

# BLOCKCHAIN TECHNOLOGY IN SUSTAINABLE DEVELOPMENT AUDIT AND FINANCIAL TRANSPARENCY

**Lusine ARUSTAMYAN**, Ph.D student, Northern University

<https://orcid.org/0009-0005-2368-3275>

lusinearustamyan758@gmail.com

**Abstract:** Sustainable development audits require reliable, transparent, and accountable systems to verify both financial and non-financial data. Traditional auditing methods face challenges in handling large datasets, ensuring ESG metric accuracy, and providing continuous verification. Blockchain technology, with its decentralized and immutable ledger, offers promising solutions to these challenges. This study investigates the integration of blockchain into ESG and financial auditing, evaluates case studies from leading firms, and proposes a novel framework for holistic auditing. Findings indicate that blockchain enhances audit reliability, improves transparency, and enables real-time verification while reducing manual errors and potential fraud. The study emphasizes that blockchain is a complementary tool requiring auditor expertise, regulatory alignment, and standardized ESG metrics to achieve sustainable development accountability.

**Keywords:** Blockchain, ESG, Sustainable Development, Audit, Financial Transparency, Smart Contracts.

**JEL codes:** M42, Q56, G38

**Research goal:** The primary goal of this research is to explore how blockchain technology can improve auditing practices and financial transparency within the context of sustainable development. Specifically, the study aims to:

1. Investigate the potential of blockchain to provide immutable, transparent, and real-time transaction data for auditing purposes.
2. Examine blockchain's role in enhancing the credibility and reliability of Environmental, Social, and Governance (ESG) reporting.
3. Identify challenges and limitations of blockchain adoption in auditing and sustainability reporting.
4. Provide critical insights on how blockchain can complement traditional auditing methods rather than replace them.

**Research novelty:** This research contributes to the academic and professional discourse in several ways:

- It connects blockchain technology directly with sustainable development audits, a relatively underexplored intersection in current literature.

- The study critically evaluates both opportunities and limitations of blockchain adoption in financial transparency and ESG reporting.
- Unlike previous studies that focus primarily on technical or financial applications of blockchain, this research provides an integrated perspective, combining auditing, sustainability, and transparency.

### **Introduction**

Sustainable development has emerged as a fundamental priority for governments, corporations, and international organizations, aiming to balance economic growth with environmental protection and social equity. Achieving this objective requires not only effective policies but also reliable mechanisms to monitor, verify, and report progress toward sustainability goals. Auditing and financial transparency play a crucial role in ensuring that organizations act responsibly, maintain accountability, and provide stakeholders with accurate information regarding their environmental, social, and governance (ESG) performance (Pappa et al., 2024).

Traditional auditing methods, however, face significant limitations. These methods often rely on centralized databases and retrospective reporting, which can lead to delays, data inaccuracies, and opportunities for manipulation (Georgiou et al., 2024). As sustainability reporting becomes more complex, auditors encounter additional challenges, including validating diverse datasets from multiple sources, integrating non-financial metrics into financial audits, and ensuring that ESG information is both credible and comparable. These constraints reduce the effectiveness of audits and may undermine stakeholder trust, highlighting the need for innovative technological solutions.

Blockchain technology, initially developed for cryptocurrencies, offers a decentralized, immutable, and transparent ledger system capable of addressing many of these challenges (Almadadha, 2024). By recording transactions across distributed nodes and enabling real-time verification, blockchain provides auditors with reliable, tamper-proof data. This can improve audit accuracy, reduce reliance on manual reconciliation, and facilitate continuous auditing practices. Moreover, blockchain's potential in ESG reporting is significant, as it allows organizations to track, verify, and report sustainability metrics more effectively, strengthening the integrity and transparency of corporate disclosures (Zhang et al., 2025).

Despite its promise, implementing blockchain in auditing is not without challenges. Technical issues, including scalability and integration with legacy systems, regulatory uncertainties, and the need for auditors to acquire new competencies in cryptography and smart contract evaluation, pose significant hurdles (Ariciu, 2026). Nevertheless, blockchain represents more than a technological innovation; it is a potential paradigm shift in trust and accountability for sustainable development audits.

In this research, blockchain is viewed as a complementary tool to traditional auditing rather than a replacement. Its adoption requires strategic alignment with existing auditing standards, professional expertise, and governance frameworks. This study aims to examine blockchain's role in improving audit reliability, financial transparency, and ESG reporting, providing insights into its practical benefits, limitations, and implications for sustainable development.

### **The methodology**

This study employs a systematic literature review (SLR) methodology, synthesizing existing research, industry reports, and case studies published between 2023 and 2026. Sources were selected from reputable academic databases, including Scopus, Web of Science, and ScienceDirect, focusing on blockchain applications in auditing, financial transparency, and ESG reporting. The review aimed to identify patterns, opportunities, and challenges related to blockchain adoption in sustainable development audits.

The methodology consists of the following steps:

1. Literature Identification: Keywords such as “blockchain,” “audit,” “financial transparency,” “sustainability accounting,” and “ESG reporting” were used to locate relevant publications.
2. Screening and Selection: Publications were screened for relevance, credibility, and recency, prioritizing peer-reviewed journals and authoritative industry reports.
3. Data Extraction: Key findings were extracted regarding blockchain applications, benefits, challenges, and practical case examples in auditing and sustainability reporting.
4. Critical Synthesis: Extracted information was analyzed and synthesized to provide a comprehensive understanding of blockchain's role in audit processes and ESG transparency.

While the literature review provides a robust theoretical framework, it is limited in capturing empirical data on real-world blockchain implementations. Future studies should complement this approach with case studies or pilot projects to measure the practical impact of blockchain on audit reliability and sustainability reporting..

## **Research results**

### **1. Blockchain and Audit Reliability**

The analysis of current literature and practical case studies demonstrates that blockchain technology significantly enhances audit reliability. Unlike traditional auditing, which often relies on centralized systems and retrospective sampling, blockchain enables continuous auditing through decentralized, immutable, and time-stamped transaction records (Zhang et al., 2025; Almadadha, 2024). By recording transactions across multiple nodes, blockchain eliminates a single point of failure and ensures that all entries are tamper-proof.

This feature directly addresses common audit challenges such as delayed verification, data manipulation, and human error.

Blockchain's reliability is also reinforced by its cryptographic integrity, which guarantees that once a record is added, it cannot be altered without consensus from the network participants. Such immutability reduces the need for extensive manual reconciliations and increases confidence in the reported data. For instance, a multinational firm piloting blockchain-based auditing reported a reduction in reconciliation errors by approximately 40% compared to traditional auditing approaches (Zhang et al., 2025).

From my perspective, this represents a fundamental transformation in the auditing profession. Blockchain shifts auditors' roles from purely manual verifiers of financial transactions to strategic evaluators of trust and compliance, where expertise is applied to interpreting blockchain data and smart contracts rather than reconciling entries. This study highlights a novel perspective: auditors' professional judgment becomes more critical, not less, in a blockchain-enhanced environment. This insight is rarely discussed in existing literature, which often overemphasizes technological benefits while underplaying human expertise requirements.

## **2. Transparency and ESG Reporting**

Transparency in ESG reporting is a central concern for sustainable development. Traditional sustainability audits often face issues with fragmented data, inconsistent measurement standards, and delayed reporting. Blockchain can mitigate these issues by providing a single source of truth for sustainability metrics, ensuring that environmental, social, and governance data are verifiable and immutable (Pappa et al., 2024; Systematic review on blockchain research for sustainability accounting, 2023).

Blockchain applications in ESG reporting include tracking carbon emissions, renewable energy consumption, water usage, and labor practices. By combining sensor data, IoT devices, and smart contracts, organizations can record ESG metrics in real time on a distributed ledger, ensuring accountability and traceability across supply chains.

A key contribution of this study is the proposal of a comprehensive blockchain framework that integrates both financial and ESG audit data. Prior research has mainly explored blockchain in financial auditing or ESG separately. By unifying these streams, the framework enhances transparency, accelerates reporting, and reduces the possibility of misreporting or fraudulent claims. This represents a novel approach in sustainability auditing literature, providing a practical pathway to real-time, verifiable ESG reporting.

Table 1: Example ESG Metrics Tracked via Blockchain

| Metric               | Blockchain Application                    | Benefit                         | Source                  |
|----------------------|---|---------------------------------|-------------------------|
| Carbon Emissions     | Real-time sensor data recording           | Accuracy, immutability          | Pappa et al., 2024      |
| Renewable Energy Use | Smart contracts for energy credits        | Transparency, auditability      | Zhang et al., 2025      |
| Water Usage          | IoT-based ledger entry                    | Traceability, stakeholder trust | Almadadha, 2024         |
| Labor Compliance     | Blockchain verification of certifications | Credibility, reduced fraud      | Systematic review, 2023 |

Moreover, the study emphasizes that transparency is not automatic. The effectiveness of blockchain depends on access policies, governance structures, and stakeholder engagement. Without these, data may exist immutably on the blockchain but remain inaccessible or uninterpretable to key parties, limiting practical transparency.

### 3. Industry Case Studies

Several global accounting firms have piloted blockchain to improve auditing processes, offering practical insights into its implementation and impact.

- **PwC** implemented blockchain for continuous auditing of procurement processes and ESG metrics. The pilot demonstrated a **reduction in manual reconciliation time by 35%** and improved real-time verification of supplier sustainability claims (PwC, 2025).
- **EY** deployed blockchain for tracking carbon credits and renewable energy consumption in corporate ESG reporting. The system allowed real-time validation of sustainability claims and reduced reporting delays, enhancing stakeholder trust (EY, 2024).
- **Deloitte** experimented with blockchain for financial audits in supply chain finance, confirming the immutability of transactions and improving verification efficiency (Deloitte Insights, 2025).

While these case studies confirm blockchain's potential, my study highlights a gap: **the integration of ESG and financial audit metrics into a single blockchain platform** has not been systematically addressed. This integrated approach ensures that all relevant audit data—financial and non-

financial—can be verified in real time, offering a novel solution for holistic audit transparency in sustainable development contexts.

#### **4. Challenges and Limitations**

Despite its advantages, blockchain adoption in auditing and ESG reporting faces several challenges:

➤ **Regulatory Uncertainty:** Jurisdictions vary widely in their acceptance and regulation of blockchain-based audits, creating compliance risks (Ariciu, 2026).

➤ **Technical Limitations:** Integrating blockchain with legacy systems, scalability concerns, and energy consumption issues remain significant technical barriers (Zhang et al., 2025).

➤ **Skills Gap:** Auditors require specialized knowledge in blockchain architecture, cryptography, smart contracts, and cybersecurity to fully leverage the technology.

➤ **Data Standardization:** ESG metrics lack universal standards, limiting comparability even when recorded on blockchain (Systematic review, 2023).

This study emphasizes that **technology alone cannot resolve audit transparency issues**. Effective implementation depends on a combination of regulatory alignment, professional training, and standardized ESG reporting frameworks. The novelty of this research lies in proposing a **strategic roadmap** for blockchain adoption, combining technology deployment with governance, policy, and capacity-building measures—a perspective rarely articulated in existing literature.

#### **5. Summary of Results**

The results indicate that blockchain:

1. **Enhances audit reliability** by providing immutable, decentralized records and enabling continuous auditing.

2. **Improves transparency** in ESG reporting, particularly when integrated with IoT and smart contract technologies.

3. **Demonstrates practical applicability** through case studies at PwC, EY, and Deloitte, confirming efficiency and trust benefits.

4. **Faces adoption challenges**, including regulatory gaps, technical limitations, skills shortages, and ESG standardization issues.

5. **Introduces novel insights**, particularly in integrating financial and ESG audit streams into a single blockchain framework, offering a comprehensive solution for sustainable development accountability.

The study underscores that blockchain is a **complementary tool**, not a replacement, for traditional auditing. By providing a secure, real-time, and verifiable record of both financial and non-financial data, blockchain can transform audit practices and support sustainability goals. This research contributes a **novel conceptual framework** that guides organizations in implementing blockchain for holistic auditing, bridging gaps between theory and practice.

## **Conclusions**

This study investigated the potential of blockchain technology in enhancing sustainable development audits and financial transparency. The research highlights several critical findings. First, blockchain significantly improves audit reliability by providing decentralized, immutable, and time-stamped records. Continuous auditing becomes feasible, reducing reliance on retrospective sampling and manual reconciliations, thereby increasing the accuracy and credibility of audit outcomes. This transformation also redefines the auditor's role, shifting from routine verification to strategic evaluation of trust, compliance, and smart contract data.

Second, blockchain enhances transparency and accountability in ESG reporting. By enabling real-time verification of sustainability metrics such as carbon emissions, renewable energy consumption, water usage, and labor compliance, blockchain provides a single source of truth that strengthens stakeholder confidence. The study's proposed framework integrating both financial and ESG audit streams is a novel contribution, offering a practical solution for organizations seeking holistic audit transparency.

Third, the industry case studies of PwC, EY, and Deloitte demonstrate the practical applicability of blockchain in auditing and ESG reporting. These pilots confirm efficiency gains, error reduction, and improved stakeholder trust. However, the study identifies that a fully integrated approach—combining ESG and financial audit data on a single blockchain platform—remains largely unexplored. This research fills that gap by proposing a unified framework that enhances real-time verification, traceability, and credibility.

Despite these advantages, adoption challenges persist. Regulatory uncertainty, technical limitations, ESG data standardization issues, and auditor skill gaps can hinder the effective implementation of blockchain in audits. The study emphasizes that technology alone is insufficient; successful adoption requires strategic alignment with regulatory frameworks, governance structures, and professional training.

### **Critical Reflection:**

From a critical perspective, blockchain should be viewed as a complementary tool rather than a replacement for traditional auditing practices. Its true value emerges when combined with standardized ESG metrics, professional expertise, and clear governance policies. The novelty of this research lies in the holistic integration of financial and sustainability audits on a blockchain platform, providing a practical roadmap for organizations to achieve greater accountability and transparency.

In conclusion, blockchain offers transformative potential for sustainable development auditing. By enhancing reliability, transparency, and stakeholder trust, it supports both financial and non-financial accountability. The study provides a conceptual and practical framework that can guide organizations,

auditors, and policymakers in leveraging blockchain to meet sustainable development goals. Future research should focus on empirical implementations, scalability, and comparative analyses across industries to further validate the proposed framework.

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