

# Research on the Impact Mechanism and Optimization Path of Audit Quality from the ESG Perspective

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**Abstract:** Under the backdrop of the popularization of the concept of global sustainable development and the increase of capital market requirements for non-financial information disclosure of enterprises, ESG (environment, society and governance) has become the core index to measure the comprehensive competitiveness and sustainable development ability of enterprises. As an important guarantee for the quality of information disclosure in the capital market, audit quality is directly related to the protection of investors' rights and interests and the efficiency of resource allocation. From the three dimensions of ESG information mechanism, internal governance mechanism and risk transmission mechanism, this paper systematically analyzes the impact path of ESG on audit quality, combs the existing problems of audit practice from the perspective of ESG, and puts forward targeted optimization suggestions combined with relevant research conclusions.

**Keywords:** ESG; Audit quality; Information disclosure; Internal governance; Audit optimization

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## 1. Introduction

With the promotion of the “double carbon” goal, the awakening of social responsibility consciousness and the improvement of corporate governance system, the ESG concept has changed from a supplementary measure voluntarily practiced by enterprises to a core consideration of capital market regulation, investor decision-making and enterprise self-development. ESG covers the three dimensions of environment, society and governance, focusing on the performance of environmental protection, social responsibility and internal governance improvement of enterprises. Its disclosure quality and performance level directly reflect the sustainable development potential and business risks of enterprises. As the “gatekeeper” of the capital market, the quality of audit depends on the adequacy of audit evidence, the rationality of audit procedures and the objectivity of audit judgment. ESG-related information and corporate behavior will have a profound impact on the acquisition of audit evidence, risk assessment and program design.

In recent years, scholars at home and abroad have carried out a lot of research on the relationship between ESG and audit quality. Xu *et al.* (2025) have shown that high-quality ESG performance can reduce audit risk by improving information disclosure and optimizing internal governance, thereby improving audit quality <sup>[1]</sup>. Ding (2026) was concerned about the negative impact of ESG rating differences, information disclosure irregularities and other issues on audit investment and efficiency <sup>[2]</sup>.

## **2. The core connotation and correlation basis of ESG and audit quality**

### **2.1. Definition of core connotation**

#### **2.1.1. Core connotation and performance dimensions of ESG**

ESG is a general term of the three dimensions of environment, society and governance. Its core is to measure the responsibility of enterprises to the environment, society and stakeholders while pursuing economic benefits. It is a concentrated reflection of the sustainable development ability of enterprises. At present, the ESG performance of enterprises is mainly presented through ESG rating and information disclosure: ESG rating is graded by third-party institutions based on the quantitative score of the evaluation system, which provides important reference for investors and audit institutions. Wang *et al.* (2024) believe that ESG information disclosure is a process in which enterprises actively or by the trend market disclose ESG related behaviors, achievements and risks, and the quality directly affects the decision-making efficiency of stakeholders <sup>[3]</sup>. However, Li *et al.* (2025) found that China has not yet formed a unified ESG evaluation standard and disclosure norms, resulting in large differences in ESG performance of enterprises and differences in the results of different rating agencies <sup>[4]</sup>.

#### **2.1.2. Core connotation and evaluation dimension of audit quality**

Audit quality is the embodiment of the core value of audit work. Academia and practice have reached a consensus; that is, auditors' ability to obtain sufficient and appropriate audit evidence through reasonable audit procedures in accordance with audit standards, issue objective and fair audit opinions, and effectively identify corporate financial misstatements and business risks. Its quality is directly related to the credibility of the audit report, and affects the information transparency of the capital market and the efficiency of resource allocation.

Xu (2026) proposed that the audit quality evaluation can be carried out from four core dimensions as follows:

- (1) The audit evidence dimension, that is, whether the sufficiency and appropriateness of evidence can support the audit opinion;
- (2) The audit procedure dimension, that is, whether the scientific degree of program design and the degree of implementation can cover the key points and risk points;
- (3) The audit judgment dimension, that is, whether the auditor can make objective and fair judgment by virtue of professional ability to avoid subjective bias;
- (4) Whether the audit risk dimension, that is, the consistency between the audit opinion and the actual situation of the enterprise, can reduce the probability of audit failure <sup>[5]</sup>.

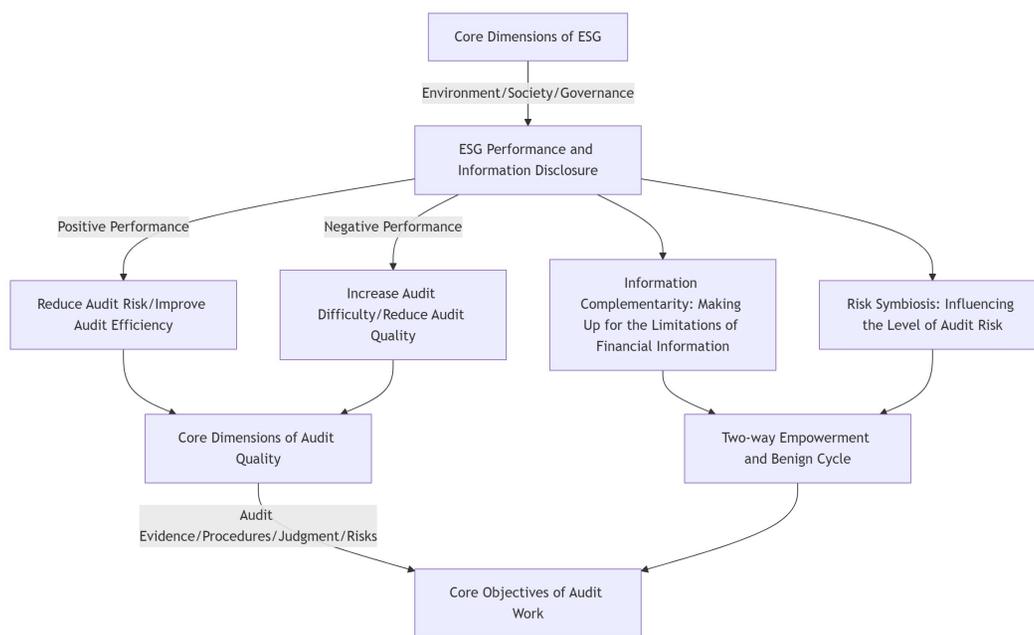
Among them, audit risk control is the core goal of quality improvement, and ESG factor is an important variable affecting enterprise audit risk.

### **2.2. Correlation basis between ESG and audit quality**

The essence of the relationship between ESG and audit quality is the deep integration of non-financial information and financial audit, and the core is reflected in two aspects: information complementarity and risk

symbiosis. Jiang *et al.* (2024) believe that from the perspective of information complementarity, traditional audit focuses on the authenticity and legitimacy of financial information, while ESG information, as the core of non-financial information, can make up for the lag and one-sided shortcomings of financial information, and provide supplements for auditors to fully understand the operation of enterprises and identify potential risks [6]. Liu *et al.* (2025) found that from the perspective of risk symbiosis, ESG performance is significantly correlated with enterprise audit risk [7].

On one hand, high-quality ESG performance can reduce enterprise operation, compliance and reputation risks, thus reducing auditor audit risks and laying the foundation for quality improvement. On the other hand, the poor performance of ESG, non-standard disclosure and large rating divergence will increase the uncertainty of enterprise operation and enhance the investment and difficulty of audit. If the audit procedure fails to adapt, it may lead to the decline of audit quality. The two form a virtuous circle through two-way action, which jointly affects the healthy development of the capital market. In order to intuitively present the correlation logic between ESG and audit quality, the following correlation framework is constructed as **Figure 1**.



**Figure 1.** Framework diagram of ESG and audit quality.

### 3. Analysis on the core mechanism of ESG affecting audit quality

#### 3.1. External “information mechanism”

The external “information mechanism” is the core path for ESG to affect audit quality. The core logic is that improving the quality of ESG information disclosure can provide auditors with more sufficient and comprehensive audit evidence, reduce information asymmetry, reduce audit judgment bias, and then improve audit quality. In the traditional audit, auditors mainly rely on the financial statements and related data to obtain evidence, while the financial data are lagging and one-sided, which is difficult to fully reflect the enterprise risks and potential problems. As the core carrier of non-financial information, ESG information can make up for this deficiency and provide multidimensional audit clues. At the same time, the standardization of ESG information disclosure can improve audit efficiency and indirectly promote the improvement of audit quality.

### **3.2. Internal “governance mechanism”**

Internal “governance mechanism” is the deep path for ESG to affect audit quality. The core logic is that high-quality ESG performance can promote enterprises to improve internal governance, strengthen internal control, reduce business risk and financial fraud risk, thereby reducing audit risk and providing internal guarantee for quality improvement. ESG governance dimension itself is an important part of enterprise internal governance, and the good performance of environmental and social dimensions will force enterprises to optimize internal management processes and improve governance level.

From the perspective of governance structure, enterprises that pay attention to ESG tend to establish more perfect ownership structure, board governance and executive incentive mechanism. From the perspective of internal control, high-quality ESG performance requires enterprises to improve internal control processes, control environmental protection, social responsibility, information disclosure and other links. This perfect internal control system can be extended to financial management, strengthen the standardization of financial accounting and supervision, and reduce the risk of financial misstatement.

### **3.3. Risk “transmission mechanism”**

The risk “transmission mechanism” is the direct path for ESG to affect the audit quality. ESG risks cover three categories: environment, society and governance, which will have adverse effects on enterprises and indirectly affect the audit. Environmental risks are mainly manifested in environmental violations, insufficient investment, lagging green transformation, etc., which may lead to fines, shutdown, litigation, affect the financial status and operating results, and increase the risk of financial misstatement and audit. Social risks include damage to employees’ rights and interests, unqualified product quality, supply chain violations, etc., which will lead to loss of corporate reputation and loss of customers, and increase the difficulty of audit. Governance risks are reflected in imperfect internal governance, ineffective internal control, and non-standard disclosure, which are important incentives for financial fraud and directly increase audit risks. The three types of risks conduct each other and jointly affect the audit quality.

## **4. Practice status of audit quality from the perspective of ESG**

### **4.1. Practice status**

In recent years, with the popularization of ESG concept and the improvement of regulatory requirements, the ESG information disclosure rate of Chinese enterprises has gradually increased, the integration of ESG and audit has deepened, and the audit quality has been improved to a certain extent. At the enterprise level, more and more enterprises attach importance to ESG management, actively disclose reports and improve internal control. At the level of accounting firms, large firms have begun to pay attention to ESG risks and include them in the audit verification. Small firms still focus on traditional financial audit, and the audit capacity of ESG is insufficient. At the regulatory level, relevant norms have been gradually improved to provide policy support for the improvement of audit quality. The specific practice is shown in **Table 1** and **Table 2**.

**Table 1.** Statistics of China’s audit practice from the perspective of ESG

Practice dimension	Specific performance
Corporate ESG disclosure	The ESG disclosure rate of A-share listed companies has increased year by year, exceeding 60% in 2024, but the disclosure quality is uneven, and some companies have problems of non-standard and incomplete disclosure
Audit firm participation	Large accounting firms have gradually incorporated ESG risks into their audit scope, while small firms still focus on traditional financial auditing and have insufficient ESG auditing capabilities
ESG assurance development	The third-party assurance rate of ESG reports is relatively low, less than 20%, with inconsistent assurance standards and room for improvement in assurance quality
Regulatory norm improvement	ESG information disclosure guidelines have been gradually issued to encourage audit firms to pay attention to ESG risks, but a unified ESG audit standard and regulatory system have not yet been formed
Audit quality changes	The audit quality of companies with good ESG performance is generally high, while that of companies with large ESG rating differences and non-standard disclosure fluctuates significantly

**Table 2.** ESG performance and audit quality in different industries

Industry type	ESG performance level	ESG information disclosure rate	Average audit quality level	Core influencing factors
Financial industry	High	Above 85%	High	Strict regulation, improved governance system, and high attention to ESG
Manufacturing industry	Medium	60–70%	Medium	High environmental risks, large differences in ESG investment, and uneven disclosure quality
New energy industry	High	Above 75%	High	Consistent with the concept of green development, large ESG investment, and standardized information disclosure
Traditional high-pollution industry	Low	Below 50%	Low	Prominent environmental risks, insufficient attention to ESG, and non-standard disclosure
Service industry	Medium	65–75%	Medium	Prominent social dimension risks and large differences in governance dimension performance

## 4.2. Core problems

### 4.2.1. Difficulty in obtaining audit evidence

At present, there are many problems in ESG information disclosure of Chinese enterprises, which directly affect the quality and efficiency of audit evidence. For instance:

- (1) The disclosure is not standardized, some enterprises fail to disclose in accordance with the guidelines, the content lacks pertinence and integrity, focuses on positive information, conceals negative information, and even has false and misleading disclosure;
- (2) The caliber is not unified, the content and format of enterprise disclosure are different, and the lack of comparability is not conducive to horizontal comparison and risk assessment of auditors;
- (3) The lack of quantitative information, most enterprises mainly focus on qualitative description, lack of specific quantitative data such as environmental protection investment and pollutant emissions, which makes it difficult for auditors to verify the authenticity of information and increase the difficulty of obtaining evidence.

#### **4.2.2. Nonstandard audit procedure design**

China has not yet formed a unified ESG audit standard and guidance, resulting in the lack of clear basis for audit institutions to carry out related work, and the subjectivity and randomness of program design and implementation. Different audit institutions have different understandings of the scope, focus and methods of ESG audit, and some institutions only simply verify the integrity of disclosure, without in-depth evaluation of the impact of ESG risk on financial situation and audit quality. Conversely, the integration of ESG audit and traditional financial audit is insufficient, and auditors do not integrate ESG risk assessment into the whole audit process, resulting in ESG audit becoming a mere formality. In addition, the inconsistent ESG rating standards also increase the difficulty of auditor risk assessment and program design.

#### **4.2.3. Shortage of professionals in audit institutions**

ESG audit involves many fields, requiring auditors to have multidisciplinary knowledge such as finance, environmental science and sociology, but at present, the ability of most audit institutions in China is obviously insufficient as outlined:

- (1) There is a shortage of professionals, most of the existing auditors have financial professional background, lack of knowledge and experience in ESG related fields, and it is difficult to accurately identify and assess ESG risks;
- (2) The audit technology and methods are backward, the mature risk assessment model and audit methods have not been formed, and it is difficult to meet the needs of ESG audit;
- (3) The lack of attention, some institutions lack relevant training and investment, resulting in ESG audit ability is difficult to improve, affecting audit quality.

#### **4.2.4. The foundation of enterprise audit risk prevention and control is weak**

Enterprise ESG management level is an important basis for affecting audit quality. At present, there are great differences in enterprise management level in China, some enterprise management systems are imperfect, and the basis of risk prevention and control is weak. The concept of ESG is not well understood, and some enterprises regard it as a “face project”, lack of active awareness, insufficient investment and imperfect internal control, resulting in higher ESG risks. ESG management is divorced from daily operation, and it is not integrated into strategic planning, production and operation, so it is difficult to fundamentally reduce risks. ESG rating differences are large, and the evaluation differences of different institutions are obvious, which increases the difficulty of auditor risk assessment and audit risk.

### **4.3. Analysis of causes of problems**

At the enterprise level, the core is the weak awareness of ESG governance and the obvious short-term interest orientation. Some managers do not understand the concept of ESG deeply, believing that ESG investment increases operating costs and ignores its positive impact on sustainable development and audit quality. In order to pursue short-term interests, some enterprises deliberately hide negative information and false disclosure, resulting in low disclosure quality. In addition, some enterprises lack a perfect ESG management system and internal control mechanism, which is difficult to effectively control risks.

At the audit institution level, the core is that ESG audit investment is insufficient and professional capacity building lags behind. ESG audit needs to invest more human and material resources, but some institutions are

driven by interests, lack long-term investment awareness, and focus on the traditional financial audit business. At the same time, ESG audit personnel training is difficult, and the existing personnel knowledge structure is difficult to quickly adapt to the needs, resulting in insufficient audit capabilities.

At the regulatory level, the core is the imperfect ESG-related norms and insufficient supervision. China has not yet formed a unified ESG information disclosure, rating and audit standards, resulting in the lack of clear basis for enterprise disclosure and audit institutions. Concurrently, the punishment for illegal acts such as false disclosure of enterprises and audit dereliction of duty of audit institutions is insufficient, which is difficult to form effective constraints and affect the quality of audit. The corresponding relationship between specific problems and causes is shown in **Table 3**.

**Table 3.** Audit quality problems and causes from the perspective of ESG

Core existing problems	Enterprise-level causes	Audit firm-level causes	Regulatory-level causes
Low quality of ESG information disclosure	Weak ESG awareness, short-term interest orientation, and false disclosure	Lack of ESG information verification technology and insufficient investment in verification	Inconsistent disclosure standards and insufficient regulatory penalties
Lack of ESG audit standards	No relevant standards to follow and chaotic disclosure standards	Lack of audit standard guidelines and inconsistent audit methods	No unified ESG audit standards and guidelines have been issued
Insufficient ESG audit capabilities	Non-standard ESG information increases audit difficulty	Shortage of professional talents, backward audit technology, and insufficient investment	Lack of guidance on ESG audit talent training
Low level of corporate ESG management	Improper ESG management system and weak internal control	Failure to provide effective ESG management audit suggestions	Lack of relevant norms and guidance on ESG management

## 5. The optimization path of audit quality from the perspective of ESG

### 5.1. Enterprises improve the quality of information disclosure

Enterprises should shift away from a short-term profit orientation and cultivate a sound understanding of ESG principles. ESG considerations should be systematically integrated into all stages of corporate activities, including strategic planning, production and operations, and financial management. Firms should establish and refine comprehensive ESG management systems, clearly define responsibilities, strengthen internal control frameworks, and effectively manage risks across environmental, social, and governance dimensions. Increased investment in ESG initiatives is essential, particularly in environmental technology upgrades, employee rights protection, and improvements in internal governance, so as to enhance overall ESG performance.

Furthermore, enterprises should actively engage independent third-party institutions to verify ESG reports, thereby improving information credibility and mitigating rating discrepancies. Strict compliance with regulatory requirements and industry standards is necessary to standardize ESG information disclosure and enhance the authenticity, completeness, consistency, and comparability of disclosed information. Companies should clearly define the scope and content of disclosure, comprehensively report ESG-related practices, achievements, and risks, and avoid withholding negative information. Standardizing disclosure formats and criteria, increasing the proportion of quantitative data, and clarifying data calculation methods and sources will further improve comparability and verifiability, while facilitating external audit procedures. Finally, establishing robust internal

audit mechanisms to rigorously review disclosure content can prevent false or misleading statements and effectively reduce audit risk.

## **5.2. Audit institutions optimize audit procedure design**

Audit institutions should prioritize the cultivation of ESG audit expertise by increasing investment in talent development and establishing multidisciplinary professional audit teams. Strengthening the training of existing auditors in ESG-related knowledge and standards is essential, alongside actively recruiting professionals with expertise in environmental science, social responsibility, corporate governance, and sustainability reporting. In addition, audit institutions should enhance cooperation with ESG rating agencies and research institutions to facilitate the exchange of audit experience, methodologies, and technological tools, thereby improving their overall ESG audit capabilities.

Additionally, audit institutions should tailor audit approaches to the specific characteristics and requirements of ESG engagements. This includes refining audit methodologies and integrating ESG risk assessment into the traditional financial audit framework. By embedding ESG considerations into risk identification, evaluation, and response procedures, auditors can provide more comprehensive assurance services and better address the evolving expectations of stakeholders regarding sustainability and corporate accountability.

## **5.3. Regulatory authorities strengthen regulatory constraints**

Regulatory authorities should accelerate the development and refinement of ESG-related standards by establishing unified frameworks for information disclosure, rating methodologies, and audit practices. The introduction of consistent and authoritative standards would enhance comparability, reduce ambiguity in implementation, and promote higher-quality ESG reporting and assurance.

At the same time, regulators should strengthen guidance and support for both enterprises and audit institutions to facilitate the deep integration of ESG principles into audit practices. This includes providing clear regulatory expectations regarding ESG management and disclosure, encouraging enterprises to improve ESG performance, and promoting standardized disclosure behavior. Appropriate policy incentives may be granted to enterprises demonstrating strong ESG performance and compliance with disclosure requirements, thereby fostering positive market signals.

In addition, regulatory authorities should guide audit institutions in strengthening ESG audit capacity building by encouraging greater investment in professional development and methodological innovation. Institutions that demonstrate strong ESG audit capabilities and deliver high-quality assurance services may be recognized through supportive policies or industry endorsements, thereby incentivizing continuous improvement.

Eventually, regulators should enhance the promotion and dissemination of ESG concepts across society. By increasing public awareness and understanding of ESG principles, authorities can help cultivate a supportive institutional and market environment conducive to sustainable development and the long-term integration of ESG into corporate governance and auditing practices.

## **6. Conclusion**

This paper systematically discusses the impact mechanism, practice status, existing problems and optimization path of audit quality from the perspective of ESG, and draws core conclusions as follows:

- (1) ESG performance and disclosure quality directly affect audit quality;
- (2) ESG affects audit quality through external “information mechanism”, internal “governance mechanism” and risk “transmission mechanism”, and affects audit quality by optimizing evidence quality, improving risk prevention and control, and affecting program design respectively;
- (3) The current audit practice from the perspective of ESG in China has made some progress, but there are some problems, such as low quality of information disclosure, lack of audit standards, insufficient audit ability, uneven ESG management level of enterprises, which are closely related to weak enterprise awareness, insufficient investment of audit institutions and imperfect regulatory norms;
- (4) To improve audit quality, the three main bodies need to work together to promote the deep integration of the two by strengthening enterprise management, improving the ability of audit institutions and improving regulatory norms.

With the popularization of ESG concept and the development of capital market, the integration of ESG and audit will be increasingly in-depth. Future research can combine the improvement of ESG standards and the upgrading of audit technology to explore the application of big data, artificial intelligence and other technologies in ESG audit, so as to provide new ideas for quality improvement. Moreover, combined with the characteristics of different industries, this paper analyzes the differentiation mechanism and optimization path of ESG affecting audit quality in various industries, so as to improve the pertinence and operability of the research.

## Disclosure statement

The author declares no conflict of interest.

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