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BENEFITS OF SUSTAINABILITY ASSURANCE

What is “assurance” ?

Assurance can be described as the provision of confidence or certainty by an independent assurance provider to a party or group of persons in relation to certain subject matters.

The level of assurance expressed varies with the nature of the service provided. The scope and depth of an assurance service depends on the need for confidence of the interested parties on one hand and on the availability of proper evidence on the other hand. The interested parties should be informed adequately about the level of assurance envisaged, so avoiding an expectation gap.

What is an assurance engagement ?

An assurance engagement is made up of the following elements: subject matter, suitable criteria, three separate parties, the actual engagement process and a conclusion. The three parties are the person/organisation responsible for the subject matter, the independent assurance provider and the intended users of the report.

The objective of an assurance engagement is for the independent assurance provider to evaluate or measure a subject matter that is the responsibility of another party against identified suitable criteria and to express a conclusion that provides the intended user with a level of assurance about that subject matter.

Having finalised the engagement process, the independent assurance provider will express a conclusion that communicates the findings to intended users.

Individual assurance engagements may vary in scope and in level of assurance. The scope may be,

for example, restricted to providing assurance on a control system on a particular site, but could also include a full report at corporate level. The level of assurance, even if a high level is desirable, may be restricted by the quality of the subject matter, the availability of relevant assurance procedures or appropriate evidence, or the disproportional cost of procedures necessary to provide greater assurance. The level of assurance is dependent upon the type of assurance procedures and the extent of the work performed.

The independent assurance provider plans and conducts the assurance engagement to obtain sufficient appropriate evidence to achieve the desired level of assurance and applies judgment in order to express a conclusion. In certain circumstances the responsible party and the independent assurance provider may enter into dialogue with the intended users to establish the appropriate scope for the provision of assurance and the level of assurance to be provided.

“ There are increasing stakeholder demands for credible assurance that the information provided represents a complete, accurate, relevant and balanced picture of the organisation’s approach to, and impact on society and the natural environment. ”

Other engagements

An organisation may produce a statement of its compliance with a generally accepted standard or guideline. Where an independent assurance provider has checked the conformity of the organisation's statement with the provision of the relevant standard or guideline (conformity assessment) he/she states that fact without giving assurance on the assertions in that statement.

An organisation might request an independent assurance provider to carry out specific procedures and to report his/her findings (agreed-upon procedures). Such reports are generally restricted to the organisation itself.

Neither of the engagements referred to in the above two paragraphs is an assurance engagement. Each may, however, be useful in assisting an organisation to have an assurance engagement in the future.

Why commission an assurance engagement ?

Sustainability reports become increasingly important as organisations are expected to be accountable, to perform responsibly and to report on their performance.

Publishing a sustainability report helps an organisation to be more transparent and credible in its relations with stakeholders. This can lead to a better performance on the markets, including the financial and labour markets, thus increasing shareholder value.

Organisations voluntarily commission assurance engagements on reports they have prepared because of the perceived benefits, both external and internal.

The independent assurance provider issues a report that enables users to place more credibility on the information reported by the organisation. Each user of the assurance report can now take decisions based on the information in the sustainability report with less uncertainty about that information.

The intended users of the report are the immediate external beneficiaries, but the organisation frequently benefits indirectly because of improved public perception of its activities. The assurance engagement process can also bring positive changes, for example in control procedures and reporting systems.

The involvement of an independent assurance provider can allow an organisation to benefit from their external expertise and experience, whether through formal advice or working together. The independent assurance provider reviews systems, processes and internal controls, reporting any weaknesses to the organisation or offering insights having long-term business implications. This involvement will generally improve the quality of sustainability reports.

Improvements in data measurement, recording and internal reporting systems, learning and knowledge transfer within the organisation all enhance the organisation's internal decision-making and hence

“ ...GRI encourages the independent assurance of sustainability reports and the development of standards and guidelines for the assurance process to be followed by assurance providers. ”

the ability to achieve its business objectives. The improvement can be specific to a particular process or procedure or may be general as a consequence of increasing confidence of those within the organisation in its performance.

A good reputation is important for organisations, regardless of their size or the sector in which they operate. In sectors where perceived leading organisations regularly commission assurance engagements on information they place in the public domain, failure to do so by other organisations may lead to their being seen to have something to hide.

Modern business is increasingly complex and subject to sometimes onerous regulatory requirements. Therefore it is worthwhile for an organisation to commission an assurance engagement to demonstrate compliance with particular facets of the regulatory framework governing its industry.

“ Probably the single biggest factor undermining social and environmental reporting is the absence of robust independent verification. ”

**Paul Monaghan
Partnership Development Manager**

The Co-operative Bank p.l.c.

A recent international survey found that for the largest global corporations the assurance provider in 65% of the verified environmental and sustainability reports originates from one of the accountability firms.

“ The rise in reporting on environmental and social performance in separate reports, or integrated with financial reports, reflects the increasing importance of this information to management and external stakeholders.

This goes hand in hand with the demand for reliable and credible information from management, for managing the company’s environmental and social risks, and from stakeholders who want assurance that the report truly represents the company’s efforts and achievements. ”



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FURTHER READING

If you would like to know more about Sustainability Assurance read the FEE Discussion Paper: Providing Assurance on Sustainability Reports

Available from: <http://www.fee.be/publications/main.htm>