Internal Control and Social Responsibility

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Abstract This paper aims to expound the connection between internal control and CSR, the purpose of which being to make organisations aware that a rigorous control can actively contribute to an increase in social responsibility regarding all three relevant dimensions associated to it: economic, social and environmental. As a functionality of management, control includes an analytical dimension as well as a field of verification, respectively a "mastering" of contexts, mainly internal, but also external to the organisation.

Our endeavour bears in mind a synthesis and antithesis of the ideas present in the field of expertise associated with control and social responsibility, of regulations provided by various institutions (for example, GRI—Global Reporting Initiative).

From the multitude of indicators presented by GRI, the chapter focuses on the generation of indicators relevant to analysed subject, given that there are no indicators specific to the control function. Thus, the authors, are bound to consider the selection of those indicators which can contribute, through the mediation of internal managerial control, that of risk management and the internal control environment, to the effective increase of social responsibility and the subsequent reports provided by corporations, all these leading to achieving the desired business leadership goals so as to genuinely consider not only the interests of the shareholders but the interests of all stakeholders, and even beyond that the interests of society as a whole. An important part is dedicated to the analysis of indicators and sub-indicators constructive to have or may relate to internal control management, coupled with a qualitative examination of the actual elements of reporting on CSR. On this basis, the authors will be issued comments and observations, suggestions and proposals for better emphasizing rigor in fact and in internal reporting. In conclusion, the authors have focused their research towards the analysis of possibilities and the achievement of internal control in the field of corporate social responsibility, taking into consideration that there are currently numerous research

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papers examining CSR from a global perspective, but not the identification of a connection between control and CSR.

1 Introduction

As it is evident from the theory and practice of international organisation, public speaking constitutes a contemporary issue, aligning respective corporations to certain reports regarding social responsibility.

By analysing the specialised research in our field of expertise, we can see that the part allocated to public reporting regarding internal control is sufficiently discrete. Considering this, we aim at analysing the connection between internal control and CSR by starting from several cases of notoriety: the automotive industry at its very top unscrupulously tampered with indicators regarding the pollution emissions by the vehicles they manufactured and sold; corporations which diluted their medical disinfectants to the point that those substances became useless fluids which were subsequently delivered to medical institutions; commercial banks that are fiendishly preoccupied with better hiding the commissions they use when dealing with their customers etc.

Bearing this in mind, *we therefore have to ask ourselves to what extent can internal control be removed from under the dominance of the company's management as well as from the majority stake holders—when they are represented by a very limited number of people, which would qualify it as being eligible to pass under direct social responsibility towards the public*. Therefore, we appreciate this transition can be achieved by enhancing the transparency of internal control not only within the entity itself, but also on the outside, through consistent and well-defined reporting, so that internal control will achieve a certain autonomy as well as an additional degree of explicit responsibility in the eventuality of extraordinary events. In this respect, both in the specialised research and CSR reports, we have identified certain standards of communication and performance indicators which explicitly or implicitly refer to internal control.

Thus, we are bound to consider the development of these elements through the analysis of the relationship between internal control and CSR, in order to identify patterns which are relevant for specific catalysts whose potential is insufficiently harnessed. We are fully aware that such a difficult issue will mean that our research endeavour will be defined by the limit between the confidentiality and the transparency of businesses, considering that through a better definition of these vectors, generally speaking, we shall try to organise a debate by bringing forth pros and cons having the public interest at heart.

On the one hand, we consider such an endeavour auspicious even though we noticed that we are far from finding the best methodology of quantifying and presenting as it applies to the CSR field of expertise. On the other hand, as we are talking about "dislocating" a portion of the responsibility of management by rendering it transparent, our endeavour becomes extremely difficult. But, in our opinion, considering we are addressing an extremely sensitive topic, we think that such an action would be for the public good, respectively this part of responsibility shall be better emphasised by the reports published by organisations.

Therefore, this chapter aims at contributing to a better understanding of the complex relationship between internal control and CSR, especially through the dilemmas of transparency-confidentiality, social responsibility-healthy profit.

2 The Concept of CSR: The Need for Progress and Reinvention

Corporate social responsibility is a vast modern concept whose recent exploration has led to the uncovering of new meanings. More than that, the concept has experienced significant growth parallel to the development and modernisation of corporations within the new societies in which they exert influence, generating a lot of debate lately.

Social responsibility represents, according to the European Commission (2011), a concept through which entities voluntarily integrate their social and environmental preoccupations within their economic operations and also when it comes to their interaction with interested parties, however, the multitude and diversity of definitions assigned to it has triggered countless controversies among theorists and practitioners alike, leading up to the point that these influences would be considered as being prone to influence by specific interests (Marrenwijk 2003). Unfortunately, what followed could not totally eliminate these “shadows” and there is still talk about the responsibility of the business environment as being “just a façade, social marketing or philanthropy”. In a world filled with mistrust, corporate social responsibility must however persuade. This endeavour has grown ever more difficult!

Starting from Milton Friedman’s definition, which limits the concept of corporate social responsibility to the activities which enhance profit inside the boundaries of the law, through the adequate use of available resources, moving on towards the communitarian perspective which extends the parties involved in order to include the totality of individuals or groups of individuals directly affected by the actions of a company and then enumerating the various definitions found in the specialised corpus of research (DesJardins 1998; Dawkins and Lewis 2003; Cramer 2004; Crowther and Aras 2008), the definitions provided by the European Union Green Paper—Promoting a European Framework for Corporate Social Responsibility, the European Commission White Paper, The European Environment and Sustainable Development Advisory Councils (EEAC), World Business Council for Sustainable Development, the European Business Network for Social Cohesion—EBNSC in 1996, which became CSR Europe in 2000, “Global Compact”, a Code of Conduct which comprises ten principles in the area of human rights, work relations, environment and anti-corruption, as well as an international voluntary network of corporate citizenship, the European Council Resolution, 6 February 2003, on

Corporate Social Responsibility (2003/C39/02), the EU Strategy for Sustainable Development (2006), the Treaty of Lisbon (2009), the ISO 26000 "Social Responsibility" international standard addressed to all types of organisations, from multinationals, to small and medium businesses, public authorities, unions and NGOs (2010), the new Communication regarding CSR for the period of 2011–2014, European Business Ethics Network—EBEN, Social Venture Network (SVN) Europe or the European Social Investment Forum—Eurosif, The Sustainable Development Goals released by the United Nations in September 2015, ultimately compel us to ask ourselves the question: When can a company be considered socially responsible?

Naturally, the answer to this question will be provided by the manner in which we rationalise our own opinions, referencing, experiencing our own reality (as reality can be somewhat subjective when we consider that we are living in a world of uncertainties and scepticism).

Thus, starting from the theory which mentions that a company is considered socially responsible if in addition to upholding its commitments towards its employees, suppliers and clients, it places all of its economic activities under the scrutiny of social values specific to the community where it operates, we have concluded that corporate social responsibility represents involving businesses in improving the quality of life within the communities they are part of and obtaining a *"healthy profit"*, as Richard Branson calls it, quoted by professor C. Popescu (2012), the author of the concept of *Ecolonomy,* who believes that *a deficit in responsibility has, in fact, been the main cause of the crisis*. Moreover, the same renowned professor believes that "our great fortune was the crisis itself" and this is because it can lead to a *human and institutional re-spiritualisation, showing the path needed to build a new society, the ecolonomic society*. In such a society, profit, which is the objective of any business, is "the gain that comes under the form of net ecolonomic income, which draws substance and relevance in the fact that the respective business was beneficial to people, allowing them to enjoy its rewards alongside the entrepreneurs. It is in fact the same vision we encounter in Pindar: a profit a company obtains with the permission of those who generated it".

The business world provides ample examples of successful situations that generate healthy profits, the number one condition being respect and responsibility because "doing the right thing is also good for business". To further support this theory, we join professor C. Popescu in paraphrasing the same Richard Branson (2012) "... *doing the right thing* is not just about not destroying the environment, not just not polluting, but rather eliminating the pollution which has already occurred during the last centuries, since the Industrial Revolution, which means restoring harmony with nature. However, this does not just entail doing less harm; our duty is to improve the lives of all people and our very planet through business".

Moving on to more technical aspects, we bring into focus the five main dimensions of corporate social responsibility, as we have been able to find the in the specialised field of research (Dahlsrud 2007):

- *the environmental dimension*, the relationship with the environment, protecting the environment or changing climate conditions;
- *the social dimension*, the company's relationship with society as a whole, bringing the business environment and other non-governmental organisations together with the purpose of improving the quality of life of the people of the local community;
- *the economic dimension* which deals with economic and financial aspects;
- *the stakeholder dimension;*
- *the voluntary dimension*.

Although, according to the Reputation Institute (2015), the reputation of a company is influenced by seven factors: performance, goods/services, innovation, working conditions, leadership, governance and citizenship, and 40% of a company's reputation is provided by corporate social responsibility, not all companies are aware of the advantages of CSR, and more specifically:

- happy and satisfied employees have a positive effect in increasing labour productivity;
- happy and satisfied customers means a continued relationship;
- positive PR, CSR projects provide free advertising;
- more business opportunities.

Furthermore, we are able to find, in the field of research as well as among certain practitioners, opinions which stand in opposition to CSR. In this context, we find ourselves asking the question: are all the fears of anti CSR supporters valid, or do they actually hide purely economic interests?

Starting from the fact that the main supplier of information from inside any entity is internal control, we are considering strengthening internal responsibility and through our endeavour we aim at capturing certain elements through which this type of control can be transformed and transferred into social responsibility.

3 Internal Control: A Conglomerate, But Just a Component with the Potential to Enhance the Quality of CSR

Concerning the content of internal control, there is no unanimous agreement with regard to the points of view encountered in the specialised works. For instance, in the 1960s, Rathe (1960) identified over 50 different meanings of the word control, while Simons (1990) pointed out, nearly two decades ago, a multitude of inconsistencies surrounding the same theme.

Basically, it seems we are dealing with a linguistic problem rather than an issue of content, but regardless of the terminology used, within the structural meaning of control there will always emerge elements of power, influence and interest, which exist independently, which we can by no means deem independent from control, but rather, we might state that they are intertwined.

In order to rapidly/easily circumvent the slow description of the conceptual consolidation of control, we must affirm that our ideas rely upon the durable concepts elaborated by COSO (Committee of Sponsoring Organisations of the Treadway Commission), which would entail that a fundamental framework of control can implement a sense of order regarding this vague ensemble of means and practices. Furthermore, we are considering that after COSO, the torch was passed to the Canadians who published COCO (Criteria on Control Committee), thus providing us with a shorter definition of control, apparently less clear but extremely compelling.

We believe that a definition of internal control would be the state of composure and drive, restraint and motivation concerning a certain company/issue. Yet, this should not be done subjectively, selfishly, but rather from a perspective of social responsibility in accordance with well-defined performance criteria including social performance, known both inwardly as well as outwardly, leading up to even to the securing of the dissemination of synthesis information that must be both authentic and relevant.

We can bring into focus the so-called state of control, which is, generally speaking, represented by the belief or sense of comfort offered to any person (including simple citizens or third parties) through the method of organisation and functioning of the company in question, in other words, a good organisation in order to reach personal and social objectives at the same time. In this context, we might affirm that although internal, control should concern itself with the social responsibility of its respective entity.

From our perspective, internal control means taking and maintaining the initiative, establishing objectives, maintaining the necessary structure, morale and orders so as to obtain the desired results. And so, we are made aware of the obvious: control is both a principle for building systems, enabling processes and following results, as well as a function, a certain atmosphere mainly internally, which is inevitably proliferated or at least perceived towards the exterior to a certain extent. In this area of redoubling the efforts of internal control and its direct messages towards the exterior, we can state that the core potential of internal control can be found in enhancing CSR.

Moreover, as we are aware of the fact that internal control is an attribute of management, we bring into focus the type of control obtained through complementarity and interdependence, a new paradigm of action desirable in the field, through which the entity is governed both in a participatory manner, as well as transparently, which leads to an overall increase of general synergy, but the result depends on the capacity of the entity's pillars of power (shareholders, administrators/overseers and executives) to make all those involved and/or affected behave as responsible social owners of the entity.

The success of any economic entity is highly reliant on the good relationship it has with its stakeholders, otherwise egocentrism will have an undesired effect. Thus, organisational control becomes or should become, for any honest entity, a social process, probably within a socio-technical system. Unfortunately, in order to raise interest for the creation and implementation of control, the organisations are more preoccupied with finding a rational justification for their irrational actions, rather than secure a thriving harmony and a reasonable degree of transparency.

Eventually, control is an extremely complex concept, which encompasses part of the conception, realisation and functionality of systems in a similar manner (Simons 1995). We consider internal control a complex organisational phenomenon, which necessitates the integration of clear and specific organisation, as an integral part of the architecture and structure of the entity as a whole. Simply put, we believe internal control is represented by the harmonious integration obtained through the organisation which secures the necessary rigour in order to assert influences/interests as well as achieving the verifications necessary to obtain the desired results, as well as a sense of public accountability which might help raise the social responsibility and awareness of corporations.

The concept of CSR as it is presented to us, perhaps not on the same level, may influence control towards a perception which may appear beautiful, even noble, yet a major risk occurs. Control is an attribute of power, and influence and interest have a shared commonality which entails overlapping and interference to a significant extent; unfortunately, we could say that the better the three attributes merge, the stronger the architect's power becomes—one or more of the pillars of power, parts of a central core of power or associations between various factors of power within an entity, a power which is not only used in the best interest of society.

The solution we see implies reusing an idea mentioned above, where we addressed the issue of an increase in the authority of certain individuals in various corporations, which we consider to be self-evident, however, we are striving to underscore the fact that, among other things, internal control, when designed in honesty and applied through the spectrum of ethics, bearing in mind social responsibility, can contribute to the tempering of such evolutions, which are quite clearly unhealthy, and therefore we must re-orient these elements with predilection towards a general and reasonable transparency regarding all aspects, including the publication of incredibly dense information on the theme of the balanced distribution of power within a corporation versus its social responsibility.

We aware that the implementation of the ideas we support through this research will not be simple at all, quite the opposite, it will be a tough and strenuous process encompassing internal control in its entirety and risk management. Yet, all these, along with certain suggestions regarding public reports associated with this area of expertise, together with the experience of experts in the field, we are convinced of our contribution towards changing organisational structure leading up to culture in general. In the spirit of this objective, we aimed at mentioning the CSR reporting standards which are linked or come close to internal control, so that we may create the opportunity of a succinct analysis that is constructively positive including certain elements which may act as a potential catalyst.

4 Standard Communication and GRI Performance Indicators Connected to Control

Currently, CSR reporting is beginning to stop being a whim of certain companies which want nothing more than to improve their image in the eyes of the stakeholders, but rather a genuine tool of strengthening their own reputation. To a significant extent, one might notice a transition from the concept which predicated that RSC reporting is indeed a measure which became mandatory de facto even in the absence of international regulations or even regional ones.

From the multitude of reporting frameworks that entities may use, in accordance with Directive 2014/95/EU OF THE EUROPEAN PARLIAMENT AND THE COUNCIL from October 22, 2014 to modify Directive 2013/34/EU regarding the reporting of non-financial information and information regarding the diversity of certain enterprises and large conglomerates: national frameworks, EU frameworks such as The EU Eco-Management and Audit Scheme (EMAS) or international frameworks such as Global Compact of the United Nations (UN), the driving principles regarding business and human rights in applying a framework of "protection, respect and mending" within the UN, the Orientations having to do with multinational companies within The Organisation for Economic Co-operation and Development (OECD), the 26000 ISO standard of the International Organization for Standardization, the three-party Declaration which established the guiding principles of multinational companies and the social policy of the World Labour Organisation, the Global Reporting Initiative (GRI) or other recognised international agreements, we have focused our attention on only one considering that a comparative analysis of various reporting frameworks may in itself constitute the object of research.

We have decided to refer to GRI because G4 is the most important tool for reporting durable growth on a global level. The G4 guidelines were developed by Global reporting initiative (GRI) with the purpose of providing a structure which would help organisations report on the economic, environmental and social impact and to use the indicators of performance. G4 recommends 58 Standard Communications and 91 Performance Indicators. In the Implementation Manual, we can see the Principles of Reporting as well as General and Specific Standard Communications.

The reliability of the reporting compels the organisation to gather, register, compile, analyse and reveal the information and processes used in the compiling of a report in a manner which can successfully surpass any scrutiny, thus establishing the quality and importance of information.

Stakeholders should know that a report can be verified in order to establish the accuracy of its content and the extent to which the Principles of Reporting were accurately applied. The information and data included in a report should be confirmed by the internal control and documents subject to review by individuals other than the ones who drafted the respective report. Providing information regarding performance which is not backed by evidence should not appear in a sustainability report, with the exception of the event in which we are dealing with material information, and the report offers clear explanations regarding any uncertainties associated with that data.

Out of the 58 Standard Communications, we believe that the following can provide extensive interest regarding internal control:

G4–33 The assurance deals with the relationship between organisation and suppliers. This standard ascertains the involvement of administrators in obtaining the assurances for organisation's sustainability report. If internal guarantees are not obtainable with respect to sustainability reports, it is recommended that external suppliers should get involved with the specification of the purpose and basis of these findings.

Referring to internal assurances, a paramount role in their achievement is provided by the internal control responsible and competent regarding the verification of the reliability of the information comprised in the reports in accordance with standards.

We have not endeavoured to use this chapter in order to provide a pro and con analysis regarding the suppliers of internal versus external assurance. What we are actually aiming for is to draw attention to the possibility of increasing the role of an internal supplier of assurance in the field, fully aware that providing assurance as a guarantee can rather be obtained through the concerted efforts of both internal and external suppliers.

Concerning the direction of reliability and the relevance of reports having to do with CSR, there is additional support in the action of the codes for corporate regulations, which might require managers to contribute to the confirmation of reports.

Corporate regulations must be approached from the perspective of the role they play in enforcing CSR policies. In addition, we must consider the organisational structure which will show the hierarchy and delegation of authority concerning economic, environmental and social matters. In our opinion, this structure must be connected to the functional structure; so as to properly identify each person who has tasked with economic, environmental and social reporting based on his/her position and level of subordination.

Yet, we are striving to show how internal control may become more competent in this global endeavour. What "liberties" and prerogatives should be attributed to internal control so that it may become a supplier of social trust, in a context of responsible corporate administration.

With regard to internal aspects, G4–40 and 41, they make reference to the structure of the Board of Directors and its Committees, among which is the CSR oversight committee which must consider the manner in which the diversity and independence of members are taken into consideration, if and how shareholders are involved, and most importantly, if the selection is made based on the experience of members in the fields of economics, environment and social responsibility, that will provide the construct of the report. In this respect, we suggest that the selection should include a representative of professional organisations or departmental/financial oversight institutions. Furthermore, emphasis is placed on the verification of avoiding conflicts of interest, by presenting the members performing the CSR report, the existence of majority shareholders, information referring to affiliated parties.

Referring to this last aspect from our analysis, we might suggest the independent connectivity of those responsible with the risk management of confidential information, especially external databases and any other sources, in order to facilitate the detection of conflicts of interests and incompatibilities that cannot be identified from an initial analysis. Bearing in mind that access to such databases is extremely costly, a possible solution may be the creation of a fund for departmental/financial oversight institutions to which every corporation must contribute. Thus, the financial oversight institution can offer access to information exclusively to those dealing with risk management and who are already registered in the database. Separately, the reporting of the entity in question must include the number of major problems linked with conflicts of interest and/or incompatibilities that have been dealt with throughout the duration of the reported year.

Another internal aspect is the presentation of the role of the Board of Directors in establishing, approving and updating the objectives of the organisation, the strategies and policies which generate an economic, environmental and social impact. It is clear that accountability in particular that of the stakeholders of a public limited company is highly diminished. In this sense, we propose an overall increase in stakeholder accountability especially when it comes to CSR, taking into consideration that during the General Meeting of Shareholders, they benefit from additional information.

G4–44 Risk Management, as a part of internal control, must be presented in relation with the involvement of the members of the Board of Directors. Thus, we are compelled to present the particularities regarding the integration of long-term risk elements in strategic planning.

Setting aside the regulatory obligation of risk management to offer "adequate information regarding the aspects which involve the greatest probability of the manifestation of the main risks which bear significant impact" (Directive 2014/95/EU), we consider that the role of this internal control institution may be strengthened with respect to CSR, as previously mentioned, by increasing the autonomy towards the Board of Directors/Oversight.

In connection to external aspect, we should view the relationship between stakeholders and the Board of Directors when it comes to CSR (G4–27). Therefore, we must consider reporting the concerns raised by stakeholders, divided in groups, as well as the manner in which the organisation responded to these core issues and concerns. In addition to this, G4–37 deals with reporting on the consultations between stakeholders and administrators regarding environmental, social and economic issues, as well as identifying and managing the impact of the risks and opportunities referring to aforementioned issues.

Also, in CSR reporting we have to specify the person or committee approving that respective CSR reporting, providing assurances that all material aspects are being dealt with.

We have set out to explore the details referring to GRI requirements regarding certain external aspects, such as consulting groups of stakeholders, underlining the fact that debates concerning risk management once again take centre stage.

With regard to performance indicators, though we cannot foresee explicit tasks of internal control, we are however made aware that the information reported is relevant, and the main supplier of information within any entity is internal control. Therefore, this strengthens the responsibility of internal control, which through our endeavour, we are trying to transform into social responsibility.

However, we have found some performance indicators associated with internal control. Thus, G4–EC1 makes reference to the economic value generated and distributed by referencing income in corroboration with operational costs, employee costs etc. the information regarding the creation and distribution and economic value is provided to the stakeholders as a basis of the way in which the organisation has created wealth, including potential sources based on the data originating from financial departments, treasury or the accounting departments of the organisations.

G4–EC2 tackles the financial implications and additional risks and opportunities for the activities of the organisation due to climate change, which have the potential to produce major changes in the day-to-day running of current operations, income or expenses. For each risk or opportunity, one must consider presenting information relevant to the impact over capital or operational costs, over the increase or decrease in the demand of goods and services, presenting a timetable during which the said implications may occur establishing a direct or indirect relationship, a probability of occurrence as well as the methods being considered in order to reduce risks and subsequent dysfunctionalities manifesting within the organisation.

As we can see from referential indicators, the idea we are supporting is ultimately cultural. But until this can be implemented in the organisational culture, internal control, which is highly sensitive when compared to culture, represents "the vanguard" in the field of CSR. Considering this, it is our belief that it will have to proactively approach social responsibility so that transforming organisational culture into "eco-culture" will be achieved as quickly as possible. For this, however, we believe that internal control should be afforded special treatment.

Therefore, the role of internal control in the increase of the reliability and relevance in reporting as it applies to corporate social responsibility must be analysed through the spectrum of rigorous of internal control mechanisms that will meet the high standards required by regulations, but also the need to increase general responsibility.

5 Solutions and Recommendations

In this context, bearing in mind that there is no perfect method of quantifying and presenting in the field of CSR, as well as the fact that we are addressing detaching a part of responsibility as it applies to the management of control related issues by supporting transparency, we consider that this part of responsibility must be better emphasised in published reports.

We are by no means talking about outsourcing internal control, but rather about a problem found between the boundaries of internal and external control. No matter how we may call it, we believe that a better solution for this issue would entail increasing the contribution of both forms of control in order to strengthen social responsibility through a more applied public reporting as well as a flawless sense of ethics.

In fact, if we are to consider corporate multiculturalism, a global solution would be ensuring that reporting is done only by upholding social responsibility towards society as a whole (at least in the areas of economics, environment and social responsibility) also by harnessing ethics (as simple as it may seem, it is very difficult to put into practice).

Currently, there are several solutions disseminated towards increasing transparency, such as the idea of external publishing of internal audit reports, which is not unanimously accepted, as corporations believe it would compromise confidentiality. In our opinion, this shortcoming might be removed by publishing within the CRS reports solely the number of internal control interventions regarding the cases of social responsibility divided into pollution/environmental protection, labour/employee protection, their rights, the protection of clients/partners etc., which should be presented in detail in AGA/Board of Directors.

The solution we recommend consists of an internal control honestly conceived and ethically applied in a socially responsible manner, which through its propensity towards achieving reasonable transparency in all areas, including the publishing of significantly synthetical information on the subject of the balanced distribution of corporate power, can contribute towards raising social responsibility.

Though we might be suspected of etatism or even centralism, which is by no means the case, it may be interesting to entertain the idea according to which internal control entails succinct reporting directed towards competent authorities in the specific field of expertise required to secure the protection of the structural basis of the entity which may have observed or encountered certain issues or difficulties.

We believe that there should be mechanisms of control created with the purpose of analysing and verifying the criteria of selection of the members of the CSR board.

Also, the verification of the way in which the selection and promotion criteria were upheld can constitute yet another direction in which internal control might constructively act, with certain effects in raising awareness concerning social responsibility.

6 Conclusion and Future Research Directions

In the current chapter, we aim at achieving a thorough analysis of the problems linked to internal control and corporate social responsibility regarding companies, as the subject matter at hand is quite vast, and during the course of our research endeavour we have uncovered new facets of these issues.

In the current chapter, we have not devised a good practice model in the field on CSR, but we have strived to point out and capture certain ideas which we believe may contribute towards projecting such a model that could lead to an increase in the quality of information regarding CSR reporting including increasing social responsibility.

As we have decided on publicly communicating our research theme, examining corporate reporting and their subsequent social responsibilities, we have observed that an important component regarding internal control is quite poorly represented.

Contextualising this, we have asked ourselves the question if a rigorous internal control would also be sufficiently adequate in terms of social responsibility and how to properly handle the problem of boundaries between business confidentiality and transparency.

In general, we believe that there is too much talk and very little action when it comes to social responsibility, sometimes without even knowing too much about the subject. Some individuals do things without reference to actual procedures. Consequently, we align ourselves with the thesis according to which not only is it necessary to ensure good reporting, but also genuine transparency.

By analysing the specialised research in the field and the G4 implementation manual, as well as the CSR reports, we have identified aspects associated to internal control. Within this contextual framework, we have performed an analysis of reporting standards and performance indicators.

We believe that these elements can develop and consequently increase the social/public responsibility of internal control.

A study performed by Schwindenhammer (2013) shows that five German companies (BASF, Bayer, Daimler, RWE and Volkswagen) fully complied with GRI regulations, with the compliance being evaluated by audit service providers. The study makes reference to an analysis performed in 2010, by the Institute for Ecological Economy Research which indicates the fact that the companies which comply with GRI regulations occupy the best spots in the ranking of companies which accurately report sustainability. Nevertheless, the Volkswagen scandal shows that beyond the reports which would aim to portray a certain image of the company, the reality can be significantly different, and even worse in blatant contradiction with these reports, a fact which warrants future research on the methods to bring company reports closer to reality.

Within the operating framework of CSR, internal control can provide a contribution through the methodology of reporting the issue based on which it operates, but also by including it within the framework of CSR reporting or in the integrated reporting of elements which are rather tributary to the process of control or risk management (to an extent which is more detailed or supplementary revised in the report encompassing the requirements of the GRI reporting framework). Certainly, all these shall have an impact on increasing stakeholder trust, as well as the responsibility of those reporting.

In essence, the issues underscored in this paper are related to ethics and, thus, an external auditing would become a regulatory prerequisite from the ethical perspective of all the reports which bear meaning to public interest and public entities, regardless of their nature (actual businesses or public institutions in general).

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