

Investigating the black box of the sustainability assurance

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Importance of the research

My research is motivated by the desire to understand the black box of the sustainability assurance (SA) process, which largely is perceived as a taken for granted accounting phenomena. Existing SA literature has raised questions regarding whether the practice adds value to the assured information (See e.g. Hodge et al., 2009; Simnett et al., 2009; Pflugrath et al., 2011), or what motives are behind the adoption of SA practices by reporting organisations (See e.g. Park and Brorson, 2005; Jones and Solomon, 2010; Sawani et al., 2010). Also, the main focus is on the characteristics of SA statements (See e.g. Ball et al., 2000; Perego, 2009; Simnett et al., 2009). By asking those questions, researchers have taken the assurance process for granted, focusing only on its products.

This SA practice has become debatable, because to some extent it is compared with and developed from the financial accounting concept (Deegan et al., 2006). Financial accounting is less complex than its sustainability counterpart (Dando and Swift, 2003). The financial information is coherent and connected. Users of financial information, although diverse, share the same information need and can be straightforwardly identified. Sustainability reports, however, contain diverse and disconnected sets of information; because they aim to address issues of stakeholders beyond those who are only interested in financial issues. The SA practice therefore needs to account for more than a quantitative dimension.

Due to the complexity of sustainability-related information, there is a need for a multidisciplinary assurance team, comprised of experts from different professions. Therefore, the study of the assurance process is crucial to understanding how practitioners make professional judgments, reach conclusions, and publicly communicate the results. Besides, those practitioners have different professional and educational backgrounds, and perceptions of the sustainability concept, which could mean they conduct the assurance differently (O'Dwyer, 2011). These factors could affect the judgments they exercise throughout different stages of the assurance process. To address these issues, the research focuses on assurance providers, potentially large accounting firm(s), and consulting firm(s) providing SA service to gain practical insights of the practice.

Research Questions

This research aims to understand and open the black box of the SA process; thus leading to the first question of understanding the SA process and factors that could affect it.

Q1. How SA is operationalised?

This question relates to how choices are made by actors involved in the assurance process; for example, one or more actors involved need to decide the scope, standards and criteria used. The focus is on who makes such choices and how the choices affect the SA process. This question also leads to findings that address the practical narrative stages of the practice. This could vary among providers; however, some common stages and practice could be illustrated.

As SA is not a statutory practice, practitioners position their roles with various degrees of independence. Some practitioners might get extensively involved in the reporting process of the assured organisations, or in sustainability-related advisory services. The second question, therefore, focuses on the roles of SA providers, which are reflected through the decision to get involved in and promote other services beyond assurance.

Q2. How do SA providers reflect their roles as an assurer through their interactions and communications with others actors?

Since there is no generally accepted standard, SA providers could use one or more standard(s) in their engagement. The two most widely used standards are ISAE3000 and AA1000AS, which are high-level. Thus, SA providers can interpret standards differently depending on the context of each engagement or firm's policies. This leads to the following question.

Q3. What is the role of SA standards in the assurance process?

The final question aims to explore the construction of the output of SA process. A number of issues, actors and judgments are involved in the construction process. Consequently, understanding the elements and negotiations that constitute such statements is important.

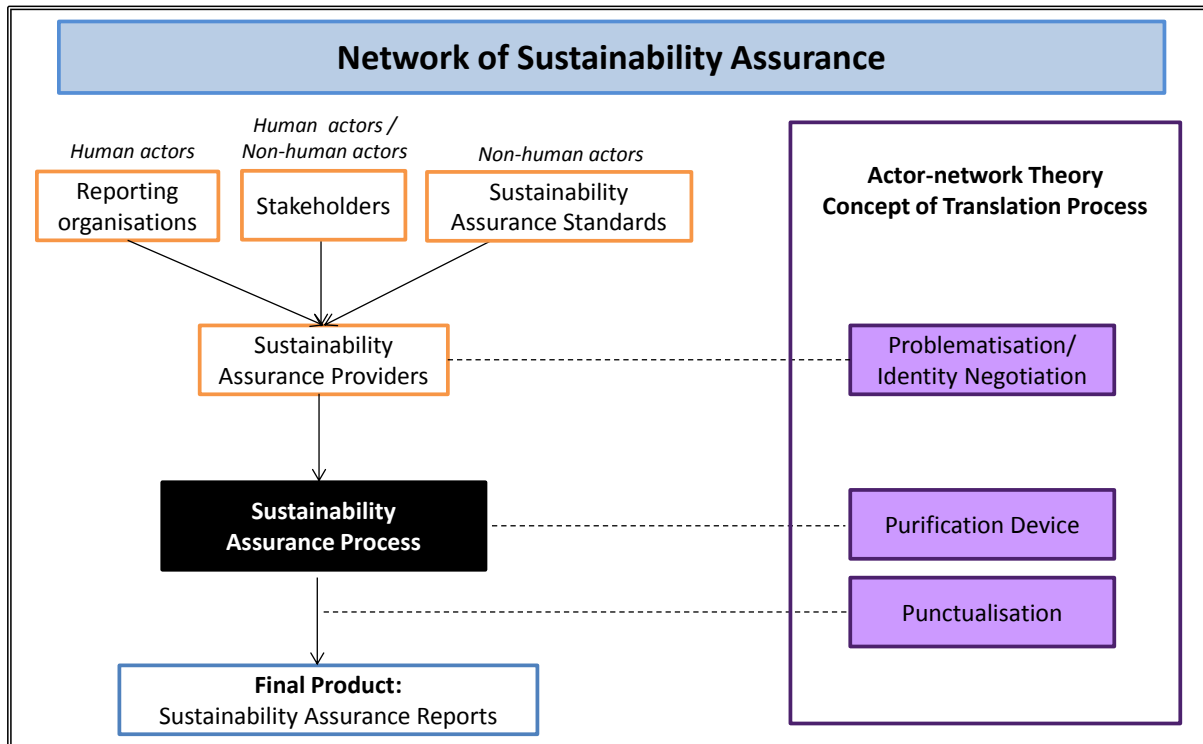
Q4. How final SA statements are formed?

Research methodology and theoretical framework

This study is intended to employ case study research with cooperation from one or more U.K. assurance firm(s). The principal data collection methods are semi-structured interviews and reviews of internal and external documents.

This study employs Actor-Network Theory (ANT) as a main methodological and theoretical framework. The focus of ANT is to understand the process of network construction and how heterogeneous actors gather together in a network (Lee and Hassard, 1999). Thus, ANT allows researchers to explore their interested phenomenon without concrete priori assumptions about the phenomenon and the involved actors. This method, therefore, encourages researchers to be open-minded in tracking the activities and actions of actors in the network.

Figure 1: Theoretical Framework



This research is inspired by ANT to focus on the SA practice and ask who are the actors involved in the SA practice network. It also aims to understand how SA statements legitimately represent those actors by using the notion of translation and some other underlying translation concepts (Figure 1).

ANT also provides a theoretical framework to track the negotiations of actors in the network, so that the SA statement is produced, and to understand how SA statements could represent all actors in the network. The notion of translation (Callon, 1986) and the purification device (Skærbæk, 2009) from ANT contribute to the theoretical framework of this study.

The problematisation concept from translation process indicates the starting point where SA providers emphasise the importance and relevance of SA practice to other actors to attract them to the network. Along the process, the interactions and negotiation between SA providers and other actors develop.

A main important non-human actor is SA standards. Due to the vague and high-level nature of SA standards, SA providers might use them differently. Some might interpret the standards directly and strictly use them as a guideline to conduct the assurance. Others, however, might use them as justifications for their judgements, because the standards leave room for interpretation. The concept of a purification device could be used here, in that practitioners use the standards as a purification device to legitimise the assurance reports.

SA providers need to eventually engage all relevant actors' wills and interests, and represent them in the SA statements, which is the product of this translation process.

Challenges

The main challenge of this research is negotiating access to internal resources, including documents and interviews with practitioners. This will affect how the case study is conducted, because the research design needs to incorporate a number of data sources from a case. Since, negotiating access is in process, the data sets that the providers will allow access to are not clear. The preliminary negotiations, however, show positive responses. Thus, I expect few problems to gaining access.

Contributions and Implications

This research offers a new theoretical lens to study SA practice. As previous SA literature mainly focused on the elements in the final product, they took the process for granted. This study contributes to the understanding of SA in a practical setting. This includes interactions between SA practitioners and other actors, and interpretations of high-level standards.

The results will benefit related standard-setters when further developing their standards. Also, the SA concept might be more articulated and refined to reflect the interactions and negotiations in the SA network. Moreover, greater understanding of the assurance practice by reporting organisations and stakeholders will emphasise its benefits and limitations. This could affect their level of understanding when reading SA statements, which in turn, could lead to better decision making based on information dependent on such statements.

Besides those, the theoretical framework here can be used to study the complexities of other reporting or assurance practices, especially ones with unregulated elements and vague guidelines. It could be used to understand integrated reporting and the new form of assurance that might accompany such practice.

Research Progress

So far, there have been positive responses to participate in this research from four accounting firms and two consulting firms. The initial interviews with two accounting firms were conducted in April 2014.

Data collection to date with the accounting providers has confirmed that SA practice involves extensive judgements in terms of assurance scope and sampling to form the final opinion. One reason is due to material issues that are different among clients.

The roles of assurance providers and independence issues were reflected through the interviews. SA services are advisory in nature. They also have a pre-assurance service called 'Readiness assurance', which is advisory in nature. One interviewee said they established hand-holding

relationships with clients like 'critical friends'. One reason is because the use of assurance now is not just for checking data, but highlighting a client's risk areas.

Both interviewees agreed that SA standards are vague and high-level, so they use the standards as a minimum bar to develop their own SA manuals. The manual and SA methodology will be further investigated to understand how assurance is operationalised. Also, they mentioned a rigorous internal review process, which could be a new actor or a purification device that legitimises the judgements of practitioners and enhances the quality of opinions.

The stakeholder engagements by SA providers are mainly indirect, because key stakeholders are identified by reporting organisations. The assurance providers just say whether it is appropriate. Then they indirectly engage with stakeholders through the reporting organisation either in meetings, stakeholder panels, and desk-based research. This interaction also needs follow up on how providers represent those stakeholders independently and appropriately.

There are a number of factors emerging from interviews that could make the network of SA process unstable. Those include changing the definition of sustainability and materiality, and evolving SA reporting practices and standards. This could affect the SA process and how assurance statements are constructed.

The next step is to collect more data about the firm's methodology, the use of SA standards to develop firm manuals, the review process, and interactions between team members and clients.

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