

## Environmental auditing and its role in promoting sustainable performance governance

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### Abstract

The concept of environment protection focused on keeping environmental systems free of pollution sources. These sources were leading to a deterioration in not only eco-systems and but also environmental resources. This concept is also targeting protecting natural resources from excessive over use and attrition.

This paper aims to analyze the relationship between environmental auditing and sustainable performance governance. This can happen through shed light on the concept and goals of environmental auditing, studying and analyzing sustainable governance performance and, assessing the performance of Iraqi economic units through understanding the mechanism and requirement of sustainable performance auditing.

This paper came with some conclusions. The most important is that practicing environmental auditing can serve sustainable governance performance through showing the responsibility of economic unit toward the environmental commitments. This would results in providing the requirements of sustainable performance.

One of the important recommendation is that one of the duties of economic units is being transparent on its responsibility toward its own environmental activities. Auditors have to monitor that. This would results in complying with the requirement of getting sustainable performance.

**Key words:** sustainable performance governance.

### Introduction:

Environmental auditing is one of the important issues. This concept has emerged and circulated all over the world. This is because of the world's passing through a critical phase and international changes that led to cooperation and coordination between regulatory agencies at the level of countries and international organizations.

The main objective of environmental audit is to express a neutral technical opinion about the fairness and credibility of the financial statements related to environmental impacts. Expressing a neutral technical opinion in the financial statements reflects the reality and the extent of the economic unit's contribution to provide the basic

requirements that will protect the environment.

Achieving this goal contributes to providing inputs for sustainable performance governance, as it represents the system through which business establishments are managed and controlled. This can ensure sustainability and value creation for shareholders, expansion of economic growth, continuity of relationship with customers, maintaining the reputation of the unit, quality of products and services, creating permanent job opportunities and adopting practices, and adopting ethical and value building for all stakeholders with economic unit.

The research included four main parts. The first part was devoted to explain the research methodology and previous studies. The second part explained environmental auditing and sustainable performance governance as a theoretical input. The third part was targeting the practical side. Finally, the last part explained the most important conclusions and recommendations.

### **Methodology of the study and previous studies**

First: Methodology of the study

#### 1- Problem statement

Absence of legal and procedural frameworks for environmental auditing, both internal and external, and the lack of clarity in how to disclose information on environmental performance in management reports contributed to reducing the quality of governance procedures and thus negatively affected the provision of sustainable performance requirements in the economic unit of the research sample.

Problem statement can be summarized as follows:

(Does environmental auditing affect the provision of sustainable performance governance requirements?)

#### 2- Hypothesis of the study

(There is a significant relationship between environmental auditing and sustainable performance governance requirements)

#### 3- Goals of the study

- Studying and analyzing the environmental audit and stating the requirements for its success in the local environment.

- Studying and analyzing the sustainable performance governance in a way that provides evidence to be adopted to achieve sustainable performance of the economic units of the study sample.

- Determining the impact relationship between environmental auditing and sustainable performance governance. This can act as an incentive for economic units to meet the requirements of environmental protection and the consumption of resources in an efficient and effective way.

#### 4- Significance of the study

The importance of the research is represented in two main aspects. The first one represents the conceptual approach and the importance of environmental auditing as it is one of the confirmation tools for the information provided by the management of economic units on their environmental obligations. The second one represents the applied approach. It aims to analyze the requirements and objectives of environmental auditing. Also, to determine its relationship to institutional governance for sustainable performance. This was done to encourage the management of economic units, the research sample, to manage their environmental obligations in a manner that serves the concept of sustainable value creation.

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### **5- Sample of the study**

The study seeks to test a specific hypothesis related to the evaluation of environmental audit procedures and their impact on the governance of sustainable performance in joint stock companies listed on the Iraq Stock Exchange (ISX). Also, to identify appropriate areas of development.

### **6- Research Methodology**

Applied and theoretical methodologies were adopted in light of the problem statement and research hypothesis:

1- Theoretical side: adopting the descriptive theoretical approach on the research variables and their relationships through the use of various theoretical sources from specialized scientific books and periodicals.

2- Applied side: adopting the applied empirical study approach in testing the research hypotheses and reaching its results through studying and analyzing the report of the Board of Directors for a sample of joint stock companies listed in the Iraq Stock Exchange.

### **7- Literature Review**

a. Study of Jamtsho (2005) titled "Environmental auditing and sustainable development from the perspective of a government auditing". This study aimed to examine the standards of environmental auditing and sustainable development in various SAIs. The study concluded that the supreme audit institutions in developing countries meet only a few of the principles of environmental auditing, while the supreme audit institutions in developed countries meet relatively the requirements of environmental auditing and the environmental issue of unit managers. This is going to provides the requirements of

environmental, social and economic sustainability.

b. Study of Yusoff et. al,(2016) titled SUSTAINABLE DEVELOPMENT: WHAT IS THE ROLE OF AUDIT. Study objective was to explore the potential use of environmental auditing as a tool to help achieve sustainable development, especially in the context of the public sector, where environmental accountability was emphasized by the World Commission on Environment and Development (WCED) as one of the prerequisites for achieving the goal. The study concluded that environmental auditing in the public sector can contribute positively to achieving sustainable development goals and enhance the issue to achieve the goals of sustainable environmental disclosure.

c. Study of QUEIROZ (2017) titled " The Environmental Audit as a Tool for the Sustainable Development of the Amazonian Cities". This study aimed to to show the impact of environmental auditing as a tool to put pressure on the management of economic units in Brazilian cities to clarify their responsibilities for their activities affecting the environment, especially the construction and contracting sector. The study concluded that the environmental audit is a tool that enables the general director to formulate good practices and public policies to achieve sustainable development, and it is a mechanism for planning, controlling and monitoring procedures aimed at correcting environmental violations, whether within the scope of government agencies or companies, which adopt procedures that are likely to cause environmental impacts.

### **Theoretical part of the study**

#### **First: Conceptual framework of Environmental Auditing**

##### **1- Concept of environmental auditing**

Before defining environmental auditing, it is necessary to define a definition of the environment, and one of these definitions is for the European Commission, which defines the environment as (a specific set of components integrated with complex and reciprocal links with each other, which are the surrounding things, conditions, and requirements of the life of the individual and society as they are or as we feel) (Al-Azzawi, 2009: 34).

A set of definitions of environmental auditing was presented, the most important of which are: (Yahya, 2013: 23)

#### **a. International Organization of Supreme Audit Institutions (Intosai):**

Performance control can include the three main components of it, which are economy, effectiveness and efficiency, as well as the fourth component, which is the environment. Any assessment of the environmental impact of the activity of the business units can be done through an environmental financial audit and a compliance audit.

#### **b. British Standards Institution Definition**

Environmental auditing is a coordinated evaluation process to determine the extent to which the unit's environmental management system conforms to the planned programs and to determine the effectiveness and suitability of that system to implement the environmental policy of the economic unit.

#### **c. Financial Supervision Bureau in Iraq**

Environmental auditing was defined in 1995 as evaluating the results of implementing national and international plans, policies and programs within the scope of protecting and developing the environment, measuring the impact of the organization's various activities on the environment in accordance

with the approved standards, and indicating the expenses of that whenever possible.

2- Goals of Environmental Auditing: goals of environmental auditing can be identified as: (Al-Azzawi, 2009: 64)

a. Expressing a neutral technical opinion about the fairness and credibility of the financial statements related to environmental impacts. Expressing a neutral technical opinion on the financial statements reflects the reality and extent of the economic unit's contribution to providing the basic requirements that will protect the environment.

b. Verifying the adequacy and effectiveness of programs and activities related to the environment and its protection. The concern that chase all peoples on earth is how to achieve economic development with the least possible pollution and environmental damage and with the minimum consumption of resources.

c. Identifying weaknesses in the environment conservation system that could cause problems for the economic unit.

d. Providing important and sufficient information that contributes to making major changes and improvement in the environmental situation of the economic unit.

#### 3- Aspects of Environmental Auditing

These aspects can be identified as:

a. Commitment Auditing: this is to verify the compliance of the environmental performance within the economic unit with the established policies, the laws, legislation and regulations specific to the requirements of this performance. The compliance audit is the most common form of environmental auditing, especially in the industrial fields, is also need to be verified (Al-taie, et al., 2017).

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b. Auditing environmental management systems: development of the environmental management system is an initiative of the unit leaders in order to find out how the environmental management system works in the economic unit.

c. Environmental Accounting Auditing: To ensure the integrity of measurement and disclosure of the effects resulting from environmental practices and their reflection on the published financial statements. This is where the unit faces environmental challenges and responsibilities outside its borders. This is known as the financial audit arising from environmental responsibility. For example, losses resulting from accidents with environmental impacts outside the unit's borders or potential or expected environmental responsibilities and obligations, where the role of environmental audit comes to ensure the reasonableness of the estimates that accountants and the appropriateness of the method used to disclose these obligations in the financial statements (Yahya, 2013: 18).

d. Auditing activities and products: It includes auditing the production stages, as it enables to know the environmental impact of the product through the evaluation stage, manufacture, use, sale, packaging and the potential effects of the product, as well as auditing the effects of production waste. The effluents are identified and compared with the environmental impact record (if any), and waste management procedures and treatment methods are evaluated. As well as defining the appropriate sites for landfilling waste and that they are far from residential, urban and historical areas, taking into account the scientific bases in the landfill process (Al-Sayegh, 2005: 63).

### **Second: Conceptual framework of Governing Sustainable Performance**

1- Concept of Governing Performance

a. Corporate Governance: the concept of corporate governance refers to the system through which businesses are managed and controlled. Governance is also seen as a means to enhance transparency and accountability. (Abu-Ghazaleh, 2006:4). As for the Organization (OECD), it reconsidered the concept of corporate governance and came up with a more profound and comprehensive concept in many aspects. It explained that it is a set of relations between the company's management, its board of directors, its shareholders and other parties that have an interest in the company. It also shows the mechanism through which the company's goals are clarified and the means to achieve those goals and monitor their achievement. Hence, good corporate governance is what provides both the board of directors and the executive management with the appropriate incentives to reach the goals that are in the interest of the company and facilitate the creation of an effective monitoring process. Thus, it helps the company to use its resources efficiently (Khalil, 2008: 23).

b. Mechanisms of Corporate Governance: this can be showed as follows:

i. Board of Directors: A good board of directors ensures to the shareholders of the company that the assets they have provided are used by the company's managers to achieve the company's purposes and thus achieve better value for the shareholders. It was defined that in order for the board of directors to carry out its duties, it resorts to forming a group of committees. Example of these committees are:

1. Audit Committee: It assists the board of directors in carrying out its supervisory duties by auditing the accounting information that is published to shareholders and others.

2. Recruitment and Governance Committee: It approves the job

specifications for vacant positions in the Board of Directors. It is also responsible for reviewing the guidelines for implementing corporate governance in the company and providing the Board of Directors with recommendations for developing and updating those guidelines.

3. Remuneration Committee (compensation): The committee assists the board and advises on the appropriate remuneration levels for executives in light of the level of performance, motivation and the market situation (Al-Tai, 2009: 112-114).

ii. Ownership Concentration Mechanism: Due to the continuous pressures from shareholders and their increasing interest in appropriate and effective governance mechanisms, a mechanism for concentrating ownership has emerged in order to organize and rationalize administrative decision-making.

iii. Compensation of executives: It is a mechanism that works to achieve a balance between the interests of shareholders and executives by organizing and supervising the management's remuneration, compensation and incentives in order to achieve a balance between administrative motivation and the protection of the interests of shareholders (Hitt et al, 2003: 322).

c. Sustainable performance. This can be defined as follows (Balasim, 2020:32) (Alsharefe, 2018:207)

i. It is that performance that ensures sustainability and value creation for shareholders, expansion of economic growth, continuity of relationship with customers, maintaining the reputation of the unit, the quality of products and services, creating permanent job opportunities, adopting ethical practices and building value for all stakeholders with the economic unit.

ii. A dynamic process that requires the achievement of current needs without

compromising long-term performance and is fundamentally linked with the behavior of sustainable organizations.

iii. It is a critical tool for analyzing, evaluating and reviewing institutional performance and determining the effectiveness of plans and strategies adopted by the economic unit management by identifying strengths, weaknesses, opportunities and threats and managing manageable and controllable environmental influences.

The researchers find that sustainable performance is a set of integrated requirements among them based on the strategic analysis of the available opportunities and potential threats and matching them with the reality of current performance and identifying the pros and cons and deviation from the set goals

It is itself a refined organizational culture that enhances the efforts of the unit management to set and achieve the set goals. These goals are:

1- Defining strategic goals and directing the unit's efforts and resources to achieve them.

2- Strengthening the culture of institutional affiliation to serve the achievement of goals and the creation of added value.

3- Helps the unit in identifying opportunities, threats, strengths and weaknesses in current and future performance.

### **Third: Relation between environmental auditing and governance of sustainable performance**

To identify the relationship between environmental auditing and governance of sustainable performance, authors represent the following:

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1- The main objective of the environmental audit is to express an impartial technical opinion about the fairness and reliability of the financial statements related to the environmental impacts. Expressing a neutral technical opinion in the financial statements reflects the reality and extent of the economic unit's contribution to providing the basic requirements that will protect the environment. Achieving this goal contributes to providing inputs for sustainable performance governance, as it represents the system through which business establishments are managed and controlled, which ensures sustainability and value creation for shareholders, expansion of economic growth, continuity of relationship with customers, maintaining the reputation of the unit, quality of products and services, creating permanent job opportunities, adopting ethical practice and building value for all stakeholders with economic unity.

2- One of the most important objectives of environmental auditing is to verify the adequacy and effectiveness of programs and activities related to the environment and its protection. This corresponds to the concept of effective sustainable performance governance, which provides effective control for both the board of directors and the executive management. Thus, it helps the company to efficiently exploit its resources, which in turn achieves the concept of sustainable performance, which is represented in the ability of the economic unit to thrive and grow in an environment of intense change and competition. Units that can predict and manage social, environmental and economic opportunities and threats through their focus on creativity, productivity and quality will become industry leaders and achieve long-term value to stakeholders (Flayyih, 2015).

3- The essence of environmental auditing is the issue. This is to protect the unit from

falling into environmental and social problems that may lead to the unit's demise, and it matches the essence of the work of the committees emanating from the Board of Directors, the most important of which is the Audit Committee, which seeks to demonstrate the unit's ability to meet environmental legal claims, which achieves performance sustainability represented by the unit's commitment to reduce impacts negative environmental activities to the minimum extent possible (Flayyih et al., 2021). As well as paying attention to social and economic development that will lead to saving current and future generations.

### Third: practical part of the paper

This part have the following:

1- Examination of the environmental audit procedures in the economic unit of the research sample and its reflection on the governance of sustainable performance.

2- The proposed environmental audit procedures in the economic unit of the research sample and its reflection on the governance of sustainable performance based on the following:

a. Examination of the environmental audit procedures in the economic unit, the research sample, and its reflection on the governance of sustainable performance.

i. A brief summary of the economic unit of the research sample (Wasit weaving and knitting factory)

Under (Soviet Union - Iraq) on 16/3/1959 AD in the last century, the company was established. In 1969, the General Spinning and Weaving Company was established and the situation continued as two independent companies. On 1/7/2001 the company was re-established in the name of (Wasit State Company for Textile Industries) as a public company according to Public Companies Law No. 22 of 1977. It represents a state-

owned and self-financed productive economic unit with a capital of one and a half billion. The company consists of two major manufacturers. They are:

- Spinning and Weaving Factory, which is responsible for the production of woven fabrics such as: poplin, bazah, raw fabrics and others, as well as the production of various yarns of different sizes.

- The knitting factory, which is responsible for producing knitted garments such as: outerwear, underwear and socks, with a design capacity of approximately (1.2) million pieces of outer clothing annually and (3.9) million of underwear annually.

ii. The auditor's report (the Financial Supervision Bureau)

The auditor's report focuses on auditing compliance (conformance) between the components of financial reports and the laws in force, the most important of which is the federal budget law, exchange instructions and matching allocations, as well as the details of the main accounts. It does not focus on the environmental audit and environmental sustainability clause, as it is not considered legal requirements and is not governed by professional standards in the Iraqi environment.

b. Suggested audit procedures:

i. Compliance audit (statement of unit responsibility, research sample, for its environmental obligations)

- The researchers intend to determine the efforts of the economic unit in fulfilling its environmental responsibility according to the following:

a. Determining the most important pollutants resulting from the industrial activity of the unit Study sample: The environmental pollutants resulting from industrial

activity include solid pollutants (visible), liquid pollutants and gaseous pollutants based on the following tables:

**Table 1. Solid pollutants (spoilage in raw materials)**

Department	Pollutant type	Pollutant component	Weight (kg)
spinning			
	Damaged cotton threads - damaged yarn - cotton seeds (accidental production)	Filters, damaged yarn and seeds	17,288
fabric			
	Damaged textile threads - textile waste	Defective textile threads - textile waste	9,760
knitting			
	Knitting Waste - Textile Waste	Knitted clothes - damaged fabrics	8,456
Total			35,504

Source: made by the authors based on Data Company and interviews with production and controlling technicians

The responsibility of the auditor in disclosing these pollutants is not only to identify abuses in the percentages specified by the law. Its role extends to providing advice to the management regarding the analysis of the causes of these pollutants and rationalizing the decisions of the senior management to invest in the development of machines, improving the quality of raw materials and developing manpower. This is done to reduce damage and to benefit from resources available to achieve the company's profitability goals. This would result in achieving sustainable performance consistent with the planned strategies.



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B\_The auditor's responsibility to indicate the extent to which the study sample unit fulfills its environmental obligations

The environmental audit program requires identifying the efforts of economic units in reducing environmental pollutants as part of this unit's fulfillment of its legal obligations represented by the laws and instructions in force. This is noted in the expenses incurred by the study sample unit in order to reduce industrial pollutants. This can be seen based on the following:

**Table 2. Environmental protection expenses in Wasit Textile Industries Company**

	Environmental Expenses	Expenses (ID)
1	Toxic waste treatment	7654,000
2	Pollution level measurement expenses	3340,000
3	Health and safety expenses	6436000
4	unit cost of Industrial water treatment	257488900
	Total	274,918,900

Source: made by authors depending on company's data and personal interview with the accountant

Table (2) represents the most important expenses incurred by the company as part of fulfilling its environmental obligations. But the question here is, has the company employed these expenditures and resources in the direction of clarifying and showing its contribution to protecting the environment and improving the health status of workers to be part of its productive marketing strategy? This can be achieved by creating a competitive advantage represented by its ability to convince its customers and employees of the company to produce high quality and environmental friendly goods. Social contribution of this is to improving

the living and health of workers in a way that enhances their job affiliation, which represents the basis of sustainable performance, and thus reaching an advanced stage of thinking and organizational culture in achieving the company's set goals and targeted strategies. The above paragraph represents a brief measurement of the company's efforts to fulfill its environmental obligations.

B\_Measuring indicators of sustainable performance governance in light of the company's efforts to fulfill its environmental obligations

In this paragraph, researchers measure performance indicators to determine the extent to which they are affected by the company's environmental and social efforts, as they represent the system through which business establishments are managed and controlled. This will ensure the sustainability and realization of value for shareholders, expansion of economic growth, continuity of relationship with customers, maintaining the reputation of the unit, the quality of products and services, creating permanent job opportunities, adopting ethical practices and building value for all stakeholders with the economic unit according to the following:

1- Economic growth indicators: they include productivity and marketing indicators and quality requirements, as follows:

- a. Productivity indicators: The researcher focuses on the exploited productive energies as they represent resources that must be sustainable by reducing energy waste and loss, as it is one of the most important sources of environmental pollution. Table 3 is showing that as follows:

**Table 3. Actual and planned Production, planned and actual energy**

Product	Measurement unit	Actual Production	Planned Production	Available energy	Ratio of actual to planned %	Ratio of actual to energy %
woven cotton fabrics	Thousand meter	1217.4	7150	8750	17%	14%
Outerwear	Thousand piece	7.38	220	744	3%	1%
Underwear	Thousand dozen	13.8	183.3	229	8%	6%
knitted fabrics	Thousand meter	194	600	2005	32%	10%
Socks	Thousand dozen	3.5	108.3	165	3%	2%
Hats	Thousand piece	2.535	240	271	1%	1%

Source: made by the authors based on a company data

It is noted from Table (3) that the actual production is much less than the planned production and the actual energy is less than resources to achieve the company's operational and strategic objectives of maximizing revenues, reducing costs and

the planned energy. This indicates the low performance of the company's management and the misuse of available resources, which is a waste of resources and is incompatible with the requirements of sustainable performance. In addition, the wastage of energy is negatively reflected in reaching the target financial performance and the desired productive quality.

b. Financial indicators: These indicators include a coordinated set of financial ratios that measure the financial development of the economic unit and its efforts to exploit the available resources, achieve profit goals and maximize revenues, which are the outputs of sustainable performance governance as follows:

**Table 4. Financial Indicators of the company, study sample, (Thousand Iraqi Dinars)**

	Financial Ratios	2019
1	Revenues	1,399,998
2	Revenues growth	12%
3	Fixed Assets	36,432,258
4	Rotations of Fixed assets	3,8%
5	Expenses	13,870,482
6	Revenues	1,399,998
7	Net Income	12,470,484-
8	Total Assets	43,516,371
9	Revenue on Assets	28-%

Source: made by the authors based on a trial balance data as in 2021/12/31

Table (4) data shows a decline in financial sustainability indicators, which is the main component of sustainable performance. As it reflects the financial performance of the unit's management and its ability to direct growing profits. This constitute a large part of it as incentives and financial reward for management and employees in a way that

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enhances the culture of sustainability and the desire to achieve financial and operational development in the performance of the unit, as well as enhances the unit’s ability to adopt social and environmental projects and contributions that enhance environmental sustainability and societal well-being as well as fulfilling its current and future environmental obligations.

c. Quality indicators: Quality indicators are a key factor for sustainable performance as they are the basis for evaluating the activity of economic units, especially the productivity of them. Table 5 showing efforts of Wasit company of for textile industries to establish quality requirements.

**Table 5. Productive Quality Indicators in Wasit company for textile industries**

Producti on departm ent	Production type	Raw mater ial	Distinguis hed number	Normal Damage					Abnor mal damag e	Dama ge reaso n
				Amoun t of product ion	Amo unt of dama ge	Dama ge ratio	Allow ed ratio %	Uni t pri ce		
1	cotto n yarn	Cotton	cotto n	Kg	23935	333	1.4	3		Positi ve
2	cotto n fabric	Fabric (raw)	cotto n	kg	15394	380	2.5	5		Positi ve
3	both	Fabric (raw+prem ade)	cotto n	meter	92358	924	1.0	7		Positi ve
				kg	13015.8	130.6	1.0	7		Positi ve

Source: Quality control company reports at the end of 2019

The researchers find that the efforts of the Wasit Textile Industries Company's management to reach the permissible quality ratios is the main part of its fulfillment of its environmental obligations and enhances the performance sustainability plan. As the quality requirements represent an integrated entrance to enhance the value of the economic unit and continuous improvement along the value chain, starting from research and development and ending with after-sales services. Therefore, we find that the unit management's efforts are acceptable with regard to quality activities that achieve customer satisfaction and enhance market share.

The auditor's responsibility to determine quality levels is only to disclose these efforts and fall within the indicators of compliance

audit. It represents the disclosure of the extent of the obligations of the management of economic units about their environmental responsibility. A responsibility that the auditor bears, as he is the reliable and independent body to protect the interests of the rights holders in the unit, especially the creditors and investors. In addition to the fact that the environmental audit procedures are in themselves plans and incentives to reach sustainable performance by providing advice and appropriate information to the management of the unit, and then evaluating its efforts to achieve sustainable performance. This responsibility is a key part of achieving sustainable performance governance.

**Forth: Recommendations and Conclusions**

## 1) Recommendations

a) Environmental audit represents one of the cycles of audit development and an additional responsibility of the auditor that makes the audit process and the auditor's report more effective and influential in the decisions of stakeholders.

b) Environmental audit, in essence, reflects a systematic and organized process aimed at providing information to stakeholders in the economic unit about the efforts of the unit's management to fulfill its environmental obligations, which are legal obligations that must be fulfilled.

c) Corporate governance represents a set of organizational links between the management of the economic unit, its board of directors, shareholders and other stakeholders in order to achieve the set goals, maximize shareholder profitability, and maintain balanced incentives and compensation for management.

d) Sustainable performance refers to the efforts of the unit's management and employees to control and predict opportunities and try to take advantage of them and threats and try to overcome them by taking advantage of strengths and reducing weaknesses in order to achieve strategic goals and preserve the value of the economic unit and its position in the market.

e) Achieving environmental sustainability contributes to providing inputs for sustainable performance governance, as it represents the system through which business establishments are managed and controlled, which ensures sustainability and value creation for shareholders.

f) The results of analyzing the data of the Wasit Textile Industries Company showed the commitment of the study sample company to its environmental obligations approved by the Ministries of Industry and Minerals and the Ministry of Health and

Environment, but the auditor's report (the report of the Board of Financial Supervision team) did not show the efforts of the economic unit towards the environment and society, and it did not provide counseling service and appropriate information that helps Management in sustainable performance planning and governance.

## 2) Conclusions

a) Activating the role of the Office of Financial Supervision by obliging the management of economic units to submit special reports along with financial reports related to the statement of the responsibility of the economic unit for its environmental and social activities.

b) Improving the culture of sustainability and sustainable performance by adopting courses and workshops organized according to advanced curricula that contribute to creating a culture of sustainable performance that paves the way for its governance.

c) Relying on environmental sustainability standards, global publications, and outcomes of international initiatives as an approach and a guide for work to reach sustainable performance.

d) Activate sustainability assurance services and consultancy services in environmental auditing and accounting in order to provide appropriate information that facilitates the task of managing economic units in formulating strategies and plans to upgrade the current performance to the stage of sustainable performance.

e) Activating governance mechanisms and their integration with the requirements of sustainable performance in order to reach an integrated methodology, the most important of which will be the governance of sustainable institutional performance.

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f) Developing the functions of the auditor (the auditors of the Office of Financial Supervision) in the local environment to include environmental auditing services and providing advisory services to the management of economic units to enable them to provide the requirements of sustainable performance governance.

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