

contributes to the strengthening of the country's national competitiveness, therefore, in order for Ukrainian cities to enter the world rankings, attention should be paid to the formation of a positive perception of cities and unique associations with them. It is necessary to identify the main characteristics of the competitive advantages of the city brand and summarize the process of forming a successful strategy for the development of the city brand.

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**SUSTAINABILITY-RELATED ASSURANCE AS A TOOL TO  
ENHANCE NON-FINANCIAL REPORTING**

Social pressure and the demand for organizations to be responsible for their social and environmental impact is increasing, and more companies are responding to this pressure by issuing sustainability reports. Over the last decade, sustainability reporting has become a standard business practice of leading global companies [1, 2].

Recognizing that some companies may provide sustainability reports just to tick a box and thus increase their legitimacy in the eyes of stakeholders, separate sustainability assurance has been introduced as a mechanism to reduce the risk of detection of smoke. As a result, there is also a growing demand to give this information greater credibility through voluntary external validation [3, 4].

Watts and Zimmerman, in their important article, explain that external auditing helps alleviate information asymmetry between managers and directors by enhancing correctness, accuracy, completeness, truthfulness and the reliability of financial statements [5]. Subsequent

research was instrumental in finding that higher audit quality is associated with lower levels of discretionary accruals and lower levels of capital expenditure. Compared to the external confirmation of financial information, an independent audit of the sustainability reporting can alleviate the asymmetry and ambiguity of the information, and create greater confidence in the non-financial information [1, 3].

Because sustainability reporting typically involves discourse that is predominantly favorable and beneficial from the firms' perspective, an external guarantee is considered a highly informative signal. This is due to the fact that external security can in a certain way support and replace the deficiencies in corporate governance systems and the legal mechanisms created to protect the interests of investors. Sustainability reports subject to independent peer review can also contribute to compliance with existing reporting rules and support more complete and factual reporting of social and environmental issues [6, 7].

In addition, sustainability assurance can be used by companies for which the net benefit is significant both in terms of reducing agency costs and in terms of increasing trust among users. According to this view, it is worth recalling here the signaling model, according to which firms that aspire to be more socially responsible firms are more willing to obtain an external guarantee and choose a split equilibrium. Previous research supports this as it shows that socially responsible companies demand high quality audits from external auditors.

Overall, the results support the signaling theory, as the result is interpreted in a way that is consistent with the signaling theory: more skilled CSR reporters benefit from external confirmation only as signal of quality, while reports of low quality are not justified. These findings of the Chinese institutional environment are consistent with findings from international studies. These findings (assuming that sustainability reports are of higher quality) should be interpreted according to signaling theory, according to which a high CSR return associated with low-risk or high-quality firms indicates his preference over high-risk, low-quality firms. Companies choose the so-called path of «separating equilibrium»: they bear additional costs, but show their advantage. Therefore, the paper posits that in a voluntary context, higher CSR scores are more likely to ensure external CSR reporting.

We are firmly convinced that it is not possible to simply transfer the financial audit experience to the field of sustainable development, which usually happens now. We believe that by going this way, we are going in the wrong direction. From a technical perspective, wider dissemination of the AA100AS and its principles, with greater emphasis on reasonable

assurance instead of a limited and expanded role for stakeholders, is vital to getting back on track. This is a complex issue that also depends heavily on public pressure, the development of the sustainability assurance profession, and the development of self-regulation within the profession. For example, the level of sustainability fees is only a small fraction (typically less than 10%) of financial audit fees. This certainly calls into question the ability of sustainability underwriters to provide the necessary amount of substantial evidence to justify a positive conclusion.

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