properly assessing the threats involved. To assess threats objectively, the audit service primarily depends on the above-mentioned ethical rules and principles. The correct application of ethical rules and their inculcation by the audit team largely depends on the head of the audit organization and the internal quality control carried out by him.

Based on this goal, the head of the audit organization, who draws conclusions, must improve the professional ethics of his subordinates and form an immunity of impartiality and honesty among employees.

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⁸Developed by the author



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