



SCHOOL OF
ECONOMICS AND
MANAGEMENT

New Rules, Same Game?

How Swedish Auditors Navigate the CSRD

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BUSN79 - Degree Project in Accounting and Finance, 15 credits

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Seminar date: June 2, 2025

Word count: 17 857

Abstract

Seminar date: June 2, 2025.

Course: BUSN79 - Degree Project in Accounting and Finance, 15 credits.

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Key words: CSRD, Sustainability Assurance, Auditing, Professional Adaptation, Sensemaking.

Purpose: The purpose of this study is to explore how auditors in large accounting firms perceive and respond to the CSRD, and what it reveals about the profession's ability to adapt to change.

Methodology: A qualitative study using semi-structured interviews with representatives from Swedish large accounting firms.

Theoretical perspectives: The concept of sensemaking, as described by Weick (1995), defines the theoretical framework of this study and is used to analyse how auditors interpret and respond to the changes that the CSRD brings to the audit profession.

Empirical foundation: This study's empirical foundation consists of data collected from semi-structured interviews with eight auditors in varying roles and seniority levels from the Swedish large accounting firms. The data was collected in the spring of 2025 and was analysed thematically to capture how auditors respond to the CSRD.

Conclusions: This study concludes that while auditors perceive the CSRD as a significant challenge, it is not viewed as insurmountable. Rather than seeing it as a disruption to their existing role, auditors frame the directive as a natural extension of their traditional responsibilities. Moreover, the findings suggest that auditors are better prepared for the transition than previously assumed by professional bodies and academic commentators. The study also highlights a strong sense of confidence among auditors in their ability to conduct CSRD assurance effectively, and in a way that delivers meaningful value.

Acknowledgements

We would like to express our sincere gratitude to our supervisor, Liesel Klemcke, for her consistent support, advice, and constructive criticism throughout the writing of this thesis. Without her deep expertise in the field of accounting research, our writing process would have been significantly more difficult.

Lund, May 27th, 2025

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1. Introduction

1.1 Background

“*The times they are a-changin’*”, Bob Dylan once sang. Few professions illustrate this better today than auditing. Regulations such as IFRS (Astolfi, 2021), Sarbanes-Oxley Act (Muslim, 2024), and ESEF (Troshani & Rowbottom, 2021), are but one of many recent examples of changes that have affected auditing. As sustainability concerns intensify and regulatory landscapes shift, auditors now find themselves navigating unfamiliar territory (e.g., Farrel & Paquette, 2023; Muslim, 2024). The audit profession has evolved beyond its traditional focus on financial accounting figures. Legislators and regulatory bodies have progressively expanded the scope of auditing to encompass emerging domains like corporate governance, and internal controls (Muslim, 2024), as well as technical reporting requirements like XBRL-tags (Troshani & Rowbottom, 2021). A recent development is the introduction of the Corporate Sustainability Reporting Directive (CSRD), which mandates that auditors provide assurance on sustainability disclosures, covering areas such as pollution, workers in the value chain, and business conduct (European Commission, 2022).

The report *Revision 2030 - framtidsscenarier för branschen* by the Swedish professional association FAR (2025), predicts that auditors will continue to face further regulatory and professional transformations in the years ahead. Such complexities include, for example, real-time audits, additional regulatory oversight, and audits of cybersecurity (FAR, 2025). In this thesis, we explore how auditors in Swedish large accounting firms perceive and respond to the challenges posed by the CSRD, and its implications for the profession to adapt to change. By addressing this question, the study seeks to offer insight into how auditors may confront similar challenges in the future.

1.1.1 Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) is a set of rules and regulations introduced by the EU, that require large and listed companies to report on environmental topics concerning the impacts of their business models and operations on society and the environment (European Commission, 2025). Officially adopted in 2022 as part of the wider European green deal, which aims to address the concerns of climate change and environmental degradation (European Commission, n.d.), the CSRD: “*helps investors, civil*

society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies” (European Commission, 2023, n.p.) and was implemented on an EU-level for the FY2024. The regulation has replaced the prior reporting directive, the Non-Financial Reporting Directive (NFRD) - a set of legislation mandating certain companies to report on sustainability-related matters (Finansinspektionen, 2024).

The CSRD was introduced in the EU directive 2022/2464 to replace the NFRD, as the EU deemed the current disclosure standards inadequate, citing insufficient comparability and reliability (European Commission, 2022). By introducing the CSRD, the EU argues that users will gain access to more comparable, relevant, and reliable sustainability information from a wider scope of companies. They argue that it will be beneficial, as it will help reduce the risk of investments in the financial system, and allow consumers to make more informed decisions in regard to companies and their impact on the environment, increasing accountability. Finally, it will allow investors the opportunity to invest in companies in accordance with their sustainability performance (European Commission, 2022).

The introduction of the CSRD will also require companies to disclose sustainability information on a broader scope than was previously the case. For example, affected companies will need to produce information on scope 1, 2, and 3 emissions. These refer to direct emissions, indirect emissions from energy consumption, and the indirect emissions up and down the value chain, respectively (FAR Online, n.d.). On a national level, the CSRD was implemented into Swedish law following the Swedish riksdag (2024) approval of proposition 2023/24:124 and is now regulated under Chapter 6, §14 of the Swedish Annual Accounts Act (Årsredovisningslagen, SFS 1995:1554). However, following a recent decision by the Swedish riksdag, the implementation date of CSRD reporting requirements for companies that would have been subject to the CSRD, have now been postponed to the report concerning the FY2025 (Regeringskansliet, 2025).

European Sustainability Reporting Standards (ESRS) are the reporting standards that the European Financial Reporting Advisory Group (EFRAG) has produced, which companies subject to the CSRD are required to follow (FAR Online, n.d.). The main standards, ESRS 1 and ESRS 2, provide general principles and requirements applicable across all sustainability topics. These outline concepts such as double materiality, scope of disclosures, and risk management. Furthermore ESRS also lays out topical standards that address environmental, social, and governance issues. Taken together, these standards in turn cover how to report on

for instance climate change, pollution, affected communities, and business conduct. Companies must, in line with ESRS 2, conduct a materiality assessment to determine which ESRS disclosures are relevant for their sustainability report (FAR Online, n.d.).

In sum, the CSRD is a directive that has been introduced to increase accountability for companies and the impact they have on people and the environment (European commission, 2022). The directive increases the scope of sustainability information that companies have to publish (FAR, 2025) and the EU believes that, through the adoption of the directive and by mandating the disclosure of sustainability information for a wider scope of companies, investors and other stakeholders can make more informed investment decisions. Additionally, it will help stakeholders better evaluate companies sustainability performance (European Commission, 2022). The directive, which is governed by the European Sustainability Reporting Standards (ESRS) and their associated principles and requirements, will become mandatory in Sweden for companies in scope for financial year 2025, with a phased implementation depending on company size and type (Regeringskansliet, 2025). Consequently, the authors of this study contend that these developments are likely to trigger significant changes within the Swedish audit profession.

1.1.2 The Omnibus Package

In the period leading up to the initiation of this thesis, the European Union revealed a simplification of the CSRD in their 2025 Omnibus package (European Commission, 2025). The EU motivated this simplification by arguing that it would create conditions for better growth, as a response to concerns of some stakeholders that CSRD reporting rules brought with it complexities that can stifle the competitiveness of European companies (European Commission, 2025). As such, the EU believed that the Omnibus package would ease the regulatory burden on companies that are bound by the CSRD, in particular for SMEs. The Omnibus package will impact both the contents of the CSRD and the timeline of implementation for the companies that are subject to report on it. Among other things, the Omnibus package also postpones the transition deadline for companies that were due to report in 2026 and 2027 (European Commission, 2025).

Furthermore, the Omnibus package seeks to streamline certain reporting requirements of the CSRD, with the EU estimating that the proposed adjustments could reduce administrative costs for companies across the European Union by €6.3 billion. Among the key changes of

the Omnibus package is the reduction in the scope of affected companies, now only concerning companies that have 1000 employees or more, and either a turnover above €50 million or a balance sheet total above €25 million (European Commission, 2025). Companies below 1000 employees will instead qualify for a voluntary reporting standard. Furthermore, the package seeks to revise the ESRS, reducing the amount of data points required and providing clarification on provisions that were deemed ambiguous. Lastly, the Omnibus package abolishes the plan of transitioning into reasonable assurance by 2028 (European Commission, 2025).

1.1.3 Audit Assurance

Audit assurance refers to the process by which an independent practitioner evaluates information, such as financial statements or sustainability reports, against defined criteria or regulation to provide a conclusion that enhances the degree of confidence intended users can place in that information. There are two primary types of assurance within the audit profession: reasonable assurance and limited assurance (IAASB, 2013).

Under reasonable assurance, according to the International Auditing and Assurance Board (IAASB), the main objective of the audit is to “*obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to report on the financial statements in accordance with the auditor’s findings*” (IAASB, 2008, p. 3). The auditor then expresses an opinion on whether this has been achieved or not, stating that the subject matter “*is free from material misstatement*” (IAASB, 2013, p. 75). In the setting of reasonable assurance, the opinion is fairly binary. Either the auditor is able to conclude that the financial statements are fairly presented in all material respects, or they issue a qualified, adverse, or disclaimer of opinion (IAASB, 2015).

Limited assurance means that the auditor performs fewer and less in depth procedures, as well as collects less evidence than in a reasonable assurance engagement. Rather than stating whether the information is free from material misstatements, auditors on limited assurance engagements express their conclusions in a negative form, stating that “*nothing has come to our attention that causes us to believe that [the entity] has not complied, in all material respects, with XYZ law*” (IAASB, 2013, p. 63). The extent of the work done and the way the result is expressed are the primary distinctions between limited assurance and reasonable

assurance. Limited assurance is more cautious and investigative in nature, whereas reasonable assurance is more comprehensive and affirmative (KPMG, 2024).

While traditional financial audits are conducted under reasonable assurance, the CSRD mandates that sustainability information be subject to limited assurance. The directive initially proposed a gradual move towards reasonable assurance (European Commission, 2022). However, this changed with the introduction of the Omnibus package, which proposed that sustainability information should remain subject to limited assurance until further notice (European Commission, 2025). This decision reflects the European Commission's intent to reduce unnecessary costs and administrative burdens for companies and auditors, thereby supporting the EU's efforts to maintain its global competitiveness.

Before the implementation of the CSRD, assurance engagements revolve around confirming or denying the existence of a sustainability report in Sweden. Under Chapter 6 §12 of the Swedish Annual Accounts Act (Årsredovisningslagen, SFS 1995:1554), certain companies must prepare a sustainability report. Furthermore, according to Chapter 9 §31 of the Companies Act (Aktiebolagslagen, SFS 2005:551), the auditor must confirm whether such information has been prepared, but not verify its content. As such, even the requirements of limited assurance under the CSRD represents a substantial increase in responsibilities for auditors in Sweden, given the expanded scope and complexity of sustainability related disclosures.

1.2 Problematization

The audit profession stands at a critical juncture. While auditing has historically centered on financial markets and providing assurance on financial information, auditors are now expected to safeguard the reliability of information that serves a wider societal function (European Commission, 2022). With the introduction of the CSRD, auditors in Sweden will face an expansion of their responsibilities beyond traditional financial assurance to include complex, qualitative, and non-financial disclosures (Harrer & Lehner, 2024). This transformation, arguably, is more than just a regulatory shift, it could prove a paradigm shift in the accounting field that challenges its identity, purpose, and places significant demands on auditors to adapt.

Although auditors have previously navigated significant paradigm shifts, such as the adoption of IFRS (Brackney & Marden, 2009), the implementation of XBRL under ESEF (Troshani & Rowbottom, 2021), the regulatory demands of the Sarbanes-Oxley Act (Muslim, 2024), and ongoing digitalization (Atta et al., 2024; Salijeni et al., 2021), the CSRD introduces a distinctly different set of challenges. Unlike previous shifts, the CSRD requires auditors to engage with complex, forward-looking, and often qualitative sustainability disclosures, demanding new competencies and broader expertise. This has prompted concern among regulators and stakeholders, who fear that the audit profession may struggle to adapt quickly enough, particularly in terms of capacity-building, recruitment, and training (AFM, 2023).

While the CSRD itself has received limited scholarly attention to date, the audit profession more broadly has faced sustained academic and regulatory critique (e.g., Foley, 2024; Ford & Marriage, 2018; Humphrey et al., 2021). Scholars have questioned whether auditing, as currently practiced, continues to meet its public interest obligations or sufficiently evolves in line with shifting societal and organizational demands. Despite this, relatively little is known about how auditors themselves perceive their readiness for the transition brought about by the CSRD. Although the directive is widely acknowledged as a major shift requiring new skill sets, the literature has yet to critically explore how auditors interpret its implications for their roles, responsibilities, and professional identity.

Furthermore, prior research on CSRD assurance (e.g. Ruohonen & Kullas, 2024; Harrer & Lehner, 2024; Piyathilaka; 2024) have focused primarily on structural and methodological challenges, such as the potential transition to providing reasonable assurance on CSRD information, double materiality, and difficulties surrounding divergent stakeholder expectations. However, little is known about how auditors perceive the impact of the CSRD on their professional roles, responsibilities, and readiness, especially within the Swedish context.

This study addresses the research gap by offering empirical insight into how auditors interpret and respond to the paradigm shift introduced by the CSRD. It explores themes such as auditors' evolving professional identities, their perceived preparedness for sustainability assurance, and the broader utility of their work. In doing so, the study contributes to a deeper understanding of how auditors in large accounting firms manage regulatory uncertainty, an area that has received limited academic attention to date. Given that auditors will soon face further transformative challenges, including those posed by artificial intelligence,

cybersecurity, and other emerging developments (FAR, 2025), these insights could offer timely and valuable implications for the future of the profession.

1.3 Purpose of the Report

The purpose of this study is to provide further empirical understanding of how the audit profession is evolving in response to major regulatory and societal changes. The domain of this study is paradigm shifts in the audit profession and the CSRD in Sweden constitutes the context. Situated within the broader context of paradigm shifts in auditing, this study aims to contribute empirical insights into how auditors in large accounting firms interpret and respond to such changes, particularly when these developments challenge established professional roles, routines, and expectations.

***RQ:** How do auditors in large accounting firms perceive and respond to the CSRD, and what does this reveal about the profession's ability to adapt to change?*

1.4 Thesis Scope and Limitations

This research does not aim to provide a comprehensive overview of the CSRD nor its broader implications for organizations and society. Instead, it addresses a specific, yet important gap in existing research.

The focus of this thesis is limited to how auditors are affected by the mandatory sustainability assurance requirements introduced by the CSRD. In particular, it examines how the scope of financial auditors' work is expanding in some cases to include assurance not only over financial information, but also sustainability-related information. As a result, the research does not explore how the CSRD impacts reporting companies, regulators, or other stakeholders. While this narrows the study's breadth, it enables a deeper investigation into how auditors within Swedish large accounting firms navigate the complexity introduced by the CSRD. These insights could have broader relevance, especially as auditors may face future regulations that similarly expand their scope and increase complexity in areas such as cybersecurity, data protection, and AI, as highlighted by FAR (2025). Understanding how financial auditors adapt to non-financial assurance requirements may offer valuable lessons for regulators and other stakeholders in shaping future frameworks.

Secondly, factors such as time frame and geography also affect the scope of this study. Empirical evidence is drawn exclusively from large accounting firms operating in Sweden. Although the CSRD has been implemented across multiple countries, this research concentrates on a single national context. Nevertheless, we believe that the findings could be indicative of challenges auditors may encounter more broadly across Europe. Additionally, it is important to note the timing of the study. When the research was conducted, few Swedish companies had yet reported under the CSRD, and none had done so under a mandatory obligation. Consequently, the thesis does not necessarily capture the practical challenges auditors face during the actual provision of CSRD assurance. However, this timing offers valuable insights into how auditors prepare for and manage regulatory uncertainty.

1.5 Outline

This thesis is structured as follows. The next section, *Literature review*, presents prior research related to sustainability assurance, the evolving role of auditors, critiques of audit value, and identifies key gaps that this thesis aims to address. The *Research Method* chapter explains the qualitative research approach, including the rationale for conducting semi-structured interviews, the selection of participants, and considerations for reliability and validity. Thereafter, the *Theory* is presented, introducing and explaining the concepts of sensemaking, which guide the interpretation of findings. Following this, the *Empirical Findings* chapter provides the results of the interviews with professionals from Sweden's large accounting firms, organized around emerging themes. These findings are further analyzed in the subsequent chapter, *Discussion*, where they are critically reflected upon in light of the theoretical framework and existing literature. Finally, the thesis concludes with the section *Contributions & Conclusion*, which summarizes its main contributions to theory and practice, limitations of the study, and suggestions for future research.

2. Literature Review

2.1 Introduction to the Literature Review

The audit profession occupies a central role in upholding trust in financial markets and ensuring transparency in corporate reporting (e.g., Achkar et al., 2025; Rashid & Fatah, 2022). However, despite its foundational importance, the profession has been subject to academic and regulatory critique (e.g., Foley, 2024; Ford & Marriage, 2018; Humphrey et al., 2021). Scholars have raised questions concerning whether auditing as currently practiced, adequately fulfills its public interest mandate or adapt sufficiently to evolving societal and organizational expectations (e.g., Elshandidy, 2021; Williams, 2018; Xu et al., 2023). In the meantime, auditors are put through change as regulation and new technologies are introduced (e.g., Atta et al., 2024; Salijeni et al., 2021; Muslim, 2024). As this study specifically seeks to address questions related to the recent paradigm shift introduced by the CSRD, relevant literature on this development has also been included. While not all of the literature on this development is used in the discussion section, it has played an important role in shaping the research question and guiding the study's design. This section reviews key strands of literature that examine the profession's structural limitations, competencies, ongoing paradigm shifts, and emerging challenges it faces. Together, these perspectives provide the necessary background to understand the current dynamics within the audit profession and the context of this study.

2.2 Criticisms of the Audit Profession

The audit profession has faced a large magnitude of criticism, questioning its effectiveness and its capacity to serve the public interest (e.g., Foley, 2024; Ford & Marriage, 2018; Humphrey et al., 2021). Common criticism related to auditing is, among other things, the audit expectations gap (Liggio, 1974), auditor independence (Elshandidy, 2021), inadequate professional skepticism (Xu et al., 2023), and its failure to capture its societal role (Williams, 2018).

As a response to the critique, several authors have made calls that the profession needs to change in order to increase efficacy. Knechel et al. (2020) argue that, in light of auditors' current inadequacies within the financial reporting supply chain, auditing should be more appropriately conceptualized as a professional service, one that is tailored to the specific

needs of each client. This perspective challenges the dominant manufacturing-like view of auditing, advocating instead for a service-oriented model that embraces heterogeneity and client interaction. Similarly, Humphrey et al. (2021) critically examine the societal role of audit, and argue that the traditional methods of auditing are not designed to meet societies evolving needs. Drawing on the concept of dynamic repair, originally introduced by Sennett (2008) in *The Craftsman*, the authors argue for a fundamental rethinking of how audits are designed and performed. Their critique centers on four key areas. First, they challenge the notion that an “audit is an audit” (Humphrey et al., 2021, p. 453), emphasizing that audits are usually seen as highly rigid and standardized conceptions that are created by standard-setters and regulators through various rules and checklists. As such, audits often result in box-ticking, and the authors argue that this undermines the potential for audits to deliver meaningful, value-adding insights. Second, the authors call for a reframing of the relationship between audit and assurance. Rather than viewing audit as a subset of assurance, they propose reversing the logic, instead positioning assurance as a component of the audit process. This shift, they argue, would open the door to more socially impactful and innovative forms of audit (Humphrey et al., 2021).

The third point of constructing dynamic repair of auditing is to rethink the innovative capacity of auditing standards. The authors argue that current ISA standards are designed to ensure consistency and compliance, which can hamper innovative approaches and more tailored audits, and argue against the current one-size-fits all model of auditing (Humphrey et al., 2021). Finally, the authors challenge the assumption that audits inherently serve the public interest. Instead, they advocate for redefining the role of audits in the public interest based on what society needs and values. This requires moving beyond the assertion that audits are socially beneficial, towards actively designing audits that meaningfully contribute to societal objectives.

Another widely discussed concept in the literature, through which the audit profession is criticized, is the audit expectations gap, first introduced by Liggio (1974). This concept highlights the persistent discrepancy between what stakeholders expect from an audit and what auditors are actually required or able to deliver, thereby questioning the purpose and perceived value of audits in meeting stakeholder needs. Liggio (1974) was the first to define the differences in expectations between stakeholders and compare them to the actual performance of auditors, the initial manifestation of the audit expectations gap. Subsequent

research, such as that by Porter (1993), has built on this concept and broken it down into subcomponents. The first subcomponent is the so-called reasonableness gap, which is the difference between what auditors reasonably can be expected to do and societal expectations of their performance. The second subcomponent is the performance gap, which is the difference between the auditors' actual performance and what they can reasonably be expected to achieve. Porter (1993) suggests several ways to narrow the gap, such as regular reviews of audit standards, particularly dynamic standard setting, where periodic reviews are used to adapt to evolving societal and business expectations. Later research has explored the introduction of new regulations or similar complexities, and how they have affected the audit expectations gap. In their study, Astolfi (2021) investigated how IFRS plays a role in the audit expectations gap, since it impacts both the complexity of preparing financial statements, as well as being more demanding for auditors. The study finds that auditors' competencies likely are insufficient regarding the increased complexity that IFRS brings. These findings suggest an increased reasonableness gap due to IFRS complexity, as well as a greater performance gap due to insufficient auditor capacity when the scope and depth of audit is altered. Similarly, Jedidi and Humphrey's (2024) study raises questions regarding the effectiveness of auditing standards as a tool for restoring trust and enhancing audit value. The authors show that local audit standards in France did not significantly narrow the audit expectations gap.

While much of the above mentioned research has studied the audit profession as a whole, some research has focused specifically on audits related to sustainability information. In the early stages of research on CSR audits, Power (1991) critically examined the emergence of environmental auditing. The author highlights that environmental audits, traditionally tools for assessing corporate environmental performance, may inadvertently limit broader societal perceptions of corporate accountability and constrain meaningful environmental actions. Power (1991) critiques the dominance of accounting-based methodologies in these audits, suggesting that they frame environmental issues primarily as quantifiable risks, potentially sidelining more comprehensive environmental considerations. The author also discusses how the accounting profession has sought to position itself as the authority in environmental auditing, a move that could marginalize other forms of environmental expertise and activism. This professionalization, Power (1991) argues, risks transforming environmental audits into standardized procedures that may prioritize organizational interests over genuine environmental accountability. Similarly, Power (1999) argues that there has been an increase

in scope of what is being audited and that this could lead to unintended negative outcomes. The author also argues that auditing practices function more as symbolic rituals rather than substantive evaluations. Bebbington and Larrinaga (2022) discuss the criticism that auditing may generate a false sense of control and comfort, inadvertently reducing critical engagement and action. Drawing on the distinction on two kinds of risks, both direct environmental impacts like emissions, and broader risks such as reputational or compliance-related risks. The authors argue that much of contemporary sustainability reporting is dominated by the latter, leading to superficial engagement rather than addressing fundamental sustainability challenges. The authors call for innovation in accounting practices to ensure they are equipped to address genuine ecological challenges, rather than simply offering comfort and superficial compliance (Bebbington & Larrinaga, 2022).

Taken together, the body of literature offers a multifaceted critique of the audit profession, emphasising its limitations in meeting evolving societal expectations. While some scholars advocate a radical rethink of auditing to make it more relevant and responsive, others highlight the risk of audits becoming mere symbolic rituals that offer only superficial assurance. These critiques emphasise the urgent need for, and complexity of, developing meaningful frameworks to address today's societal and environmental challenges.

2.3 Audit Utility in the Financial Reporting Chain

As discussed in the previous sections, the audit profession has been widely criticized for failing to fulfill its societal purpose, and for inadequately supporting the financial system (e.g., Liggio, 1974; Humphrey et al., 2021). However, contrasting perspectives in the literature suggest that external auditing continues to play a vital role in the financial reporting value chain, by enhancing information reliability, transparency, and accountability.

For instance, Rashid and Fatah (2022) find that external auditors play an important role in enhancing the quality of financial information. Similarly, Achkar et al. (2025) found that external auditors played a vital role in improving reliability, transparency, and regulatory compliance for reporting companies. Other research has investigated the competence of auditors and more specifically the abilities of large accounting firms. For instance, in their research, Che et al. (2020) investigate the so-called *Big-4 effect*, which is the idea that Big-4 firms provide higher quality audits than their peers. Their study finds evidence that Big-4 firms' effects exist, and that it stems from them putting more effort and time into learning,

and providing better opportunities for learning by offering courses in auditing and ethics to a larger extent. The firms also put effort into attracting top talent and investing in audit methodology, which results in higher quality audits compared to their peers. Similarly, research such as Pasko et al. (2023) investigate how auditors within the Big-4 firms have an influence on the quality of CSR reporting in China. Through their analysis, the authors were able to find that companies that were audited by the Big-4 accounting firms showed higher quality on the reliability of their CSR reports, than those that were audited by non-Big-4 firms (Pasko et al., 2023). Additionally, recent inspections by regulatory bodies have shown a decline in audit deficiencies for Big-4 firms in the U.S, reflecting that these firms emphasize an ongoing commitment to enhancing audit quality. The inspection showed similar results for Mid-tier accounting firms such as Grant Thornton and BDO (Maurer, 2025).

2.4 Prior Research on Paradigm Shifts in Auditing

This study seeks to contribute to an understanding of how auditors in large accounting firms perceive and respond to the CSRD, and what it reveals about the profession's ability to adapt to change. Although the CSRD is expected to impose significant new demands on both companies and auditors (AFM, 2023; FAR, 2025), it does not represent the first instance of legislation prompting a paradigm shift within the audit profession. The CSRD could be seen as part of a long line of historical paradigm shifts that have continuously forced auditors to rethink their roles and reshape their responsibilities. To better understand how auditors interpret and adapt to such developments, it can be of interest to consider earlier paradigm shifts that have shaped the auditing profession. These earlier transitions provide valuable context for understanding how auditors might respond to the regulatory challenges introduced by the CSRD.

Much like in the case of the CSRD, which has recently been implemented at the EU level and will soon become mandatory for many companies in Sweden, IFRS was once a new, unfamiliar set of regulations that created uncertainty in regard to the effect it would have on external auditors (Brackney & Marden, 2009). In their article, Brackney and Marden (2009) speculate on the possibility of the U.S. adopting IFRS, and what complexities it would entail for auditors in the country, who would have to increasingly rely on their professional judgment in the light of the standards reliance on principles-based accounting methods, and its allowance for greater flexibility. The authors argue that as auditors now must assess not only the numerical compliance and the validity of financial information, but also the very

essence of regulations, it heightens the difficulty in evaluating management's assertions: *"Auditors will now have the difficult task of trying to assess management's judgments on IFRS compliance and the "spirit of the law" rather than assessing compliance based on the established U.S. GAAP set of benchmark rules. Allowing such flexibility may result in a "your judgment against my judgment" standoff between management and auditors."* (Brackney & Marden, 2009, p. 33).

The authors go on to note that in particular, areas such as fair value measurement, and the broad application of judgment under IFRS, will prove prominent challenges for auditors. They conclude that, while IFRS adoption may streamline reporting globally and carry with it potential benefits, in the context of the U.S., it could increase the complexity of audits and increase the likelihood of disputes between auditors and management (Brackney & Marden, 2009). While IFRS has not yet seen official implementation in the U.S., Brackney and Marden's (2009) research poses an important question on how well-prepared auditor's are for paradigm shifts. Much like CSRD and its potential effects throughout Europe in the coming years, Brackney and Marden's (2009) study demonstrates that in the wake of the uncertainty that new regulations may bring, auditors face heightened risks amidst the adaptations they have to bring to their role and their professional skill set. Brackney and Marden's (2009) study could thus provide interesting parallels to the CSRD, which has currently not seen the light of day in Sweden, officially.

When changes do arrive to the audit profession, they are often catalyzed by crises, such as the 2008 global financial crisis or the collapse of Enron (Humphrey et al., 2021). One notable example that reshaped the landscape of the audit profession is the Sarbanes-Oxley Act and its Section 404, which mandated external auditors to evaluate companies' internal controls over financial reporting (ICFR) in the U.S., a direct response to the audit failures that were exposed by the Enron scandal. Additional studies that have focused on internal controls in the aftermath of the Enron scandal, such as Anatharaman and Wans (2019), investigate how an audit firm's characteristics affect the audit quality of internal controls, and find that larger and more experienced firms perform better ICFR audits.

The previously mentioned paradigm shifts have, to a large extent, already brought about transitional changes in the audit profession, albeit with some geographical exceptions. Looking ahead, Farrel and Paquette (2023) argue that three key areas are currently reshaping the external audit profession. The first of which is the expanded scope of audit

responsibilities driven by ESG-related regulation and focus, an area this thesis specifically investigates. Second, auditors are facing increasing demands to adapt their skill sets to new contingencies, a theme that is partially explored in this thesis. Lastly, Farrel and Paquette (2023) highlight the growing role of automation and technology in enhancing audit processes, which is a topic that has already been covered in research. A multitude of technologies have already been implemented in the audit professions, and more are likely to follow. For instance, a study by Atta et al. (2024) researches the adoption of the Computer Assisted Auditing Techniques (CAATs) by auditors. The study concludes that CAATs are seen as transformative tools that can improve the quality, efficiency, and credibility of audits. However, the adoption of such technologies come with their own set of challenges, such as insufficient training or limited organizational support.

Other studies have also explored how the role of auditors is evolving in the wake of major, technological, paradigm shifts. With the widespread introduction of big data analytics (BDA), Salijeni et al. (2021) discusses the impact these technological, disruptive changes will have on the audit profession. Salijeni et al's (2021) study analyzes how BDA tools have reshaped the very nature of auditing and the so-called affordances of auditors. The authors argue that BDA tools help reconfigure workflows, gather evidence, and reshape professional relationships within the field of auditing. Through the help of dashboards and automation scripts, the authors argue that auditors are allowed new affordances, such as closer collaboration with other functions, disrupting traditional hierarchies in accounting firms (Salijeni et al., 2021).

Another technological advancement that has affected the audit profession is the introduction of XBRL, especially the European Single Electronic Format (ESEF) from 2020, which requires EU-listed firms to file digital corporate reports (Troshani & Rowbottom, 2021). In their article, Troshani and Rowbottom (2021) discuss new challenges that auditors are faced with when auditing XBRL-based reports. These challenges include verifying the accuracy of XBRL tags, conducting materiality judgments in an environment where users can access line items directly, and addressing the implications for audit fees. Looking ahead, the authors call for further research into how XBRL impacts the audit profession, as the increased entrenchedness of digital reporting will likely force audit norms and practices to evolve in parallel.

The shifts in the audit profession highlighted by Salijeni et al. (2021) and Troshani and Rowbottom (2021), resulting from technological advances such as XBRL-based reports and BDA, can prove relevant when analyzing our data, as potential cues to the uniqueness of auditor challenges during the introduction of the CSRD. As Salijeni et al.'s (2021) paper suggests that the implementation of BDA tools not only served as a technological upgrade, but also helped reshape the audit profession - it could perhaps predict the changes that auditors will experience in the wake of new regulatory frameworks such as the CSRD.

Lastly, Muslim (2024) explores historical paradigm shifts that have affected the audit profession as a result of regulatory, technological, and societal pressures. Muslim (2024) gives examples of significant historical changes in the profession, such as the regulatory changes that came in the wake of the Enron scandal, where the previously mentioned Sarbanes-Oxley Act created new demands on auditor independence, corporate governance, and internal controls. Additionally, Muslim (2024) echoes some of the points made by Salijeni (2021) in discussing the paradigm shift of technological advancements such as big data analytics, blockchain technologies, and AI.

Interestingly, Muslim (2024) also discusses and identifies emerging trends and challenges within the audit profession. Here, the author showcases that the implementation of environmental, social, and governance (ESG) factors into the scope of audits is a shift that is central to the future of the profession. New responsibilities for providing assurance, particularly in sustainability-related reporting, may require interdisciplinary collaboration and innovation in the audit practices (Muslim, 2024).

These studies showcase that auditing is a profession that evolves through new challenges, whether they be a result of new technological advancements (Salijeni et al. 2021; Troshani & Rowbottom, 2021), the adoption of new regulatory frameworks (Astolfi, 2021; Brackney & Marden, 2009), or new legislation (Anatharaman & Wans, 2019; Muslim, 2024). Auditors will need to meet the new demands placed upon them by innovating how they approach and conduct their assurance engagements. It is yet unclear what role CSRD will have in shaping the future of the audit profession, but these studies can serve as a hint of what is to come after the implementation of mandatory assurance on CSRD information.

2.5 Challenges of CSRD Auditing

As this study will investigate the challenges that auditors face when they prepare to provide assurance on CSRD-related information, it is relevant to examine prior academic literature on the subject to assess to what extent the audit profession is perceived as ready for the transition to the CSRD. This comparison will help us determine whether our study aligns with, or diverges from, the existing findings on the subject.

Ruohonen and Kullas (2024) explore the complexities associated with providing assurance on CSRD disclosures, and examine how the auditor's role evolves in response to the directive and its requirements. The authors discuss that with the introduction of mandated CSRD disclosures in annual reports, along with the corresponding audit thereof, there is a possibility that the audit expectations gap could widen (Ruohonen & Kullas, 2024). Looking forward, the authors argue that the level of assurance stipulated by the CSRD should be increased to reasonable assurance, although the authors acknowledge that this likely will entail difficulties concerning the ambiguous, qualitative information that sustainability reports usually consist of. Furthermore, they believe that auditors first need to gain sufficient experience before the transition to reasonable assurance can be facilitated (Ruohonen & Kullas, 2024).

Harrer and Lehner (2024) explore the complexities surrounding assurance under the CSRD, and the associated risks faced by auditors when conducting assurance engagements on these new types of disclosures. Similar to Ruohonen and Kullas (2024), the authors identify the qualitative nature of sustainability information to be a significant challenge for auditors. Furthermore, Harrer and Lehner (2024) discuss the extent to which the audit expectations gap may be impacted by these changes. The authors argue that, as sustainability assurance now caters to a broader range of stakeholders, such as the public and regulators - who often hold vastly different expectations, the expanding breadth, scope and ethical implications of sustainability assurance engagements may inevitably contribute to a widening of the audit expectations gap. As such, assurance providers risk falling short of these expectations (Harrer & Lehner, 2024). Lastly, the authors warn that there is a significant risk that sustainability assurance under traditional and modern auditing techniques may not be sufficient to analyze the depth and context-specificity of the nature of sustainability information - which could lead to "pseudo-assurance" or "assistance in greenwashing" (Harrer and Lehner, 2024, p. 3).

As Ruohonen and Kullas (2024) study called for the transition to reasonable assurance, it could be of interest to analyze the challenges standing in the way of such a transition. A study by Piyathilaka (2024) examines large accounting firm's perceived challenges in achieving reasonable assurance in sustainability reporting under the CSRD. The author finds that in the context of the CSRD, auditors must enhance their understanding of both traditional financial auditing principles, as well as the specific challenges posed by CSRD assurance. This can be achieved through a more thorough understanding of ESG factors and how these may affect companies risk profiles and performance - in order to facilitate the transition to reasonable assurance (Piyathilaka, 2024). The study also identified the implementation of advanced data management systems capable of handling the CSRD's reporting requirements, along with the establishment of stronger internal controls, as necessary steps toward the ability to facilitate the transition. By implementing reasonable assurance on CSRD audits, Piyathilaka (2024) argues that companies will be able to provide stakeholders with more reliable and detailed disclosures, and that it can result in a significant impact on stakeholder investment decisions and trust.

Lastly, a report by the Dutch Authority for the Financial Markets (AFM) (2023) identifies several shortcomings in Big-4 accounting firms and their preparedness to deal with the complexities of CSRD information. Additionally, the report identifies that reporting companies are likely to be underprepared to report on it. In their report, AFM (2023) outlines the current challenges that companies and audit firms are facing in regard to CSRD reporting and auditing. For audit firms, the report identifies that there is a shortage of personnel. To meet the demands posed by the CSRD, AFM (2023) suggests that accounting firms need to not only hire more, but hire professionals with the right competencies and skills in regard to the CSRD. Given the proximity of the CSRD's implementation date - the report finds that the accounting firms face considerable challenges in building the necessary capacity and expertise to meet the directive's requirements in time (AFM, 2023).

The report also states that it is important that knowledge and expertise within the organization, in respect to non-financial information, are further enhanced on every level of seniority. However, the report also goes on to mention recommendations to help audit firms strengthen their expertise. For instance, it recommends extensive training programs and proposes mandating a minimum number of training and practice hours as a prerequisite for authorisation to sign off on sustainability assurance statements. Lastly, it also suggests having

a policy of involving both the audit team and the ESG team in all engagements that relate to CSRD audits (AFM, 2023).

2.6 Literature Gaps and Research Relevance

The reviewed literature highlights that the audit profession is facing a period of intensified scrutiny, transformation, demand and expansion of responsibilities. While a wide range of studies address its structural shortcomings, failure to meet its societal role (e.g., Foley, 2024; Ford & Marriage, 2018; Humphrey et al., 2021) and the persistent audit expectations gap (Astolfi, 2021; Power, 1991), other research emphasize the importance of external auditing within the financial reporting value chain (e.g., Achkar et al., 2025; Rashid and Fatah, 2022). These dual narratives create a conflicting context for understanding how auditors are responding to new challenges.

Furthermore, studies have examined how previous and current paradigm shifts, such as the IFRS (Brackney & Marden, 2009), the Sarbanes-Oxley Act (Muslim, 2024), and digitalisation (Salijeni et al., 2021; Troshani & Rowbottom, 2021), have altered the responsibilities and expectations of auditors. Research specific to sustainability assurance under the CSRD (e.g., Harrer and Lehner, 2024; Piyathilaka, 2024; Ruohonen and Kullas 2024) indicates that firms are likely to face challenges related to qualitative data, assurance level mandates, interdisciplinary knowledge gaps, and stakeholder misalignments.

While much of the existing literature provides valuable insight, few studies have yet empirically examined how auditors are affected by the CSRD. Specifically, how auditors themselves perceive the potential challenges brought about by the CSRD, how roles and organizational design has changed, and auditors' perceived ability to create utility are topics that remain underexplored in the academic literature. To the best of the authors' knowledge, no prior research has explicitly examined this in the Swedish setting. This gap is critical, given that auditors play a central role in ensuring legitimacy, credibility, and usability of financial, and soon sustainability disclosures. Through direct engagement with practitioners using interviews, this study seeks to understand how auditors interpret, navigate and prepare for the challenges posed by the CSRD, while reflecting on their evolving professional identity and value contribution. In doing so, the study provides new empirical insights into an under-explored area, building on existing academic discourse concerning audit innovation,

legitimacy and adaptation to regulatory change. These insights may also prove valuable in understanding how auditors may respond to future regulatory changes.

3. Research Method

This section outlines and presents the research methodology applied in this study. A qualitative research approach was adopted, as the authors of this study considered it well suited to collect data on less quantifiable topics, such as auditor's perceptions, interpretations, and feelings. As noted by Bryman and Bell (2011, p. 386), qualitative research is focused on creating an: "*understanding of the social world through an examination of the interpretation of that world by its participants*". As such, a qualitative research approach aligns with this study's focus on auditors' sensemaking in times of professional transition.

3.1 Selection of Interviewees

Given the authors' prior professional experience in large accounting firms, the topic of CSRD assurance was, to some extent, familiar before the start of this thesis. However, throughout both practical experience and academic inquiry, the authors identified what they considered to be a significant gap in understanding regarding both the implementation and audit of CSRD-related information. This was made evident not only in terms of how reporting companies ought to interpret and report in accordance with the directive, but also in how auditors are expected to provide assurance on CSRD disclosures. The authors' industry background contributed to an understanding that both auditors and auditees are navigating a landscape filled with ambiguity, uncertainty, and unclear expectations.

Consequently, the authors concluded that the data-collection method would be conducted through interviews with professionals working at Swedish large accounting firms. The authors deemed large accounting firms to be the most relevant for this study, as they audit the vast majority of the large and listed companies (Revisorsinspektionen, n.d.) - which are the ones most affected by the CSRD mandates. The study employed purposive sampling to identify interviewees with varying degrees of experience within either financial audit, sustainability assurance, or both. Additionally, the respondents varied in their degree of seniority, and included both staff-level employees (e.g. senior-associates), as well as management level employees (e.g. partners or managers). As described by Bryman and Bell: "*Purposive sampling is a non-probability form of sampling. The researcher does not seek to*

sample research participants on a random basis. The goal of purposive sampling is to sample cases/participants in a strategic way, so that those sampled are relevant to the research questions being posed.“ (2011, p. 442). As such, this sampling method was critical to find appropriate interviewees that allowed us to answer the research question.

The rationale behind the sampling method and the selection of interviewees was to capture a range of perspectives on the challenges and interpretations of the CSRD, both at the managerial and operational levels within Swedish large accounting firms. Specifically, we aimed to understand how CSRD-related complexities were understood and perceived by management, who are responsible for setting strategic priorities and ensuring conformity with relevant audit standards. Additionally, interviewing staff-level employees would help the study determine whether these perspectives were reflected in those who perform many of the technical aspects of the audit.

To this end, the authors have conducted interviews with a total of eight participants: five of whom are staff level employees, as well as three employees who hold managerial level positions, as displayed in table 1. As such, we believe that both the employees sampled, and their number, are relevant to this study’s research question, and can contribute to understanding and drawing conclusions about the research problem. Additionally, the questions were sent to the participants in advance to provide sufficient time for reflection, and to ensure alignment with our theoretical framework. The questions are available in this study’s appendices.

Respondent	Duration	Date of Interview	Title	Company name*
Respondent 1 (R1)	37 min	May 4th, 2025	Sustainability and Financial Audit Associate	Company Alpha
Respondent 2 (R2)	37 min	May 5th, 2025	Manager	Company Beta
Respondent 3 (R3)	25 min	May 7th, 2025	Manager	Company Beta
Respondent 4 (R4)	29 min	May 8th, 2025	Senior Associate	Company Beta
Respondent 5 (R5)	28 min	May 9th, 2025	Partner	Company Gamma
Respondent 6 (R6)	38 min	May 14th, 2025	Senior Sustainability Audit Associate	Company Alpha
Respondent 7 (R7)	30 min	May 19th, 2025	Senior Associate	Company Delta
Respondent 8 (R8)	30 min	May 20th, 2025	Associate	Company Delta

*Table 1: Information about interviews presented in chronological order
Fictitious names are used to preserve the anonymity of the accounting firms

3.2 Execution of Interviews

In order to collect our information, we conducted semi-structured interviews with professionals from large accounting firms in Sweden. Bryman and Bell (2011) describe

semi-structured interviews as preparing a list of specific topics to be covered, but allowing the interviewee a significant degree of leeway when responding. When information arises that is not covered by any of the pre-prepared questions, the interviewer is free to ask additional questions to follow up on themes that emerge throughout the interview. However, at large, all questions prepared will be discussed. A central part of the interview process here is flexibility, where the emphasis during the interview should be on how the respondent frames and interprets issues and events, and what they view as important in explaining and understanding the subject matter at hand (Bryman & Bell, 2011). As such, the use of semi-structured interviews enabled both comparability across the interviewees, and the flexibility to follow the emergent themes that became evident throughout the interviews.

3.3 Transcription and Thematic Analysis

In this study, all eight interviews conducted were audio-recorded with the informed consent of the participants. Following each interview, the recordings were transcribed verbatim to ensure accuracy and integrity of the empirical material. The transcripts were cleaned for filler words, minor language inconsistencies, and anonymized to protect the identity of the respondents and their firms. Following this, as the interviews were held in Swedish, they were translated through the AI-tool DeepL. The translations were reviewed and corrected for minor errors in translation.

Furthermore, the empirical material was analyzed using a thematic analysis approach. Three overarching themes were identified as central to understanding how Swedish auditors in large accounting firms perceive and respond to the CSRD: (1) *organizational structures and role identity*, (2) *preparedness, planning, and practical challenges under the CSRD*, and (3) *perceived utility of sustainability assurance*. These themes were selected based on the literature gaps found in the literature review section in this study.

3.4 Literature Gathering

To conduct this study, it has been vital to find prior research that can provide both the authors, and the reader, sufficient background information to understand and interpret the empirical findings. The gathered literature has helped provide insights into historical and contemporary research that has been conducted on the topic of, for example, paradigm shifts within the accounting profession, critiques on the value of auditing, and sustainability assurance. The gathered literature has not only helped contextualize the challenges of the audit profession's

ongoing transition into the CSRD, but also highlights key theories and prior studies that enable us to more effectively interpret our findings. This has also allowed us to better ensure the validity of our findings, as described by Bryman and Bell (2011).

This study identified relevant literature through two complementary approaches. Firstly, the study has relied on search engines such as Google Scholar or LUBsearch in order to attain relevant literature. This literature has then either been used as sources for this study, or served as a gateway to further, potentially relevant research through the list of references, which has served as the secondary way of attaining relevant literature and research. The key search terms and search engines used for finding this study’s sources have been published below in *Table 2*.

<u>Search Engine</u>	<u>Search Terms</u>
Google Scholar Google LUBsearch	CSRD Audit CSRD Assurance CSRD Readiness Auditors Perceptions Challenges CSRD Challenges Sustainability Assurance Paradigm Shifts in Auditing ESG Auditor Challenges

Table 2: Utilized search engines and key search terms

3.5 Theoretical Framework

The theoretical framework guiding this study is the concept of sensemaking. While originating in the study of social psychology, this thesis has mainly applied how sensemaking is described within organizations, as developed by Weick (1995). The selection of this theory was made on the basis of its perceived relevance in investigating how auditors themselves perceive the CSRD. Sensemaking is particularly relevant in this context, as the directive introduces substantial changes to the scope and nature of audit work by requiring assurance on non-financial, sustainability-related disclosures. As demonstrated in research (e.g., Maitlis & Christianson, 2014), the sensemaking process is often present during ambiguous or uncertain situations. As such, sensemaking was deemed as an adequate theory to explain how auditors interpret and act under uncertainty caused by the CSRD. Although sensemaking, to

the best of the author's knowledge, has not been used as an explanatory theory in this very context before, the validity of the theory has been demonstrated in the context of sustainability assurance under the CSRD, as evident in recent research (Bouten & Hoozée, 2025).

3.6 Ethics and Reflexivity

To conduct this study, several ethical considerations were carefully addressed in accordance with the best practices for qualitative research, as outlined in Bryman and Bell (2011). Prior to the start of each interview, participants were informed of the study's purpose and the measures that would be taken to ensure their personal confidentiality and their companies anonymity. Additionally, the participants were informed of the authors' prior or current professional obligations, to ensure that there is a sufficient level of transparency and that participants can give informed consent to the interview.

Each interview began with a clear explanation of the research aims, and how the authors intend to use the data that they collect. Explicit verbal consent for the interview, and the recording thereof, was obtained before any data collection commenced. Only after receiving recorded consent to participate in the interview did the gathering of information start. All these steps were taken to uphold the principles of transparency, anonymity, and prevent any harm to participants as described in Bryman and Bell (2011).

Given the authors' prior professional experience from Swedish large accounting firms, reflexivity was essential through the writing of this thesis. Reflexivity as described in Bryman and Bell (2011) refers to the process by which researchers have to critically reflect on their own background, role, and the assumptions that have been made throughout the research process. In qualitative research, data needs to be interpreted and meaning is constructed by the authors (Bryman & Bell, 2011). Therefore, the authors have carefully reflected on their potential interpretive biases throughout the writing of this thesis and have, to the best of their ability, remained neutral from any potential biases identified.

3.7 Limitations of Research Method

When designing the sample, efforts were made to include participants from multiple large accounting firms and to ensure variation in seniority levels. However, the selection of specific respondents was primarily facilitated through the authors' professional network. While this

approach granted access to knowledgeable and relevant participants, it may have introduced bias, as the sampling was non-random and potentially shaped by pre-existing relationships. As Bryman and Bell (2011) note, such purposive sampling may limit the transferability of the findings, as the perspectives captured may not fully reflect those of the broader population of auditors.

Furthermore, as this study aimed to explore how Swedish auditors perceive the CSRD, the decision was made to focus exclusively on large accounting firms. This choice was based on the fact that, at present, smaller firms rarely conduct audit engagements involving companies within the CSRD scope. However, this focus limits the generalizability of the findings, as only a small number of firms were included. As the directive gradually expands to cover smaller entities, future research could benefit from including small and mid-sized accounting firms to capture a broader range of perspectives.

Additionally, the study's national context poses another limitation. Since the implementation of the CSRD was postponed by one year in Sweden, the regulatory environment differs from that of other EU member states. Although this delay heightened uncertainty, an aspect central to this study, it also reduces the transferability of the findings to auditors operating in other EU member states.

4. Theory

This section outlines the theoretical framework of this thesis, which is grounded in the concept of sensemaking. Originally rooted in psychology (Weick, 1995), the concept of sensemaking is examined here through the lens of organizational research, with a focus on how it has been developed and applied within organizational contexts.

4.1 Sensemaking

Sensemaking is a concept that was initially conceived as a psychological phenomenon, but has since gained prominence in various fields of study, such as health care, education and organizational behaviour (Maitlis & Christianson, 2014). Within organizational studies, sensemaking refers to the process by which individuals interpret and construct meaning from new, unexpected, or ambiguous events, a process that has grown in importance in understanding how organizations respond to change (Maitlis & Christianson, 2014). When

members of an organization encounter periods of ambiguity or uncertainty, they engage in sensemaking by gathering and analyzing cues from their surroundings. These cues form the basis for constructing a plausible explanation that brings order and coherence to the situation, allowing them to keep navigating and responding to their environment. Sensemaking emphasizes coherence, continuity, and the ability to act in the face of uncertainty more than necessarily striving for objective accuracy (Maitlis & Christianson, 2014; Weick, 1995).

There are seven main distinguishing interrelated properties of sensemaking, as outlined by Weick (1995). First, sensemaking is *grounded in identity construction*, meaning that people actively alter reality interpretations and narratives rather than passively observing it. As people engage in sensemaking, they also engage in a process of shaping and reshaping their own roles and identities within an organization. Second, it is *Retrospective* since events are given meaning by looking backward, often only after actions or outcomes have taken place. This suggests that our understanding of what has occurred is subject to selective memory and contextual framing (Weick, 1995). Third, sensemaking is *enactive of sensible environments*, suggesting that actors shape the settings in which they try to understand through their action, which in turn affect how these environments are interpreted later. This suggests that environments are not objective givens, but are actively constituted through the sensemaking process. Fourthly, sensemaking is also *Social*, as the process is shaped by interaction, dialogue, and shared understanding between people or within an organization. As such, sensemaking does not occur in isolation, but interpretations are influenced by norms, interactions, and reactions by others. Even when alone, individuals reflect on situations through their social contexts and how others may respond to their interpretations (Weick, 1995). Fifth, it is *ongoing*, reflecting the ongoing process of interpretation in reaction to new events and evolving contexts. As such, conclusions from sensemaking are not permanent, but created through temporal pressure and can change as new information arises. Sixth, the process is *focused on and by extracted cues*, meaning that the process involves focusing on certain elements, while completely ignoring others, in order to support our interpretation of an event. Lastly, sensemaking is *driven by plausibility rather than accuracy*, as people search for interpretations that feel coherent or reasonable, rather than necessarily perfectly factual. This can help individuals in high-pace environments, as they would not have to wait for complete accuracy which could stifle decision-making (Weick, 1995).

Research on sensemaking in the organizational contexts started to blossom after Weick's (1995) publication, *Sensemaking in Organization* (Maitlis & Christianson, 2014). In

organizational settings, sensemaking often occurs in response to ambiguous or uncertain issues, events, or situations. Such disruptions, or “triggering events,” prompt actors to search for new interpretations that restore order and coherence. One such strong trigger for sensemaking is identity threats (Maitlis & Christianson, 2014). As individuals construct their identities in order to fulfill needs for self-improvement, self-efficacy, and self-consistency, any perceived threat to these needs will prompt individuals to engage in a sensemaking process, aimed at restoring their identity and reaffirmation of self (Maitlis & Christianson, 2014).

Several studies have investigated how identity threats trigger sensemaking in organizations. For instance, research by Lüscher and Lewis (2008) demonstrates that organizational members experience contradictions and paradoxes as a result of changes in organizational structure, positions, and responsibilities, which prompts them to make sense of their tasks and how to perform them. In their article, Arvidsson and Johansson (2019) show that regulatory change is another common trigger for sensemaking. When the EU Directive 2014/95/EU was first introduced, sustainability information was initially perceived as vague and irrelevant, resulting in confusion among analysts (Arvidsson & Johansson, 2019). However, as societal pressure and investor demand grew, analysts began to engage with the data more actively. Despite ongoing difficulties in interpretation and measurement, analysts are now open to making sense of it. This illustrates how new regulation can serve as a trigger for sensemaking, and how professionals actively reinterpret their roles and responsibilities in response to evolving standards (Arvidsson and Johansson, 2019).

Additionally, recent literature has identified sensemaking processes within the audit profession. Xu et al. (2023) found that auditors engage in sensemaking when enacting and reframing the application of professional skepticism. The study reveals that skepticism is not a fixed quality or judgment, but rather a dynamic, emerging process that is shaped through auditors' interactions, actions, and dialogues with clients and audit teams (Xu et al., 2023).

Additionally, recent literature has begun to explore how Big-4 auditors engage in sensemaking when conducting sustainability assurance engagements. In their study, Bouten and Hoozée (2025) investigated sustainability assurors in Big-4 firms and found that audits are often conducted in ambiguous and evolving environments. The study finds that, as described by Weick (1995), sensemaking is social and situated. Additionally, through so-called organizational socialization, such as internal training and team interactions, auditors

are able to better interpret sustainability assurance and the potential value that it can provide. Bouten and Hoozée (2025) also discuss how the purpose of sustainability assurance is framed within the audit firms with the help of sensemaking, depending on, for example, individual backgrounds in sustainability or financial audits, and organizational socialization. They find that, depending on the auditor, sustainability assurance can be framed and interpreted by auditors as simple box ticking, client protection from scrutiny, or an act of ensuring that social and environmental accountability is provided to stakeholders (Bouten and Hoozée, 2025). This study illustrates how auditors' interpretations of sustainability assurance are shaped through social interactions and auditors backgrounds - and provides some insights into how they interpret the purpose of sustainability assurance.

Taken together, this section highlights literature that demonstrates that sensemaking is a dynamic, ongoing, and social process through which individuals not only interpret ambiguity, change, or disruption, but also help them respond to it (Weick, 1995; Maitlis & Christianson, 2014). Sensemaking is grounded in identity construction and shaped by, among other things, retrospective reflections, enacted environments, and social interactions both within and outside the organization (Weick, 1995). Additionally, it has been found to enable individuals to construct plausible narratives that help them in guiding their actions. This has proved particularly useful in organizational research, especially in contexts characterized by uncertainty such as regulatory changes and evolving professional roles (Lüscher & Lewis, 2008; Arvidsson & Johansson, 2019). In these settings, professionals often reinterpret their roles and responsibilities in accordance with their shifting expectations. In the field of auditing, sensemaking has been able to show how auditors apply professional skepticism (Xu et al., 2023) and how auditors frame the purpose of their work in complex, ambiguous, and evolving environments (Bouten & Hoozée, 2025). The authors believe that sensemaking could offer vital clues for understanding how auditors interpret the changes to their profession in the wake of the CSRD, and how they respond to the subsequent changes in roles, responsibilities, and to the profession itself.

5. Empirical Findings

This section presents the empirical findings of the study. Across all interviews, three overarching themes consistently emerged: (1) organizational structures and role identity, (2) preparedness, planning, and practical challenges under the CSRD, and (3) perceived utility of

sustainability assurance. Accordingly, the section is structured around these three themes, each of which is discussed and analyzed in turn.

5.1 Organizational Structures and Role Identity

The Swedish accounting firms exhibited varying approaches to how audit teams and internal subdivisions are organized in response to the emerging challenges posed by CSRD-related responsibilities. R1 describes a separated model at Company Alpha, where financial- and sustainability audits are conducted by separate teams, though they increasingly collaborate:

“It is not so integrated at the moment. Even if it is the same client, the sustainability and financial parts are treated as separate assignments.”

A similar approach is currently used at Company Delta, where a group of assurance auditors and specialists are separated from financial audits, meaning that few financial auditors have yet to come in contact with the CSRD. Across the remaining firms, Company Beta and Company Gamma, the CSRD audit is integrated with the financial audit. In other words, the audit team has not changed compared to how it has been earlier, and the audit of sustainability information has been added as yet another account to evaluate. For example, when R2 is asked whether they had the responsibility for both the financial- and the sustainability audit the respondent answered:

“Yes, exactly, so it is like a normal audit really. I am the project manager, but I need (sustainability-) specialists for certain things (complex sustainability issues)”.

The use of specialists mirrors traditional practices in financial audits when encountering complex standards. All firms in the study responded that they already have specialists that can help with complex standards such as IFRS, ESEF and local standards (K2 and K3). R2 showcases this perspective:

“just like when a new IFRS standard is introduced, you might need specialist knowledge for that”.

This suggests that R2 does not view the introduction of CSRD-related responsibilities as requiring fundamental changes to the firm's organizational structure. Rather, just as the firm has long employed specialists to support complex accounting issues, R2 sees the inclusion of sustainability specialists as a natural extension of existing team structures. Similar views are

exhibited by R5 when asked whether they feel as if their role as an auditor has changed due to the CSRD, who states that:

“It is a whole new set of rules to come to terms with, just like with K2, K3 and IFRS”

Throughout the interviews, the respondents were asked whether they perceive that their role is going to change with the introduction of CSRD. R2 answered:

“Ask me again in a year. No, but I do not think so. This job is constantly changing, which is what I like about it, that it is changing and that you are doing different things all the time. And I just think that is fun. Then I am just a little unsure about [...] how many people will care about sustainability reporting? I mean, investors, will they even care about these CSRD reports? I do not think so.”

R2 adds that the shift feels more like an evolution than a rupture:

“I just think it is another thing to learn [...] Like when ESEF came [...] somehow I just see this as another new IFRS standard”

In other words, R2 does not consider auditing of CSRD information to be a fundamental change to their normal course of work or role. Instead, it can be compared to other changes that auditors have experienced throughout the years. Auditors have recently been through the process of learning how to audit information that has been tagged with ESEF, and R2 compared the CSRD with XBRL-tagging, stating their similarities. Similar views are showcased by R1, who states that:

“I still think it will be a natural extension (of my role). It will be more a case of developing what you already do and it is just becoming a bigger part of your tasks and what you do.”

Interestingly, the participants generally do not anticipate significant changes to their professional roles, despite the fact that auditing sustainability information at this scale is unprecedented. While all respondents acknowledge that the nature of the information to be audited differs fundamentally from traditional financial data, they nonetheless perceive the transition as relatively undramatic in terms of its impact on their core responsibilities. R5, however, provides a more strategic reflection, arguing that CSRD expands auditor’s perspective and contributes to a more holistic view of business risks:

“We are broadening the audit to cover the entire company and are taking on a much greater role. Is the company future-proof? [...] This will help stakeholders and investors to get a complete picture of the companies. It also requires us to understand more and not just have knowledge of figures.”

Several respondents expressed skepticism regarding the expanded scope introduced by the CSRD. However, despite this shared skepticism, all participants maintained that their professional role remains fundamentally unchanged. Rather than transforming the role of the auditor, the directive is seen as an expansion of existing responsibilities, an evolution that auditors appear accustomed to and that aligns with broader professional expectations.

5.2 Preparedness, Planning, and Practical Challenges under the CSRD

All respondents emphasize that the introduction and implementation of the CSRD has entailed challenges and uncertainties which have taken shape in several different ways across the large accounting firms. One common theme that R1, R2, R3, R4, R6, and R7 mention as an uncertainty is the Omnibus package. The proposition meant that many reporting companies that had earlier been considered within the reporting scope of CSRD would now fall out of scope for the audit of the FY2024. R1 emphasized that the planning of CSRD audits has represented the greatest source of uncertainty for their firm, particularly in determining the appropriate headcount and team composition to ensure adequate distribution of competencies across relevant areas. Omnibus completely changed the demand for CSRD-audits for the coming year, and R1 stated that:

“Our firm has recruited a lot of resources to handle the CSRD. When Omnibus came, it went from some 300 of our clients being affected by the CSRD to only 90.”

This shows that, not only did the CSRD directive itself represent an uncertainty for the firms, but also the recent Omnibus package. When asked whether Omnibus has been widely debated within the firm since it was announced, R1 responded:

“Yes, definitely. Our firm has estimated that a certain number of clients will need help with the CSRD. This completely rewrites our firm's budget for revenue and what companies actually need help with.”

Both R1, R2, and R7 exhibit concerns about the changes in miscalculated resource allocation that the Omnibus package brought with it. There were already large uncertainties about

resource allocation issues well before it was announced, but these were further expanded with the Omnibus package. Several of the respondents expressed that auditing is a profession where agility is needed to rapidly reorganize, as new demands regularly are introduced that reshape how they work. Similar ideas are brought about by R2 which stated that:

“I think the biggest challenge for our firm has been keeping up with all the changes. For example, how should we hire? How should we price our services? It is really difficult to know what to audit, because that affects how many people we need.”

Again, the idea that the audit in itself would constitute a major source of uncertainty is not raised, rather, it is the organizational planning aspect that is viewed as the primary challenge. Despite representing different seniority levels across three separate firms, R1, R2, and R7 expressed notably similar perspectives on the issue. The respondents however, seem to take these problems with ease. When R2 is asked if they are overstaffed due to the hastily changes that the Omnibus package brought, they state that:

“Yes, that is definitely the case. We have hired more people. But it always works out somehow: you can not always count on exactly the right number of people. Some years you have too many and some years you have too few.”

A similar perspective is expressed by R1, who notes that employees working with sustainability consistently have high workloads, making it beneficial to have ample personnel in place. This suggests that large accounting firms in Sweden are accustomed to operating under uncertainty and are generally well-equipped to manage unexpected changes without significant disruption. R5 expresses a somewhat different take on the Omnibus package and instead sees it solely as an opportunity for the reporting companies to be more well prepared, stating;

“Omnibus has really had an impact. We will be working with a large number of customers with a two-year delay, giving them more time to prepare instead of rushing things, and there will probably be more revisions in the ESRS, which will be better for companies.”

The respondent did not express any concerns about the Omnibus package as a challenge for the firm. What is notable about this perspective is that R5, being a partner at their firm, is the most senior employee out of all our respondents, and therefore have an arguably more strategic and holistic view of the firm's challenges. This is also represented by R5's views on client satisfaction and retention, as the respondent throughout the interview emphasized the

clients perspective to a much larger extent than the other respondents. Two other respondents, R4 and R8, also emphasized that the Omnibus package came with the advantage that reporting companies would have more time to prepare. The respondents noted that several companies initially affected by the CSRD, but later excluded from its scope due to the Omnibus package, were not adequately prepared to report in accordance with the directive for the 2024 fiscal year. They suggested that the additional time could be beneficial for these companies to strengthen their readiness.

Another main challenge that all respondents mentioned is the lack of established methodology and best practices when conducting the audits. R4, who has already conducted an audit of a CSRD-report for the fiscal year 2024 states that:

“Well, there is no one who knows how to do it. In financial auditing, there is a real methodology, how to do things and best practices and all that. But that does not exist in sustainability. So it is difficult that it is ‘learning by doing’ and that there is no right answer.”

Similar views, that the regulatory landscape is unfamiliar and that auditing under the CSRD presents practical challenges, are echoed by R1, R2, R5, and R7. The fact that very few audits have been made in Sweden so far constitutes uncertainty as the frameworks are perceived as unclear, and best practices and audit methodologies have not yet been formed, which are usually the cornerstone for guidance in auditing. R6 states that the biggest difficulty is:

“The interpretation issues. There simply is no industry practice. Where do you draw the line of the value chain in a DMA (Double materiality Analysis)? We have had to understand how everything fits together, and that has been difficult.”

Similar ideas are shared by R1:

“It is a new framework, which makes it difficult. It will probably be very challenging in the first few years, before you know how to respond to certain things. It is just new, that is what is difficult. And it is a vague framework.”

R1 also mentioned that the auditing of CSRD-related information will be subject to a great deal of trial and error, which according to the respondent also constitutes uncertainty. The fact that the auditors need to make judgments regarding information that is new to them, without any methodological guidance, is something that will take time to find comfort in. R5, a partner at a large accounting firm, provided interesting insights that align somewhat with

other respondents. R5 noted that, as with any significant change, adaptation is challenging, particularly given the current absence of established best practices. They further explained that auditors have generally welcomed the decision to require only limited assurance under the CSRD at this stage, as it provides a more gradual entry point into sustainability auditing. This is seen as especially helpful in addressing novel challenges posed by the directive, such as determining materiality thresholds for qualitative information, an area in which auditors have limited prior experience. Additionally, when asked what the biggest challenge with the CSRD will be, the respondent answered:

“It is a bit early as we have not seen the data collection yet, so the analysis is not complete. [...] But from an audit perspective, it is about setting materiality thresholds, but once we have solved that, new questions about data collection will surely arise.”

Again, this response represents a view that judgment calls, such as materiality thresholds, will be difficult to conduct in the beginning. However, R5 also mentioned that the long term challenge will be related to how well equipped the client will be in providing data. A problem that is also mentioned by R1, R2, R4 and R6. The respondents generally acknowledge that the CSRD presents significant challenges, yet express confidence that their competence, experience, and professional knowledge will enable them to navigate and overcome these difficulties. Instead, many of the respondents seem more worried that the reporting companies will have problems with the regulation. R4 states that:

“No, but what worries me is, what are the companies actually capable of? Because I think that here, in-house, we can learn, we are also used to learning a lot of things in a very short amount of time. But, on the other hand, the companies have to get it right from the start, and we can not do that for them [...] and that is where I get nervous.”

The perspective that the CSRD is yet another area to learn as an auditor is also mentioned by R2 and R5. They share the view that auditors have previously navigated regulatory changes and that their firms possess the capacity to adapt to the CSRD without significant difficulty. Instead the main concern of the respondents seems to be that the reporting companies themselves will not be competent enough to meet the requirements set out by the CSRD.

While the general consensus among respondents was that their training and that their firms' overall preparedness for CSRD auditing were sufficient, some expressed personal doubts. R4, for example, felt confident in the expertise of ESG specialists within the firm, but was less

assured about their own readiness, citing a steep learning curve. R4 emphasized that confidence takes time to develop, and that they are expecting to feel more capable after gaining additional experience. Similarly, R2 voiced a degree of skepticism regarding their personal preparedness. Nonetheless, they expressed trust in the firm's collective competence to meet regulatory expectations.

Several respondents noted that formal training was limited. R1 explained that the focus was on digital learning courses rather than traditional classroom instruction, adding that much is learned through hands-on experience. R4, confirmed having received no formal training but still felt comfortable before CSRD audits, describing the process as "learning by doing". Overall, the respondents express varying degrees of training and preparation. One company for instance, used accreditations that auditors were expected to achieve. The overall training also varied across different seniority levels. However, the general consensus was that they felt sufficiently prepared and that they were adequately guided by their firms to effectively meet the requirements set out by the CSRD.

When discussing the content of training, the respondents highlighted case-based learning and practical examples aimed at aligning interpretation and application of the regulation across the organization. Interestingly, when R6 was asked about whether the training has made them feel comfortable with the new expectations and demands that are placed upon auditors, they responded:

"I believe that the European Union is slow with these things [...] then things suddenly come and no one is completely ready. However, with what has come from the EU and what we have received, I believe it is enough for people to at least know how to tackle it"

This response suggests that there has been enough training for auditors to feel comfortable with the new demands placed upon them, instead stating that the main issues and hurdles come from institutions such as the European Union and their perceived slow nature.

5.3 Perceived Utility of Sustainability Assurance

A fundamental role of external auditing is arguably to enhance the credibility and decision-usefulness, or utility, of disclosed information for stakeholders. This theme explores how auditors perceive the utility generated by CSRD-audits, particularly in the light of the continued reliance on limited assurance following the 2025 Omnibus package.

While the intention and the purpose of auditing is to build stakeholder trust and create decision utility, several respondents voiced skepticism about the auditor's report's capacity to fill these functions. For example, R2 remarked that:

“An audit is just a seal of quality. It takes a lot for an auditor's report to say anything of value”

This sentiment highlights a perceived limitation of standardized reporting formats in providing stakeholders with nuanced or decision-relevant insights. Similarly, R3 expressed concerns that the audit in itself risks becoming a box-ticking exercise, particularly under limited assurance, which they deemed ineffective at detecting material misstatements in CSRD information. However, the respondents simultaneously acknowledged the symbolic and behavioural influence of the assurance process and the utility it may produce. Several respondents emphasized that the mere act of being audited, particularly the requirement to gather evidence and articulate sustainability statements, could deter greenwashing and promote more meaningful disclosures. As R2 noted:

“I still think it is beneficial, because there will be less greenwashing. Through the DMA (Double Materiality Analysis), companies are forced to write their arguments down, and from what I have heard, it is difficult to get around areas that should be essential”

R2 expresses the notion that value is perceived not from the auditor's report itself, but from the organizational behaviours and disclosures the audit process encourages. Reflecting on their past industry experience, R2 expressed the notion that large companies generally will report even on the smallest of sustainability strides, so as to gain external approval. Thus, the respondent believed that external audits would add more validity to the CSRD statements of companies, as it mandates that they only report on sustainability matters that are of significance for external parties. R2 was not alone in holding these beliefs. For example, both R1 and R3 expressed similar views on the utility of simply engaging in an audit. For example, R1 stated that by merely conducting a CSRD audit, directors and other employees at a high, decision-making level in firms are now forced to think more systematically regarding sustainability matters, as they know that they are being scrutinized by auditors. R3 expressed similar views:

“The audit adds pressure to deliver something real. Without it, you would risk companies producing glossy brochures instead of real data”

Consequently, several respondents demonstrated that they perceived that utility is created through interacting with the organization, before the publication of the sustainability report has even been finalized. Additionally, other respondents clarified further ways in which they perceived that audits on CSRD information would contribute to increased stakeholder utility. For example, R4 stated that providing external assurance on CSRD information serves an important function, particularly as many companies exhibit ambitious, but hard-to-reach goals in their annual reports, such as having net zero emissions. Consequently, R4 argued that emissions data can be particularly sensitive and therefore necessitates scrutiny by external auditors. Additionally, R1 reflected on the social dimension of value creation from the auditor's perspective, emphasizing the perceived utility that arises through interactions with clients during the assurance engagement. According to the respondent, these engagements often serve as a catalyst for further action and reflection within the audited firms:

“When we ask questions during the audit, it actually triggers internal discussions. The CSRD process starts dialogues that would not otherwise happen.”

Similarly, R5 noted that even with limited assurance, the audit can provide stakeholders with a broader and more reliable understanding of reporting entities, thereby contributing to stakeholder utility. The respondent further explained that the difference between limited and reasonable assurance may not be as significant as commonly assumed. Similar sentiments were noted by R6, who drew a parallel to financial audits and emphasized that limited assurance often provides a sufficient level of credibility:

“Limited assurance on CSRD disclosures still covers quite a lot, but can you trust everything to a hundred percent? No, but you probably can not in financial auditing either. However, you can have quite a lot of confidence in it.”

As such, most respondents believe that CSRD assurance, even in its limited form, can bring value to stakeholders and produce reliable information for them. For example, R6 believed that although reasonable assurance can provide the ability to analyze reports at depth, it is unlikely to detect any additional material misstatements. As such, R6 suggested that limited assurance as mandated by the Omnibus package, likely reflects a view that it already provides a sufficient level of scrutiny to deliver stakeholder value. These views were also supported by R4, who rationalized their statements by stating that a reasonable assurance audit would not be feasible at this stage, given the current level of preparedness among companies.

However, as the introduction of the CSRD and the subsequent mandate to provide assurance on non-financial information widens the scope of audits, the auditors were asked whether they believe that the CSRD's expanded audit scope could potentially result in compromises on audit quality. Most respondents were in agreement that it would not have an affect on audit quality, but R5 also expanded on it and instead pointed to the increased demands it would place on their competencies:

“It places much higher demands on auditors in terms of competence. There will be a phasing-in period now, and it will take several years before it settles down. It will require an understanding of risks in a much broader sense than is currently the case.”

Here, R5 emphasizes the importance of auditors effectively adapting to evolving demands and expectations in their roles, in order to maintain their ability to provide utility to stakeholders.

R1 echoed several of the above-mentioned points of the value-adding benefits of auditing CSRD information, while also introducing a degree of skepticism. While the respondent believes the increased scope to be manageable, they expressed the plausibility that it could result in decreased audit quality:

“Of course, there will be more to do. But from our side, the idea is obviously not to compromise on quality”

In conclusion, the respondents acknowledged challenges related to the expanded scope of audits and the proposed 2025 Omnibus package decision to remain at limited assurance. Despite this, most auditors interviewed perceive that CSRD audits can enhance stakeholder utility, provided that auditors continue to adapt to regulations and evolve their professional competencies.

6. Discussion

The empirical findings of this study suggest that auditors in large Swedish accounting firms are more prepared for the challenges posed by the CSRD than initially expected. Moreover, they engage in a diverse range of activities aimed at interpreting and adapting to the uncertainty and demands introduced by the directive. The findings show that the degree of uncertainty that the CSRD has entailed varies between auditors, but does not generally

constitute major challenges for the accounting firms or the auditors themselves. Given that this study is conducted during a unique transitional time-frame, immediately prior to the CSRD's enforcement under Swedish law, our empirical findings offer valuable contributions to existing research, by demonstrating how auditors are navigating uncertainty in the early phases of implementation of the CSRD. With the theoretical lens of sensemaking theory, supported by the studies in the literature review, the evolving role of the audit profession, regulatory ambiguity, and professional utility, is analyzed with three main themes.

6.1 Organizational Structures and Role Identity

The study indicates that auditors in large Swedish accounting firms engage in sensemaking to interpret, rationalize, and adjust to the expanded scope introduced by the CSRD. The directive has mandated assurance on sustainability disclosures (European Commission, 2022), prompting notable changes in both organizational structures and day-to-day responsibilities. All four firms examined have undertaken structural adjustment in response, though in differing ways. Company Alpha and Company Delta have established separate departments specifically for sustainability assurance, currently operating parallel to financial audit teams. It is however expected that these groups converge over time. By contrast, Company Beta and Company Gamma maintain existing team structures, already expecting financial auditors to incorporate sustainability audits, supported by a growing group of specialists for complex issues, as suggested by Muslim (2024) and the AFM (2023). Building on the findings of the AFM (2023), our results may show that large audit firms in Sweden have taken appropriate measures to deal with the challenges identified by the authority in regard to the transition to CSRD assurance.

Despite these organizational changes, auditors consistently express a perception of continuity rather than disruption. A somewhat unexpected finding is that most respondents view these changes as routine or evolutionary, rather than transformative. From a sensemaking perspective (Weick, 1995), the responses from auditors suggest ongoing efforts to normalize the potentially disruptive nature of the CSRD, by assimilating it into cognitive and organizational frames. This does not necessarily imply that change is not occurring, but rather that sense is being made in a way that makes change non-threatening and professionally manageable (Maitlis & Christianson, 2014). Sensemaking suggests that people compare present change to past experiences (Weick, 1995), and it appears that auditors create such narratives when adapting to organizational change. These findings suggest that this creates a

narrative of continuity rather than rupture, even as organizational structures and expectations shift.

This is further evident in how sustainability assurance has impacted the respondents' individual role identity and subsequent integration. The empirical evidence of this study exhibits that auditors frame the CSRD not as a rupture, but as a continuation of their evolving professional identity. Respondents such as R2 and R5 draw parallels between the CSRD and earlier regulatory shifts, like ESEF, IFRS, or local standards (K2, K3), demonstrating retrospective sensemaking. According to Weick (1995), individuals construct meaning by comparing novel situations with past experience, allowing them to maintain coherence in times of change. This retrospective framing contributes to a narrative of adaptability, where auditors define themselves not by static responsibilities, but by the capacity to absorb and respond to regulatory and technical evolution.

The construction of such a professional narrative is closely related to the fact that sensemaking is grounded in identity construction (Weick, 1995), wherein individuals redefine their roles in ways that maintain a stable sense of self. In this case, auditors appear to frame adaptability itself as central to their professional identity. As such, the CSRD is perceived less as a challenge to auditor identity, even though tasks change, and more as a chapter in an ongoing story of professional learning. This also aligns with Lüscher and Lewis (2008) findings, which show that organizational members use sensemaking to reinterpret their tasks amid changes in structure and responsibilities. It also supports Arvidsson and Johansson's (2019) view that regulatory change can serve as a powerful trigger for sensemaking processes.

In sum, although the CSRD has brought about differences in structure and task design, auditors in large accounting firms do not perceive it as a radical transition from their traditional roles and settings. Sensemaking enables them to reconcile this paradox by interpreting the CSRD as both new and familiar. This process appears to reduce ambiguity and reinforces the continuity of professional identity. Notably, this study provides new insights into how accounting firms organize and respond to the CSRD, insights that are not well-documented in prior literature on sustainability assurance or audit adaptation.

6.2 Preparedness, Planning, and Practical Challenges under the CSRD

The empirical evidence in this study suggests that auditors have faced multiple different challenges as a result of the CSRD. The main perceived uncertainty identified is the lack of established methodology and best practices, as the assurance on sustainability disclosures is still in its infancy. Another uncertainty identified is the ambiguity of the CSRD, as both the Swedish postponement (Regeringskansliet, 2025) and the Omnibus package (European Commission, 2025), has made planning difficult. Auditors have long faced the need to adapt to changing conditions, including IFRS (Kim, 2019), the introduction of ESEF (Troshani & Rowbottom, 2021), and new technologies (Atta et al., 2024; Muslim, 2024; Salijeni, 2021). Prior literature highlights the uncertainty that accompanies such paradigm shifts, and several studies suggest that sustainability under the CSRD will pose significant challenges (e.g., AFM, 2023; FAR, 2025; Piyathilaka, 2024; Ruohonen & Kullas, 2024). This thesis therefore set out to explore how auditors themselves perceive and respond to these anticipated changes.

When it comes to perceived preparedness, this thesis finds that large accounting firms in Sweden exhibit a notable level of confidence in their ability to conduct sustainability assurance under the CSRD. Regardless of role, seniority, or the extent of formal training received, respondents consistently expressed a strong sense of readiness. This indicates that, despite the relative proximity of the CSRD's implementation date, firms have been able to build capacity and expertise more rapidly than, for example, AFM (2023) previously anticipated. Interestingly, the empirical evidence suggests that the perceived lack of preparedness lies not within the firms themselves, but rather among the reporting companies. Although several interviewees acknowledge short-term challenges in providing CSRD assurance, such as establishing materiality figures on somewhat ambiguous qualitative information, none expressed doubt about their ability to meet these demands. As R4 stated, *"We can learn, we are also used to learning a lot of new things in a very short time"*. This confidence appears rooted in a professional culture shaped by repeated exposure to regulatory change, where adaptation has become an expected part of the auditor's role. Such uncertainty acts a trigger for sensemaking, compelling auditors to interpret, rationalize, and act upon ambiguous cues (Arvidsson & Johansson, 2019; Lüscher & Lewis, 2008; Maitlis & Christianson, 2014; Weick, 1995). One key sensemaking property evident in the empirical material is the enactment of sensible environments (Weick, 1995). Rather than waiting for fully developed frameworks, auditors find comfort when engaging in a "trial and error"

approach, which not only allows them to interpret unfolding challenges but also influences how future CSRD audits will be conducted. This aligns with the assertion of Lüscher and Lewis (2008), that the nature of the audit practice is adaptive in unfamiliar regulatory terrains.

Viewed through the lense of sensemaking, where interpretations of change are not constructed in isolation, but shaped through ongoing social interactions (Weick, 1995), this behavior can be understood as a collective response to uncertainty. The respondents' answers suggest that much of the comfort comes from interactions with other colleagues, and more specifically specialists on sustainability assurance. Respondents frequently emphasized their trust in the firm's collective expertise and the availability of sustainability specialists as a key source of confidence, showing that Swedish large accounting firms may be better prepared in terms of expert hires than their Dutch counterparts (AFM, 2023). This aligns with the view that shared dialogue, internal support structures, and communal knowledge reinforce a collective understanding of how to manage uncertainty (Maitlis & Christianson, 2014; Weick, 1995). Finally, the auditors' interpretations appear to be driven by plausibility rather than accuracy (Weick, 1995), as the respondents rely on comparisons to previous regulatory shifts, to generate a coherent narrative. These analogies help render the CSRD comprehensible by placing it within a familiar trajectory of professional evolution. Although this may not entirely encompass the significant distinctions associated with sustainability auditing, it provides a credible framework that enables auditors to operate with assurance in the present. Consequently, we find that auditors perceive their current level of competence and training to be more adequate for meeting the demands and challenges of providing assurance on CSRD-related information than initially assumed (Ruohonen & Kullas, 2024; Harrer & Lehner, 2024).

6.3 Perceived Utility of Sustainability Assurance

The perception of utility that the audit profession is able to provide has long been the subject of scrutiny from academic circles - particularly in the light of scandals such as Enron (Humphrey et al., 2021) and the perceived failure of the profession to meet evolving stakeholder expectations in an ever more complex world. In response to these critiques, studies such as Humphrey et al. (2021) argue that audit needs to be remade from the ground up - a so-called "dynamic repair". With the introduction of CSRD and the audit thereof, change looms over the audit profession. Although several studies (e.g., Foley, 2024; Ford &

Marriage, 2018; Humphrey et al., 2021) illustrate external criticisms on the utility that audits are able to provide, this study instead offers a glimpse of auditor's self-reflection on the utility that they perceive that their assurance engagements produce, in the wake of the large changes that the CSRD brings to the profession.

Our findings suggest that auditor's do not generally share the views of critical voices such as Humphrey et al. (2021). Despite this, two respondents, R2 and R3, were somewhat critical of the CSRD and the current model of auditing it. Their skepticism centered on concerns about the usefulness of the CSRD for both reporting entities and stakeholders, and they also questioned the value of limited assurance.

On the other hand, these views were held by a minority of our respondents. Instead, our empirical findings indicate that the majority perceive that assurance on CSRD disclosures does create utility. While they acknowledge that the current level of assurance stipulated by the 2025 Omnibus package may not be perfect, most respondents view the directive as largely fit for purpose and that it fulfills the fundamental purpose of auditing. This belief was partly rooted in technical justifications, where auditors believed that the additional step to reasonable assurance would not uncover further, material misstatements to warrant the additional resources needed. These views are in contrast to the findings of Piyathilaka (2024), who argued that the implementation of reasonable assurance on CSRD information would provide stakeholders with more reliable and detailed disclosures, and have a significant impact on stakeholder trust. Here, the respondents do not believe this additional step is necessary, especially given what they described as the apparent lack of preparedness among reporting companies.

However, our findings show that auditors have arguably begun to make sense of their new scope, believing that audit quality can be upheld while the scope of their tasks and responsibilities grow. Through the lens of sensemaking (Maitlis & Christianson, 2014; Weick, 1995), auditors are in the midst of a somewhat changing role in response to the ambiguity of the CSRD, where the utility that is created from the audit itself does not simply stem from the output of an auditor's report. Rather, some auditors describe how utility can emerge through the social interaction embedded in their work, and that the consequences extend beyond merely contributing to a reliable report as traditionally expected, instead contributing to actionable changes within the firms themselves. For example, some auditors believed providing CSRD assurance actively helped reduce greenwashing within firms,

simply through the act of performing the audit - suggesting that auditors believe that the engagement itself can help safeguard against adverse behavior from firms. This finding is of interest as it also stands in contrast to Harrer and Lehner (2024), who expressed concerns that the insufficient capacity of modern audit techniques may inadvertently lead to assistance in greenwashing or pseudo-assurance.

As such, the process of sensemaking can be seen as both ongoing and social (Weick 1995; Matlis and Christianson, 2014). Auditors are not making sense of the value they provide in isolation, but through social interaction within their teams and with clients, contexts in which they can see the tangible outcomes of their labor. This suggests that auditors may be actively redefining their perceptions of creating utility in response to the CSRD. Lastly, the respondents' interpretations of the value they create through CSRD assurance may offer insights into how the audit expectations gap is influenced by this regulatory shift. While previous research on the audit expectations gap during paradigm shifts such as IFRS (Astolfi, 2021), and early discussions on the CSRD (Ruohonen and Kullas, 2024; Harrer and Lehner, 2024) suggest that such transitions may widen the audit expectations gap, our findings could provide indications of the contrary in regard to the CSRD. As the auditors in this study imply that the utility they provide may exceed initial expectations by academia (Ruohonen and Kullas, 2024; Harrer and Lehner, 2024) - one could expect the gap to narrow. However, as the CSRD has not yet been fully implemented, whether this narrowing will materialize remains to be seen in practice.

These findings may indicate that, while there are critical voices of audit as a profession and of the competencies of auditors to provide valuable assurance in the wake of the CSRD, auditors themselves do not share this view. Instead, they are confident that their efforts generate tangible utility for stakeholders and remain optimistic that the EU's decision to remain at limited assurance, following the 2025 Omnibus package, is sufficient in fulfilling the fundamental purpose of auditing. The auditors also find that, despite the magnitude of this paradigm shift, they are still able to deliver utility to stakeholders without compromising audit quality, even amid the increased scope and demands placed on the individual auditor. Furthermore, auditors often rationalize this utility through the social dimension of sensemaking (Weick, 1995), drawing their perceptions of utility from collaborative interactions within their teams and with clients. This may have implications for future regulations or paradigm shifts within the profession, and how auditors may perceive the utility they create during the evolution of their role.

7. Contributions & Conclusion

This study has sought to examine how auditors in Swedish large accounting firms perceive and respond to the challenges posed by the CSRD. Through a series of semi-structured interviews, this study provides nuanced insights into auditors' preparedness, role adaptation, and their perceived utility of CSRD assurance engagements during a paradigm shift affecting the profession itself. Additionally, it offers vital cues into the ability of the profession to adapt to change.

The findings of this study reveal that, although auditors recognize that the introduction of the CSRD expands the scope and complexity of their profession, particularly through shifts in organizational structures, patterns of collaboration, and task design, they do not interpret this as a radical disruption to their professional role. Instead, auditors characterize the CSRD as a continuation of an ongoing process of regulatory adaptation, drawing parallels to previous paradigm shifts such as the implementation of IFRS and ESEF (Astolfi, 2021; Troshani & Rowbottom, 2021). Through the process of sensemaking (Weick, 1995), they interpret the CSRD in ways that preserve a stable professional identity, positioning adaptability as a core attribute of their role. This narrative of continuity, despite structural changes, suggests that auditors manage regulatory uncertainty by integrating new requirements into familiar cognitive and organizational frameworks. In doing so, the CSRD is perceived less as a challenge to auditors' identity, and more as part of the profession's natural progression. As existing literature has yet to establish how auditors' perceived roles are affected by the CSRD, this study contributes to a deeper understanding of how their professional role identity is shaped in the context of regulatory change.

This study reveals that auditors in Swedish large accounting firms perceive themselves as well-prepared to meet the requirements set out by the CSRD. However, the auditors acknowledged notable challenges, such as the absence of established methodologies or best practices, as well as regulatory ambiguity resulting from the Swedish postponement of the CSRD and the Omnibus package. Despite this, the auditors perceive their current level of competence and training to be adequate in meeting the demands and challenges of providing sustainability assurance, suggesting that they are better prepared than initially assumed (AFM, 2023; Harrer & Lehner, 2024). Auditors stressed learning-by-doing and close collaboration with specialists as important aspects for navigating these uncertainties, in line with literature on learning capacity in large accounting firms (Che et al., 2020; Maurer,

2025). The perceived confidence, amidst the relative ambiguity, appears to be rooted in a professional culture shaped by repeated exposure to regulatory change. The experienced uncertainty acts as a trigger for sensemaking (Weick, 1995), compelling auditors to interpret, rationalize, and act upon ambiguous cues.

Additionally, this study contributes to literature by offering a perspective on how auditors themselves perceive the utility of providing assurance on CSRD disclosures, an area overlooked in existing literature, which has focused primarily on external critiques of audit effectiveness and value creation (e.g., Foley, 2024; Ford & Marriage, 2018; Humphrey et al., 2021). While other prior literature has specifically expressed concerns whether CSRD assurance will lead to intended outcomes (Harrer & Lehner, 2024; Ruohonen & Kullas, 2024), our findings suggest that auditors in large Swedish accounting firms largely reject these criticisms. Rather, several auditors express confidence in their contributions and suggest that the utility of sustainability assurance extends beyond the formal auditor's report, deriving primarily from the organizational behaviors and enhanced disclosures that the audit process actively stimulates and legitimizes.

To conclude, this study suggests that Swedish auditors are not only sufficiently prepared for the adaptations that the CSRD demands of them, but are adapting to them in a way that reflects both the profession's historical resilience, and their cautious pragmatism when navigating ambiguity. Additionally, auditors perceive CSRD assurance as valuable for both stakeholders and society at large. As this study has demonstrated auditors' confidence in adapting to the CSRD, this may have wider implications for how the profession effectively adapts to change. However, whether this adaptation and widened role can fully meet societal demands and expectations, whether there will be a methodological consensus, and whether clients will display the same readiness as their assurance providers, are key topics for future inquiry and research upon the full implementation of the directives.

7.1 Limitations and Suggestions for Future Research

Although this study provides profound insights into how auditors in Swedish large accounting firms perceive and respond to the challenges introduced by the CSRD, several limitations should be acknowledged.

One limitation of this study is the point in time in which it took place. The perspectives captured in this study primarily reflect the views of auditors at an early stage of the CSRD's

implementation. The attitudes, readiness, and perceived value of auditors may evolve as the mandate develops further, and auditors acquire more practical experience with sustainability assurance. In order to document how these perceptions evolve over time and whether initial perceptions materialize over time, longitudinal studies would be helpful. However, given the dynamic nature of regulatory developments, future research should account for potential changes in the regulatory landscape when conducting comparative studies.

Secondly, the study solely focused on the CSRD from the auditors' side of the assurance process. It did not incorporate perspectives from other relevant stakeholders such as clients, regulators, or sustainability reporting experts. Although this focus allowed for a deeper understanding of auditors' perceptions, including such perspectives could offer a more holistic view of how expectations align or diverge across the reporting and assurance ecosystem.

Lastly, since the CSRD is but one of many transformations facing the auditing profession, future research could examine how auditors respond to other emerging issues, such as the integration of AI and cybersecurity threats. Such studies could explore whether the adaptive strategies identified in this study are applicable to multiple disruptive trends or are uniquely tied to the context of sustainability assurance. Taken together, these avenues for future research can help deepen the understanding of how the audit profession evolves in response to regulatory and technological change.

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9. Appendices

9.1 General Questions Asked Prior to Interview Commencement

- Is it alright for us to record this interview? We will delete it after the completion of this thesis.
- All participants will be anonymous, but is it okay if we use your position at the firm?
- If you have any questions, feel free to ask us!

9.2 Main Questions for the Study

Q1. Could you briefly describe your role and how it relates to sustainability reporting assurance?

Q2. Tell us about your experience with the CSRD.

Q3. How have CSRD-related tasks or expectations changed your day-to-day work?

Q4. Tell us about the training and guidance that you have received regarding the CSRD.

Q5. Do you feel that you are sufficiently prepared to meet the new demands placed upon auditors?

Q6. How do you collaborate with ESG consultants or specialists when auditing sustainability information?

follow up:

- Do you trust their data/expertise?

Q7. When the CSRD was introduced, what was your initial reaction? Did it feel like an extension of your role or something entirely new?

Q8. What have been the main challenges in preparing for CSRD assurance?

Follow up:

- In your opinion, is the CSRD fit for purpose?

Q9. Do you think assurance on non-financial information increases trust or value for stakeholders?

Follow up:

- Is limited assurance sufficient?
- Are you personally confident in the reliability of the reports?

Q10. Do you think the introduction of the CSRD and the increased scope of audit could have an effect on audit quality?

9.3 AI Contribution Statements

In conducting this study, the authors made limited and transparent use of artificial intelligence tools, namely ChatGPT and DeepL, in order to help with the editing process of this thesis. These tools were primarily utilized to assist with technical aspects of the writing process, such as drafting citation formats for the reference list, grammar checking, light restructuring of sentences for purposes of clarity, and minor stylistic improvements - such as providing synonyms. Furthermore, DeepL was used to provide English translations of the interview transcriptions. As such, artificial intelligence tools were used in moderation, and usually for minor improvements on already existing text or assisting with references. The use of AI was consistent with Lund University's rules and guidelines for ethics and the use of AI. Additionally, the authors have retained records of these interactions to ensure sufficient transparency and accountability.