ASSURANCE IN CORPORATE SUSTAINABILITY REPORTING

IN THE UNITED KINGDOM:

STAKEHOLDER AND CORPORATE PERSPECTIVES

ANGELA PINILLA-URZOLA, BEng, MSc, MA

Nottingham University Business School

Thesis submitted to the University of Nottingham

For the degree of Doctor of Philosophy

May 2011

ABSTRACT

Assurance in corporate sustainability reporting in the United Kingdom:

Stakeholder and corporate perspectives

Angela Pinilla-Urzola

Sustainability assurance is developing rapidly in the United Kingdom, despite a negative stance from management. Previous studies have examined the practice as represented in statements from 2001 to 2004, companies' reasons for commissioning assurance services, and the views of assurance providers on stakeholder-centred practice. Despite the importance of stakeholder participation within sustainability assurance exercises, far too little attention has been paid to stakeholders and their views on the phenomenon of sustainability assurance. This research identifies the trends and emerging issues in the practice between 2001 and 2007, investigates corporate management' views on those issues, and examines stakeholders' perspectives on the potentialities and problems of assurance practice.

The research follows a mixed-methods two phase explanatory model. A content analysis of assurance statements issued by a sample of FTSE100 companies was used to collect quantitative data on tendencies as to the choice of provider, standards used, level of assurance adopted, procedures employed, and methods of stakeholder inclusion used. Then, these issues were explored via a programme of semi-structured interviews conducted with ten representatives of FTSE100 companies, and eight representatives of different stakeholder groups, and the resulting data analyzed through the lens of key strands of Michael Power's theory, and legitimacy and stakeholder theories.

Emerging trends of hiring accountancy firms and using the AA1000AS in tandem with the ISAE3000 standard indicate change in the practice. Assurance exercises conducted with substantive test procedures, and of limited level, persist. The AA1000 is the most used standard, however, is not leading to direct participation of stakeholders. While there is some evidence of stakeholder interest, particularly on the part of nongovernmental organisations, the real driving force behind assurance is internal. Organisational constraints, particularly cost considerations, influence further development of the practice. Corporate management did express a desire to bring stakeholder involvement through stakeholder panels.

Corporate management view sustainability assurance as creating value by delivering organisational legitimacy and enhancing reputation. In the current climate of voluntarism, there is a high risk of sustainability assurance being used as greenwashing. For management, sustainability assurance should serve the interest of the organisation and shareholders over other stakeholders. Through the assurance process, organisations manage and control key stakeholder groups. This view is supported by one influential stakeholder group, the investment community. Therefore, the role of stakeholder groups representing other civil society needs is fundamental to ensure that through sustainability assurance accountability is discharged to society at large.

DEDICATION

My efforts are dedicated to Kari, Mom, and Dad.

ACKNOWLEDGEMENTS

I have had an interest in auditing and environmental/social areas since the beginning of my academic and professional career. It has been a privilege to conduct a PhD research linking these areas for which I feel such strong passion. Therefore, I am very grateful to Professor David Owen for accepting me as one of his students, to the International Centre for Corporate Social Responsibility (ICCSR) for providing financial support to conduct the PhD studies, to the Certified Accountants Educational Trust (CAET) for funding and publishing part of this thesis, and to the Association of Certified Chartered Accountants (ACCA) for providing funding to participate in the 2007 CSEAR summer school.

Conducting research in the field of sustainability assurance proved to be full of demanding tasks. The assistance throughout the process of Professor David Owen, my thesis supervisor, was fundamental to resolving the difficulties. His wise advice at every step of the PhD process, particularly during the identification of the research questions, the analysis of the qualitative data and the preparation of the final document, was invaluable. Dr Wendy Chapple provided invaluable advice during the development of the PhD research, particularly during the analysis of the quantitative data, and the preparation of the final document. I am very grateful to both supervisors, to whom I am indebted for their efforts and progressive forms of supervision. A PhD is a journey full of strong emotions, and I am particularly grateful for the understanding and support that both supervisors provided during the hard times.

I also benefited from the invaluable comments of academics in the field of social and environmental accountancy. I participated in two CSEAR summer schools (2007 and 2008), where Professor Jan Bebbington and Dr Nancy Kamp-Roelands contributed suggestions during the early development of the research proposal and qualitative analysis. I also participated in a workshop on critical accounting research (2009), where I received important feedback on the qualitative analysis and theoretical analysis from Professor Pablo Archel, Dr Javier Husillos, Professor Jesse Dillard, Professor Richard Baker, and Professor Carlos Larrinaga-Gonzales. Professor Jill Solomon provided insightful comments on the qualitative analysis. I am thankful to all of them for their contribution to my development as a researcher.

I also benefited from the advice on quantitative methods analysis from Dr Kimmo Vehkalahti of the University of Helsinki, and owe special thanks to Mr Martti Nikunen, who helped with access to the statistical software at the University of Helsinki, and to Dr Jean Pascal Gond, Dr Glen Whelan and Dr Suzana Grubnic of the University of Nottingham, who provided advice on the earlier stages of the research project during my annual review and transfer panel evaluation.

This research would not have been possible without the data provided by people from the companies and civil society organisations who participated in this study. Thank you for sharing your ideas and your time.

Thank you so much to Dr Thomas Jankowski and to his group, for their support, fellowship and advice during the writing up process.

I am very grateful to the administrative staff of the University of Nottingham, the administrative staff of the Nottingham University Business School, and the staff of the National Library of Finland, who provided assistance whenever I needed it.

I am very grateful to Ann- Marie Wareham for her assistance with editing this work.

I am particularly grateful to my doctor, friends, and colleagues, for their kind support in both good and difficult times.

Finally, the thesis is dedicated to Kari Kotila, and to my mother and my father. Without the support and encouragement of Kari, I would not have been able to perform adequately during the most important part of the PhD research (writing up). Thank you Kulta! I would like to thank my mom for allowing me to be far away during the period of this PhD, and my dad for supporting and stimulating my intellectual development, and for providing insightful ideas and discussions during the earliest stages of this PhD research. You have all made many sacrifices which facilitated the completion of this work.

Thanks to God for giving me the opportunity to conduct this research.

Angela Pinilla-Urzola
Finland, January 2011

LIST OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AA1000AS	AA1000 Assurance Standard
ACCA	The Association of the Chartered Certified Accountants
CSR	Corporate Social Responsibility
FEE	Fédération des Experts Comptables Européens
FTSE	Financial Times Stock Exchange
GRI	The Global Reporting Initiative
IAASB	The International Auditing and Assurance Standards Board
ISAE3000	International Standard on Assurance Engagements
ISO	International Organisation for Standardisation
LBG	London Benchmarking Group
Ltd	Limited
NGO	Non-Governmental Organisation
INGO	International Non-Governmental Organisation
CAET	Certified Accountants Educational Trust
CSEAR	Centre for Social and Environmental Accounting Research

1 CHAPTER ONE: INTRODUCTION

This chapter introduces the main characteristics of the research presented in the thesis "Assurance in corporate sustainability reporting in the United Kingdom: Stakeholder and corporate perspectives". This thesis was funded and part of it published by the Certified Accountants Educational Trust (CAET) in the form of the ACCA Research Report No.115: "Key issues in sustainability assurance" by David Owen, Wendy Chapple and Angela Pinilla-Urzola. Extracts from the ACCA Research Report No.115 are included in chapters five, six, and seven of this thesis. These extracts correspond to the preliminary empirical findings of this thesis. Extracts are reproduced with the kind permission of ACCA.

This chapter comprises five sections. The first section sets the scene by providing definitions of the terms "audit" and "assurance" used throughout this thesis, together with an overview of the main international standards that assist companies to develop their sustainability assurance processes; the second provides the justifications for the study; the third section illustrates key characteristics of the research; the fourth presents the objectives of the study; the fifth section describes the organisation of the thesis.

1.1 SETTING THE SCENE

1.1.1 Defining the term "assurance"

In the United Kingdom, the term "assurance" began to be used by companies in the context of sustainability reports in the early 2000s as an alternative to the terms "audit" or "verification" (see Al-Hamadeen, 2007). Although the term is not defined by the International Auditing and Assurance Standards Board (IAASB), the Fédération des Experts Comptables Européens (FEE) notes that assurance refers to the enhancement of the credibility of information (2004:63). This thesis will use the definition suggested by AccountAbility (2003:5): "an evaluation method that uses a specified set of principles and standards to assess the quality of an organisation's subject matter and the underlying systems, processes and competencies that underpin its performance". The term "assurance" is used in conjunction with the term "engagement" (see IAASB, 2010); through the assurance engagement, "a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users" (IAASB, 2010:4).

The FEE (2004) has called for the use of the term "assurance" instead of "audit" in the context of sustainability reporting, to avoid confusion in their meaning. According to the FEE (2004), the difference between the two terms lies in the level to which the credibility of information in enhanced. Throughout this thesis the term "audit" will refer to an assurance engagement conducted with a systematic process whereby the credibility of the information is enhanced to a high level (FEE, 2004:64). Conversely, an assurance engagement could be conducted with limited or reasonable levels of assurance[1] (IAASB, 2004). The level of assurance provided conveys the degree of confidence that the intended user may place in the credibility of the subject matter (Soltani, 2007:16). The intended users, or expected beneficiaries, are those constituencies whose decisions affect an organisation (Soltani, 2007).

Therefore, O'Dwyer and Owen (2005:226) argue that the real motivation behind the use of the term "assurance" in the context of sustainability reporting is an organisational strategy to emphasize the added-value agenda for organisations and for their strategic stakeholders. It appears that the underlying idea is to move away from the "social audit" terminology. In the United Kingdom, the term "social audit" has been linked to the activities of Social Audit Limited (Ltd), which "carried out a small number of (generally highly critical) 'audits' of the social and environmental performance of major companies" during the 1970s (Humphrey and Owen, 2000:44) in order to enhance stakeholder-centred accountability. Social audits were conducted by agents outside the organisations, who released reports on the social and environmental performance of organisations into the public domain.

[1] The version of the AA1000AS (2008b) specifies high and moderate levels of assurance that are compatible with the levels articulated in the ISAE3000 standard.

This thesis investigates the phenomenon of sustainability assurance in the UK. That is, it examines the practice of providing assurance on corporate sustainability reports prepared by organisations. The analysis is conducted using the lens of the work of Michael Power, who has theorized on the role of auditing in society. Power provides a philosophical foundation to the audit process in the UK. He has discussed several critical areas in auditing, such as audit procedures, the nature of the auditor's work, the role of audit in society, and problems associated with the practice.

1.1.2 Towards the standardization of the sustainability assurance practice

Zadek, Raynard and Forstater (2006:42) describe three forms of standards that can be used to inform the practice of sustainability assurance. These comprise normative frameworks that inform on the duties and expectations in sustainability matters, management standards which guide on organisational performance in sustainability issues, and process and reporting standards which provide criteria for sustainability reporting and associated assurance. Relevant international assurance standards are the AA1000 (2003, 2008), and the ISAE3000 (2004) (Zadek, 2006:42).

Iansen-Rogers and Oelschlaegel (2005) note differences between the two international standards. For example, whilst the ISAE3000 standard is "generic in nature for any assurance engagement other than financial audits and reviews of historical information" (Iansen-Rogers & Oelschlaegel, 2005:16), the AA1000 Assurance Standard (AA1000AS) is expressly designed to provide a "comprehensive way of holding an organisation to account for its management, performance and reporting on sustainability issues by evaluating the adherence of an organisation to the AA1000 AccountAbility principles and the quality of the disclosed information on sustainability performance" (AccountAbility, 2008b:6).

In terms of scope, Iansen-Rogers and Oelschlaegel (2005:17) note that the ISAE3000 standard requires assurance providers "to agree the subject matter of the assurance engagement with the reporting organisation", and to consider issues of materiality in relation to this prearranged scope. The ISAE3000 standard lacks any specific attention to issues of stakeholder inclusivity in the assurance process, albeit that it notes that "…considering materiality requires the practitioner to understand and assess what factors might influence the decisions of the intended users" (IAASB, 2004: paragraph 23).

Conversely, the AA1000AS takes an "open-scope" approach, whereby materiality is stakeholder-based defined (Iansen-Rogers & Oelschlaegel, 2005:17), underpinned by the principle of inclusivity: “For an organisation that accepts its accountability to those on whom it has an impact and those who have an impact on it, inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability” (AccountAbility, 2008a:10). This focus on stakeholders is also present in the other principle of the standard, responsiveness, which emphasizes that an organisation should actively respond to the needs of stakeholders who affect organisational performance. According to the AA1000AS, the principle of responsiveness must be integrated with the participation of stakeholders in the decision-making process, actions and performance of the organisation (AccountAbility, 2008a:14).

A further difference between the standards lies in the level of assurance suggested to conduct the exercise. The ISAE3000 standard makes a clear distinction between “limited” and “reasonable” assurance engagements (IAASB, 2004). According to the standard, whilst reasonable levels of assurance produce a positive form of conclusion, limited levels provide a basis for a negative form of expression (IAASB, 2004). Conversely, the AA1000AS specifies “high” and “moderate” levels of assurance, which are designed to be consistent with the reasonable and limited levels articulated in the ISAE3000 standard (AccountAbility, 2008b). The AA1000AS suggests that assurance providers engage directly with stakeholders in cases where high level assurance is sought

(AccountAbility, 2008b:19). Further significant features of the AA1000AS are the encouragement to assurance providers to offer evaluations on the reporting organisation's systems and processes (AccountAbility, 2008b:19), together with a requirement to specify the intended users of the assurance statement (AccountAbility, 2008b:21).

1.2 Rationale of the study

This research is underpinned by the core argument of Medawar (1976), who called for an accountability process whereby corporations provide answers, rectify their actions (see Mulgan, 2000) and offer redress to society at large for the impacts of corporate activities, which create widespread damage and distress in social and environmental matters. Medawar (1976) argues that through auditing, corporate power could be controlled, and accountability achieved. This research started from an interest to investigate the purpose of auditing in society, issues in the practice, and specifically the role of auditing in holding corporations to account, hence achieving social and environmental accountability.

The conceptualization of this study is therefore based mainly on the work of Michael Power, who theorizes on the role of auditing in society; it also adopts a framework of system-oriented theories, viz, stakeholder and legitimacy theories. First, Power (1997/1999) theorizes about the purpose of audit in society, and provides critiques on the problems of actual audit practices. Therefore, this study aims to provide an overview on the purpose of sustainability assurance, and key issues faced by the practice. Second, Power (1994b) argues for an audit practice within which the voices of citizens are heard, in order to achieve accountability. Consequently, this study focuses mainly on understanding the role of stakeholders in the sustainability assurance practice. Further, the framework of system-oriented theories assists the conceptualization of the driving force behind organisations' adoption of sustainability assurance practices. Stakeholder theory is particularly helpful in conceptualizing demands made of sustainability assurance by specific stakeholder groups.

Finally, the motivation to conduct this research in the United Kingdom context is fourfold. First, assurance practice in the UK is undergoing rapid development (Jones & Solomon, 2010); therefore, it is expected that the practice exhibits emerging trends relevant for investigation. Second, albeit that companies in the UK commission sustainability assurance services (see KMPG, 2005; 2008), there is a manifest reluctance to fully endorse external assurance (see Jones & Solomon, 2010). Hence, a further examination of the motivation behind the commission of this assurance service is needed. Third, there is in the UK an emerging approach whereby the views of stakeholders are included indirectly within the assurance process (Edgley, Jones and Solomon, 2010). Hence, an investigation of this development seems necessary. Finally, far too little attention has been paid to stakeholders and their views on the phenomenon of sustainability assurance. Therefore, an investigation of the views of stakeholders groups on the sustainability assurance process is at the heart of our understanding of whether stakeholder-centred accountability could be achieved.

1.3 KEY CHARACTERISTICS OF THE RESEARCH

This study was designed with the general purpose of identifying emerging trends in the practice of sustainability assurance in the UK, and seeking to explain them via a programme of interviews conducted with representatives of companies and stakeholder groups. First, trends and emerging issues in the practice over a period of seven years were identified through the examination of key features in sustainability assurance exercises in the UK, viz, the commission of sustainability assurance services, sustainability assurance provision, the use of assurance standards, the level of assurance, assurance procedures, and participation of stakeholders within the assurance process. Second, these issues were investigated with representatives of companies and stakeholders groups. Thus, this is an empirical explanatory follow-up study following a mixed-methods research design consisting of a sequential analysis, from a quantitative phase to a qualitative phase.

This research, therefore, is underpinned by a pragmatic paradigm, located within the framework of the body of work known as "the social accounting project" (Gray, 2002), and sharing elements of the critical accounting project. Hence, for the researcher the imperative is to focus on achieving the research objectives to understand the phenomenon of sustainability assurance, with the goal of challenging the privileged position of corporations in society, and generating incremental change in society in the long term. This belief in the likelihood of generating change in society through academic research in the field of sustainability assurance is consistent with the conceptual framework through which the empirical set of qualitative data was understood and its contribution contextualized.

Part of the work of Power (1997/1999) focuses on understanding audit as an idea symbolizing ideals of efficiency and quality, governance, transparency and accountability. However, Power's (1994b) key thesis concerns the failure of actual auditing practices to provide a base for substantive change. Power (1994b) advocates a form of audit in which the voices of stakeholders can be heard, and stakeholder-centred accountability achieved. Therefore, his work seeks to revolutionize existing auditing practices. Conversely, stakeholder theory explores relations between stakeholders and organisations. In general terms this theory attempts to understand how organisations could integrate the views of stakeholders in order to change their strategies to become accountable in society. Moreover, legitimacy theory postulates that organisations create strategies to move to a stage where they achieve the status of legitimacy in society. Thus, stakeholder and legitimacy theories explain changes in organisational behaviour. Figure 1.1 describes the connections between these key conceptual strands, and the research design.

1.4 RESEARCH OBJECTIVES

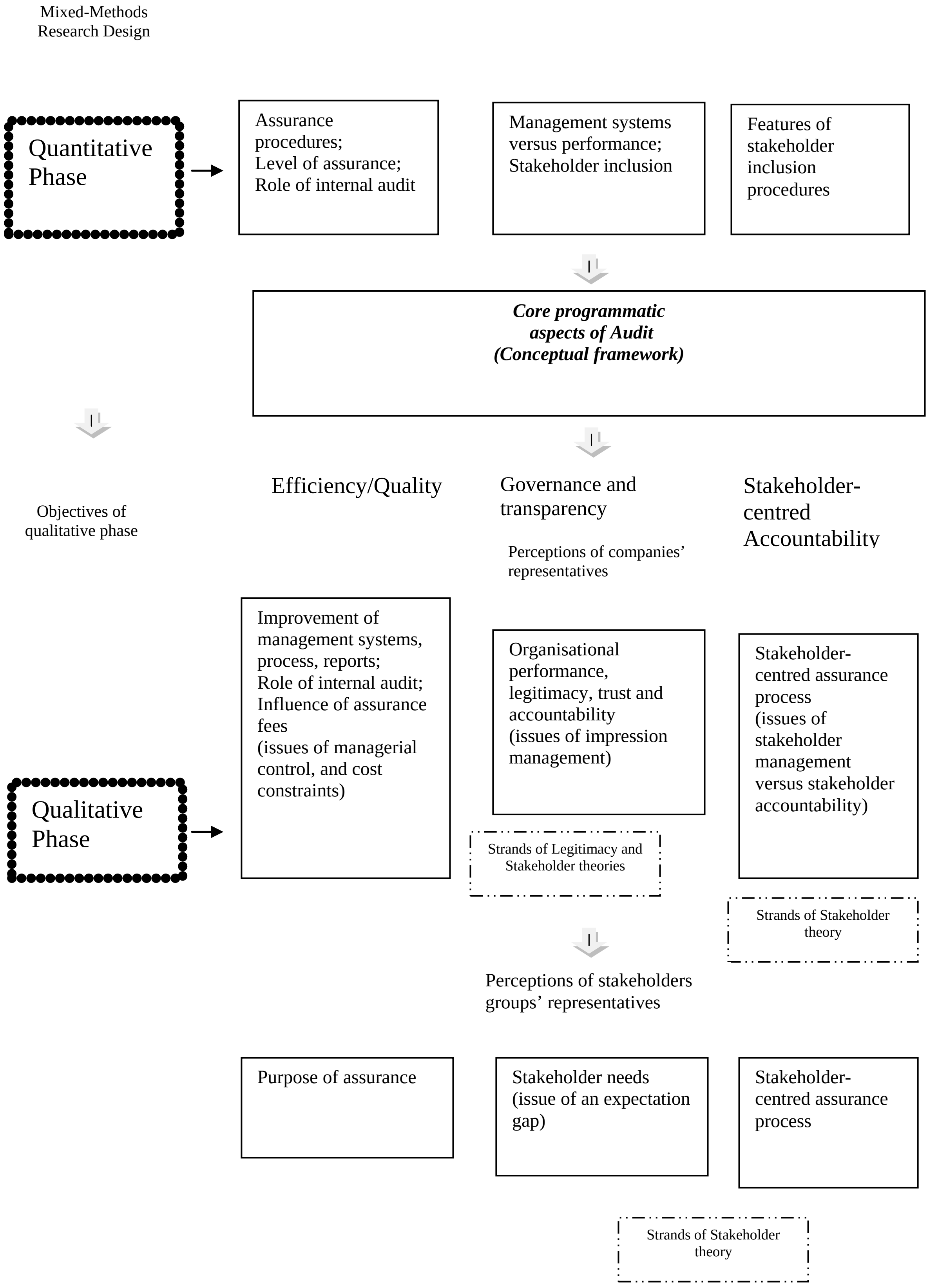
The general research purpose described above was operationalized in the form of specific objectives. The aim of the quantitative phase of the research was to:

- Analyze trends and to identify emerging issues as represented in the text of sustainability assurance statements of companies in the UK between 2001 and 2007.

During the second, qualitative, phase of the research design, the aims were to:

- Investigate companies' reasons for commissioning sustainability assurance, and the factors underpinning the choice of assurance approaches, assurance standards, role of internal audit function, and restrictions in level of assurance;

Figure 1-1 Research Map



- Elicit the views of companies representatives about the appropriate level of stakeholder inclusion in the assurance process, together with their suggestions for further developing assurance processes;

- Examine stakeholder views on sustainability assurance process, together with their suggestions for further developing assurance processes in order to promote a greater degree of stakeholder accountability.

1.5 Thesis structure

This introductory chapter provides an overview of the main characteristics of the research, and the research objectives. Next, two conceptual chapters will discuss the most important areas of relevant literature, and a subsequent chapter will explain the research philosophy, research design, and research methods. This chapter acts as a "research gearbox" linking the preceding conceptual chapters to the empirical chapters that explain research findings. Next, three empirical chapters will present the evidence gathered during the quantitative and qualitative phases of this research. The first of these empirical chapters, chapter five, describes the delay in the commission of sustainability assurance services among the FTSE100 companies, the new tendency of adopting a more rigorous approach by using a combination of assurance standards, and the emerging trend of using the accountancy approach. Chapter five highlights that most of the assurance procedures found in this study concern substantive tests, aimed at providing limited levels of assurance, while there was no significant evidence of the use of the AA1000AS leading to direct stakeholder participation in the practice. Chapters six and seven examine the purpose and meaning of sustainability assurance in society through the lens of the views of representatives of companies and of stakeholder groups. These chapters also analyze emerging issues regarding assurance practice. The final chapter brings together all the analysis to suggest the real motivation behind the commission of sustainability assurance services, and the public policy implications. This concluding chapter also highlights the role of specific stakeholder groups in moving to a stage where the practice of sustainability assurance serves the purpose of discharging accountability to society at large.

2 CHAPTER TWO: ASSURANCE IN CORPORATE SUSTAINABILITY REPORTING

This chapter has the following aim:

- To locate the contributions of the present research in the context of prior research on sustainability assurance.

2.1 INTRODUCTION

There is a small but sound body of research material available in the field of sustainability assurance to help understand the development of the practice during the past 15 years. The material includes descriptive studies examining global, regional and country (United Kingdom) trends and features of sustainability assurance practices. Research in this field has become more sophisticated and analytical; for example, motivated by a desire to offer richer explanations to understand the patterns observed, some statistical studies have been conducted to examine the factors associated with the voluntary commission of sustainability assurance services. There are also interview-based studies which provide the views of companies and assurance providers on the benefits arising from commissioning sustainability assurance services. An important body of research has examined critically these assurance exercises, exposing the huge expectation gap and the lack of added value for external constituencies, and the failure to promote accountability to stakeholders. There are also studies evaluating whether these assurance practices are stakeholder-centred. Recently, there has been an interest in examining the participation of stakeholders in sustainability assurance practices.

This chapter discusses the results of these studies. It comprises six sections: the first describes current trends in the commission of sustainability assurance services; the second provides an overview of the key features of sustainability assurance practices; the third discusses drivers and benefits of commissioning sustainability assurance services; the fourth examines the critical perspectives on sustainability assurance practices, the fifth discusses the issue of participation of stakeholders in sustainability assurance practices. The final section presents conclusions from the discussions in this chapter.

2.2 COMMISSION OF SUSTAINABILITY ASSURANCE SERVICES[2]

Several studies have revealed that during the last decade there was a significant growth in the commission of external assurance services. For example, a recent study by CorporateRegister.com (2008:28)[3] notes that between 1997 and 2007 the average annual rate of growth of sustainability assurance services was about 20%. However, their analysis shows that the growth was not steady from 1992 to 2007. There were

[2] In this section the term "assurance statements" refers to statements provided by formal assurance providers.

[3] The sample for this analysis consists of the comprehensive reports directory of CorporateRegister.com. Period of study: early 90s to 2008. Total sample: 17000 published reports.

periods of growth (1992-1998 and 2003-2007) and of decline (1998-2003). CorporateRegister.com (2008:28) explains that the reason for this falling trend is that during the most dynamic period in the production of sustainability reports, from 1998 to 2003, companies might have delayed the commission of sustainability assurance until later years, when systems and reports would be more developed.

The CorporateRegister.com (2008) study also shows that from 1992 to 2007, there was a steady growth in the commission of sustainability assurance services in Europe. In 2007, of the 650 assurance statements issued worldwide, 64% were from European reporters (CorporateRegister.com, 2008:30). The results of the CorporateRegister.com (2008) study evidence that Europe is the leading geographical region, while Asia evidences a new growing tendency, but in North and South America and in Africa the commission of sustainability assurance has been very limited.

In other major studies, KPMG (2005, 2008)[4] show that from 2002 to 2008 there was an increment of ten percent in the number of G250 companies which commissioned sustainability assurance services. Initially, from

---

[4] The sample for this analysis consists of the top 250 companies of Fortune Global 500 (G250). The KPMG report also surveys reporting and assurance practices of the N100 companies, comprising the 100 largest companies by revenue in 16 (for the KPMG 2005 survey) and 22 (for the KMPG 2008 survey) countries across the globe. Period of study: September 2004 to January 2005 (KPMG, 2005); mid 2007 to mid 2008 (KPMG, 2008). Total sample: not specified.

2002 to 2005, the figure was stable at around 29-30%, but this was followed by growth, settling at 40% in 2008. A study conducted by Kolk and Perego (2010:190)[5] reveals similar patterns of stabilization in the G250 companies, at around 31-30% between 2002 and 2005. The KPMG (2005, 2008)[6] studies also reveal that there are differences in trends in the commission of external assurance services across countries. For example, from 2002 to 2008, France experienced a high growth of 59%; in the USA, growth was slow, with an increment of 12%; in Japan, the trend was to have slight increments of 5% and decreases of 7%; Sweden underwent first a period of decrease (10%) and then one of high increment (28%). In Australia and the UK, the commission of sustainability assurance services remained stable at around 42-43% and 53-55% respectively. The result for the UK concurs with the findings of the study conducted by Al-Hamadeen (2007)[7], which shows that on average, 56% of the sustainability reports issued by FTSE100 companies from 2000 to 2004 included an assurance statement.

2.2.1 Summary

The issue of trends in the commission of external sustainability assurance services has been examined in a number of studies. The contribution of

[5] The sample for this analysis consists of the first half of the top 250 companies of Fortune Global 500 (G250). Period of study: 1999, 2002, and 2005. Total sample: panel of 212 firms.
[6] The sample for this analysis consists of the top national companies N100 (including the FTSE100).
[7] The sample for this analysis consists of companies listed in the FTSE100 index. Period of study: 2000 to 2004. Total sample: 196 assurance statements.

these studies lies in their capacity to provide a description of the state of the commission of sustainability assurance services from the early 1990s to 2008 by examining different sets of databases at global, regional and country level.

2.3 CHARACTERISTICS OF THE ASSURANCE PRACTICES

Key features in the practice of sustainability assurance are the type of assurance provider, type of assurance standard, level of assurance, and type of assurance procedures. The CorporateRegister.com (2008) study and the KPMG (2005, 2008) surveys evidence distinct patterns in these features, albeit that their findings lead to the calculation of different percentage figures, as a result of the very different samples used. The samples analyzed by Deegan, Cooper and Shelly (2006) and Al-Hamadeen (2007) evidence the patterns of these features at European and UK level.

2.3.1 Assurance provision

The sustainability assurance market is controlled by three types of assurance providers: accountancy firms (Big Four), certification bodies, and specialized assurance consultants. The CorporateRegister.com study[8] claims that collectively, these three types of provider moved from a 65% market share in 1997 to 89% in 2007 (2008:29). However, major

[8] The sample for this analysis consists of the comprehensive reports directory of CorporateRegister.com. Period of study: 90s to 2008. Total sample: 17,000 published reports.

accountancy firms (predominantly the Big Four) dominate the sustainability assurance market globally. Table 2.1 illustrates the participation of accountancy firms in the assurance market worldwide. As shown in the table, the CorporateRegister.com (2008) study reveals an increment of 12% in accountancy-based assurance provision from 1997 to 2007[9]. A similar pattern of growth is observed for the KPMG (2005, 2008)[10] sample of G250 companies between 2005 and 2008. However, the results of Kolk and Perego (2010)[11] evidence that the growth in accountancy-based assurance provision has not been steady in the G250 companies.

Table 2-1 Participation of accountancy firms in the sustainability assurance market worldwide

Year	CorporateRegister.com (2008)	KPMG (2005, 2008)	Kolk and Perego (2010)
2005		58 %	
2008		70 %	
1997	28 %		
2007	40 %		
1999			61,10 %
2002			65,70 %
2005			53,30 %

There has been regular participation by specialized assurance consultants in the sustainability assurance market. Table 2.2 illustrates the

[9] Data taken from the Figure: (%) External Assurance Statements by provider type 1997-2007 (CorporateRegister.com, 2008:29).

[10] The sample for this analysis consists of the top 250 companies of Fortune Global 500 (G250). The KPMG report also surveys reporting and assurance practices of the N100 companies comprising the 100 largest companies by revenue in 16 (for the KPMG 2005 survey) and 22 (for the KMPG 2008 survey) countries across the globe. Period of study: September 2004 to January 2005 (KPMG, 2005); mid 2007 to mid 2008 (KPMG, 2008). Total sample: Not specified.

[11] The sample for this analysis consists of the first half of the top 250 companies of Fortune Global 500 (G250). Period of study: 1999, 2002, and 2005. Total sample: 212 assurance statements.

participation of certification bodies and specialized assurance consultants worldwide between 1997 and 2008. The CorporateRegister.com (2008) study claims that the use of specialized assurance consultants as assurance providers was stable from 1997 to 2007. However, the KPMG (2005, 2008) surveys note that from 2005 to 2008, there was an increment of 15% in the use of this type of assurance provider in the G250 companies. Conversely, whilst the CorporateRegister.com (2008) study proves that there was a growth in the use of certification bodies from 1997 to 2007, the KPMG (2005, 2008) surveys evidence a decrease in use from 2005 to 2008 in the G250 companies.

Table 2-2 Participation of certification bodies and specialized assurance consultant firms in the sustainability assurance market worldwide

Study	Year	Certification Bodies	Specialized Assurance Consultants
CorporateRegister.com (2008)	1997	12%	27%
	2007	24%	24%
KPMG (2005, 2008)[12]	2005	21%	2%
	2008	13%	17%

KPMG (2005, 2008) surveys also refer to the emergent use of commentary from external parties on management performance and progress on key sustainability issues. In 2008, 27% of the G250 sample provided a commentary in their corporate sustainability reports. Of these external commentaries, 15% were by stakeholder panels, 29% by a panel of independent experts and 13% by nongovernmental organisations (NGOs) (KPMG, 2008:60). In 2008, almost 7% of the G250 sample combined the

[12] See KPMG (2008:63) Figure 6.8; the percentage number summarizes percentages of technical expert firms together with specialized assurance providers.

formal assurance provision with an external commentary. Albeit that the CorporateRegister.com (2008) study did not address this issue, accompanying data[13] show a trend in the CorporateRegister.com database towards using external commentaries by individuals, advisory panels, NGOs and academic institutions.

Conversely, the study conducted by Al-Hamadeen (2007)[14] reports that in the FTSE100 companies, from 2000 to 2004, specialized assurance consultants (the percentage number includes certification bodies) were the main assurance provider (76%), followed by accountancy firms (23%). This trend in the UK is worthy of examination considering that accountancy firms are the preferred type of assurance provider in Europe (Deegan et al., 2006; CorporateRegister.com, 2008). Indeed, the study of Deegan et al. (2006:337)[15] shows that in the CPA sample, from 2000 to 2003, the level of participation of UK accountancy firms appears to have been lower than the rate of participation of European accountancy firms. This reveals that there are international differences in the type of assurance provider commissioned to conduct the assurance exercises. In this context, Deegan et al. (2006:337) call for an investigation of what factors influence the appointment of a particular assurance provider in the UK.

---

[13] See CorporateRegister.com (2008:29) Figure 15.
[14] The sample for this analysis consists of companies listed in the FTSE100 index. Period of study: 2000 to 2004. Total sample: 196 assurance statements.
[15] The sample for this analysis consists of companies listed in the CPA Australia website. Period of study: 2000, 2001, 2002 and 2003. Total sample: 149 assurance statements representing Australian, UK, European and Japanese companies.

2.3.2 Assurance standards

The ISAE300 is the most commonly employed assurance standard. Table 2.3 illustrates the types of assurance standard used worldwide. According to the KPMG (2005, 2008) surveys, there was an increase of 38% in the use of the ISAE3000 standard, and of 15% in the use of the AA1000AS among the G250 companies from 2005 to 2008. The additional analysis conducted by CorporateRegister.com[16] (2008:13), "The Study", indicates the dominance of the ISAE3000 assurance standard (37%) over the AA1000AS (31%)[17]. This latter analysis also points out that 31% of the assurance exercises were conducted with two assurance standards, and a further 5% referenced three. However, the study of Mock, Strohm and Swartz (2007:71)[18] reports that almost half of the assurance statements (42%) in their sample of analysis made no reference to the use of an assurance standard from 2002 to 2004.

Table 2-3 Types of assurance standard used worldwide

Study	Year	ISAE3000	AA1000AS
KPMG (2005; 2008)	2005	24%	18%
	2008	62%	33%

16 This analysis of CorporateRegister.com focuses on the top 18 companies, by market capitalization, across the five leading countries in numbers of published reports: Australia, Germany, Japan, the UK and the USA. Period of study: May 1 2006 to May 1 2008. Total sample: 90 assurance statements.

17 The percentage number for the AA1000AS figure includes both statements which are fully compliant with the standard, and statements that are not fully compliant.

18 The sample for this analysis consists of companies listed in three different databases. Period of study: 2002 to 2004. Total sample: For descriptive analysis: 130 assurance statements; For statistical analysis: 126 assurance statements.

Conversely, the study conducted by Al-Hamadeen (2007) claims that from 2000 to 2004, the most common type of assurance standard used in the FTSE100 companies was the AA1000AS, followed by the ISAE3000 standard. However, Al-Hamadeen (2007) and Deegan et al. (2006) report that the majority of the assurance statements in the UK made no reference to the use of an assurance standard. In contrast, Deegan et al. (2006) show that in Europe from 2000 to 2003 most of the assurance statements (63%) did make mention of standards. Hence, Deegan et al. (2006:353) argue that "there are differences internationally as to whether standards are referred to".

2.3.3 Levels of assurance and opinion offered

Limited level of assurance is the most cited level in the assurance statements. The additional analysis conducted by CorporateRegister.com (2008), "The Study", indicates that 83% of the exercises conducted by accountancy firms were of limited assurance[19]. "The Study" reveals that in line with this limited level approach, accountancy firms framed their conclusions negatively (83%). Conversely, certification bodies (92%) and specialized consultancy firms (73%) framed their conclusions positively[20]. Similarly, "The Study" shows that in delivering an opinion, over half (61%)

[19] It is worth noting here that accountancy firms have the ISAE3000 standard, which defines assurance levels expressed in terms of risk. Hence, accountancy firms are more aware of the necessary conditions to achieve reasonable levels of assurance. The notion of level of assurance is also used by some other assurance providers.

[20] In the sample of Mock et al. (2007), the majority of the assurance exercises released from 2002 to 2004 were conducted by non-accountancy firms; hence, most of the assurance statements made reference to a positive assurance (74%).

of statements offered some discussion on performance, while a smaller majority (53%) included recommendations for improvement. The KPMG (2008) survey reveals that in 2008 the majority of the exercises in the G250 companies were conducted with limited assurance (51%), and only 30% were conducted with reasonable level.

Conversely, the study of Al-Hamadeen (2007) shows that for the FTSE100 companies, from 2000 to 2004, the majority of the assurance statements did not make reference to the level of assurance; of those that did, the most referenced level was reasonable level, followed by limited level (Al-Hamadeen, 2007:145). In delivering an opinion, only 23% of the assurance statements offered some discussion on performance (Al-Hamadeen, 2007:194). Albeit that Deegan et al. (2006:363) do not examine the issue of the level of assurance, their findings indicate that from 2000 to 2003 most of the conclusions in the UK and European samples of statements were of a positive form. Deegan et al. (2006:364) point out that in offering an opinion, 42% of the UK assurance statements included some form of praise. They argue that accountancy firms tend not to provide praise. In contrast, only 12% of the European sample provided praise. For these authors, this issue gives rise to a situation where the independence of the assurance provider is compromised.

2.3.4 Assurance procedures

Albeit that procedures are a key element of sustainability assurance provision, the KPMG (2005, 2008) surveys do not examine this feature. The additional analysis conducted by CorporateRegister.com (2008:15), "The Study", indicates that 88% of the assurance statements described the procedures undertaken. "The Study" also reveals that the most commonly used assurance procedures were conducting internal interviews (80%), examining internal data systems (73%), review of internal documents (68%), doing field work (49%), reviewing external documents (21%) and interviewing external stakeholders (12%). Similarly, Mock et al. (2007:71) reveal that procedures used from 2002 to 2004 were "analytical, reviewing documentation, testing data collection and reporting systems, and relying on the work of internal auditors". Intriguingly, the results of the analysis of both samples evidences that the participation of stakeholders in the assurance exercise was either minimal or not considered.

The research conducted by Al-Hamadeen (2007:179) shows that in the FTSE100 companies, from 2000 to 2004, the most commonly used assurance procedures were conducting internal interviews (78%), examining internal data systems (67%), review of internal documents (60%), and doing field work (57%). Only 12% of the assurance statements made reference to interviews with stakeholders (Al-Hamadeen, 2007:185). Deegan et al. (2006) claim that most of the assurance statements in the UK and Europe from 2000 to 2003 included some description of the work performed. They provide a list of fourteen assurance procedures employed[21], and find great variability in the description of the work provided.

2.3.5 Inclusion of stakeholder views

A common result among all the studies is that an overwhelming majority of the assurance statements do not specify an intended audience. For example, the additional analysis conducted by CorporateRegister.com (2008), "The Study", shows that 80% of their sample did not specify an intended audience. In cases where the audience is specified, this is generally company management (16%). Similarly, the research of Al-Hamadeen (2007) shows that in the FTSE100 companies from 2000 to 2004 the majority of assurance statements did not make reference to an intended audience. Deegan et al. (2006) note similar results for the European and UK samples from 2000 to 2003. They argue that possible reasons as to why the addressee is mainly company management (in the cases where the audience is specified), are that the assurance engagement might "stipulate who is to be the addressee. There could also be issues associated with the perceived legal implications of nominating different addressees" (Deegan et al., 2006:341).

[21] Deegan et al. (2006:354-355) see table VIII.

2.3.6 Additional characteristics

Further significant features of sustainability assurance provision are identified by two statistical studies conducted by Mock et al. (2007)[22] and Al-Hamadeen (2007)[23]. Mock et al. (2007:73) pinpoint that accountancy firms are less likely to give positive assurance. Their study also evidences that accountancy firms are less likely to issue a recommendation in the report (73), and are more likely to disclose the assurance framework used to conduct the exercise. Mock et al. (2007:74) conclude that a "key factor associated with [the] level of assurance [provided] is the type of assurance provider". Additionally, the type of recommendation provided and the type of assurance standard used are associated with the type of assurance provider and thus with the level of assurance (74). Conversely, Al-Hamadeen's (2007:239) study affirms that the assurance standard is the most significant factor associated with the type of information disclosed in the assurance statement. He concludes that there is a weak association between the type of assurance provider and the content of the assurance statement (239).

---

[22] This research study uses logistic regression to perform "a statistical analysis to investigate the association between factors that may affect the type of assurance provider and the likelihood that a positive assurance statement is issued" (Mock et al, 2007: 73).
[23] This research conducted a hypothesis test using the Chi-Square statistical technique and the phi coefficient (Cramér's V, and Goodman and Kruskal's lambda). However, on the grounds that several other researchers in the field have used the logistic regression model for similar panel data characteristics, there are questions as to the appropriateness of this method to analyse the data.

2.3.7 Summary

Key characteristics of the sustainability assurance provision have been examined in a number of descriptive and statistical studies. The contributions of the descriptive studies lie in their capacity to illustrate the state of these key features from the early 1990s to 2008 by examining different sets of data at global level, and in the databases constructed by the researchers. In the case of the UK, one study focused on examining key features of the sustainability assurance provision adopted by the FTSE100 companies. The contribution of the statistical studies lies in their proving of existing associations between key features disclosed in the sustainability assurance statements.

Nevertheless, in the case of the UK, there is a need to update the analysis of key patterns in sustainability assurance provision, as the last year of analysis was 2004. Albeit that Al-Hamadeen (2007) evaluated the extent to which the AA1000AS principle of responsiveness was reflected in the assurance statements, his study fails to examine in detail trends in stakeholder participation within sustainability assurance practices. What is now needed is an investigation of the trends with regard to the participation of stakeholders in the sustainability assurance practices, and the mechanisms used to involve stakeholders in those practices to ensure accountability to them.

The trends and patterns illustrated by the descriptive studies raise questions that need to be resolved. Albeit that a small body of statistical studies do begin to provide explanations for some of these patterns, they are limited and do not provide complete clarification of the issues. Therefore, further work drawing on more recent empirical evidence would be useful to examine trends and emerging issues of key features of the sustainability assurance practices in the UK, and to investigate the views of companies, one of the main constituencies of this type of assurance exercises, on those issues.

2.4 DRIVERS AND BENEFITS OF COMMISSIONING SUSTAINABILITY ASSURANCE

The question of what reasons drive companies to commission sustainability assurance services has been examined by both statistical and qualitative studies.

First, the adoption of voluntary sustainability assurance services appears to be influenced by institutional arrangements such as the legal systems (common law or code law systems), law enforcement mechanisms and institutional factors (pressures towards corporate responsibility due to public policy, for example) in which companies operate. Simnett, Vanstraelen and Chua (2009) and Kolk and Perego (2010) studied the factors associated with the demand for voluntary assurance services[24]. Simnett et al. (2009) examined a comprehensive database of 655 assurance statements released from 2002 to 2004[25]. Their findings suggest that the likelihood that companies will assure their sustainability reports increases if (1) they are based in stakeholder oriented countries; (2) they are based in stronger legal systems; (3) they are large "social footprint" companies, and (4) they have higher need to enhance credibility (Simnett et al., 2009:965).

Conversely, Kolk and Perego (2010) evaluated a database of 341 sustainability reports published in 1999, 2002 and 2005[26]. Their findings confirm that companies based in stakeholder countries are more likely to assure their sustainability reports. They also postulate that the likelihood that companies will assure their corporate sustainability reports increases if they are in countries where there is more pressure for corporate sustainability. However, the results differ from those of Simnett et al. (2009) in that the likelihood of adoption of assurance services is found to be higher in companies residing in countries with weaker enforcement mechanisms (Kolk & Perego, 2010:191). For these authors, assurance services "fulfil a substitute role in ensuring control over the credibility of disclosed information" in weak legal systems (191).

---

[24] Both studies developed hypotheses from the international accounting and financial auditing literature; relying heavily on the work of Choi and Wong, they both used the logistic regression model (logit) to analyze the data statistically.
[25] This database was constructed with reports from CorporateRegister.com, GRI database and companies on the Dow Jones Sustainability index.
[26] This database was drawn from the first half of the Fortune Global 500 companies list.

Second, the qualitative research studies conducted by Park and Brorson (2005), Kotonen (2009) and Jones and Solomon (2010) examine the views of company representatives on the benefits of commissioning sustainability assurance services. Park and Brorson (2005) conducted interviews with 28 representatives of Swedish companies in 2004; Jones and Solomon (2010) interviewed 20 representatives of UK companies in 2004, whilst Kotonen (2009) interviewed four representatives of Finnish companies in 2008. The findings of these studies evidence that from a company perspective, important drivers for the voluntary adoption of sustainability assurance services are the need to improve reporting systems and to enhance credibility of the information reported with external constituencies (Park & Brorson, 2005; Kotonen, 2009; Jones & Solomon, 2010)[27].

In Sweden, companies' representatives claimed that sustainability assurance is essential in cases where companies face critical social and environmental issues to increase credibility, or need to defend their position regarding the issues reported (Park & Brorson, 2005:1099). However, they acknowledged that there are difficulties in finding empirical evidence that the credibility of organizations improve as a result

[27] Park and Brorson (2004) selected the companies to be interviewed based on the following criteria: (1) experience with assurance at least once, (2) more than 5 years publishing reports, and (3) good reporting practices; Jones and Solomon (2010) selected companies listed in the FTSE100 index; Kotonen (2009) selected companies listed in the OMX Nordic Exchange Helsinki list.

of the assurance process (1105). In Finland, representatives of companies perceived assurance as a management tool used to promote the development of management and reporting systems (Kotonen, 2009:228). Similarly, in the UK, sustainability assurance was perceived as a management tool, an ingredient of the internal control system (Jones & Solomon, 2010:30). In the UK, companies' representatives also argued that the need for assurance is exacerbated by the lack of trust in companies among stakeholders (25). However, similar to the Swedish case, representatives of UK companies were less convinced that assurance adds credibility (30).

A recent study examines the views of assurance providers on the benefits arising from commissioning sustainability assurance services. Edgley et al. (2010) conducted interviews between 2005 and 2007 with 20 assurance providers (12 consultancy firms and 8 accountancy firms) in the UK. The view of these assurance providers concurred with the views of companies' representatives that sustainability assurance improves management systems, enhances reputation and defends the management position with stakeholders (Edgley et al., 2010:538). Providers argued that sustainability assurance assists companies to detect deficiencies and prevents them from issuing misleading information (541). Intriguingly, assurance providers also asserted that sustainability assurance adds value to stakeholders, as in their view it enhances accountability (in the sense that it makes the report more transparent), improves relationships between stakeholders and companies, and makes reporting more credible. According to Jones and Solomon (2010), accountancy firms tend to focus their rhetoric on selling the added value for companies to a greater extent than do consultancy firms.

The views of representatives of companies reveal that although they perceive benefits arising from these exercises, they manifest a general reluctance to endorse external sustainability assurance. In Sweden, companies' representatives cited as the main reasons for being reluctant to engage sustainability assurance services: (1) the high cost of assurance, (2) the certainty that reporting systems are well developed and credible (making external assurance unnecessary), (3) the underdevelopment of reporting systems, and (4) the absence of stakeholder pressures (Park & Brorson, 2005:1100). In Finland, representatives of companies expressed similar views to those of their Swedish peers, with one company arguing that sustainability assurance is a "cumbersome and time consuming process" (Kotonen, 2009:228).

In the UK, representatives of companies also provided reasons why they did not support sustainability assurance. Companies' representatives echoed the views of their Swedish counterparts in that financial reasons (cost in both economic and managerial resources terms) influence the commission of the sustainability assurance service; one interviewee stated that the cost of sustainability assurance is "disproportionate to the potential benefits" (Jones & Solomon, 2010:27). They reiterated the views of Swedish company representatives, arguing that reports under process of development do not justify the commission of assurance. Representatives of UK companies also argued that social, environmental and ethical issues are too complex for assurance to be straightforward. They claimed that there is a problem in the perceived lack of independence on the part of assurance providers. Indeed, the assurance exercises were perceived to be relatively unimportant (as, to some extent, was sustainability reporting itself), with the main accrued benefits regarded as primarily for the assurance providers themselves (29). Jones and Solomon (2010:28) claim that there was a belief that sustainability assurance was a logical extension of financial auditing and that it should therefore be performed by financial auditors, and follow a financial framework.

2.4.1 Summary

Several statistical and interview-based studies have examined factors influencing the decision by companies to commission voluntary sustainability assurance services, and the perceived benefits arising from these assurance services. The contribution of the statistical studies lies in their capacity to explain the country-level institutional factors that influence the adoption of sustainability assurance services among international companies. While the results of these studies agree that companies operating in stakeholder oriented countries are more likely to commission a sustainability assurance service, there are contradictory results as to the influence of the law enforcement regime. Hence, there is a need to conduct statistical studies with larger samples of data to clearly establish the relationships between the country law enforcement mechanisms and the voluntary commission of the sustainability assurance service. The contribution of interview-based studies lies in their capacity to illustrate the managerial reasons for commissioning voluntary sustainability assurance services. One interview study describes the arguments put forward by assurance providers to support the commissioning of sustainability assurance services. The examination of the perceptions of representatives of companies in different European countries (UK, Sweden and Finland) reveals that they are similar. Whilst the UK interview data analysis exhibits a rich and in-depth understanding of the perceptions of companies' representatives, the Swedish and Finnish data analysis fails to provide in-depth explanations concerning motives behind the commission of sustainability assurance services. Albeit that Jones and Solomon (2010) provide important preliminary insights concerning the views of representatives of companies on the motives to commission sustainability assurance services, a number of issues remain unresolved. For example, the generally negative stance of UK companies towards sustainability assurance practices seems in conflict with the high prevalence of sustainability assurance commissioned (see section 2.1). Therefore, a further in-depth investigation of the motives of UK companies in commissioning sustainability assurance, and of the reasons behind their favoured approaches, is needed.

2.5 Critical perspectives on sustainability assurance practices

There is a small body of academic empirical research that investigates the added value of sustainability assurance practices, their efficacy in enhancing corporate transparency and accountability to stakeholder groups, and issues of managerial capture and control, assurance providers' capture, assurance providers' approaches and expectation gap.

An early empirical study (Maltby, 1995) conducted in 1991 examined the differences in assurance approaches adopted by environmental firms (environmental science and engineering background) and managerial firms (accountancy, management consultants, and lawyers). The research method consisted of a survey-questionnaire completed by 21 members of the Association of Environmental Consultancies (AEC). Maltby notes that managerial firms attached more importance "to the audit objectives of testing and developing reporting systems" than did the environmental firms (22). Only the managerial group supported "the proposition that environmental audit is essentially a review of systems" (22). The two groups attached equal importance to risk assessment. Both groups viewed this type of assurance "more or less equally as a management aid, a test of compliance and a means of improving environmental performance" (Maltby, 1995:22).

Ball, Owen and Gray (2000) and Kamp-Roelands (2002) conducted desk-based studies examining assurance practices applied to environmental reports[28] during the 1990s, raising fundamental concerns about rigour, usefulness and expectation gap. Kamp-Roelands (2002:230-234), for example, highlights major inconsistencies in terms of subject matter addressed, scope of the exercise carried out, objectives, assurance criteria and procedures adopted, level of assurance provided and wording of opinions offered. Kamp-Roelands (2002:135) provides evidence of a huge expectation gap, in the sense that there are differences in the interpretation of the audit results, the audit engagement, and the meaning of the words "true and fair" between companies and assurance providers. Similarly, more fundamental questions are raised by Ball et al. (2000) over issues of assurance providers' independence and the degree of rigour with which their work was conducted. Ball et al. (2000) point out that emphasis is placed on management systems (control of control) as opposed to performance-based issues. They argue that these issues place significant constraints on the potential of the assurance practices to enhance corporate transparency and accountability to stakeholder groups (Ball et al., 2000).

[28] Ball et al. (2000) examined reports produced from 1991 to 1998; their research method was content analysis. Kamp-Roelands examined reports produced from 1993 to 2002 using a multi-method approach.

The concern as to whether similar weaknesses in assurance practices are noticeable in the wave of sustainability reporting produced during the early 2000s has been addressed in the work conducted by O'Dwyer and Owen (2005, 2007) and Deegan et al. (2006). These researchers examined sustainability assurance practices in the light of guidelines issued by influential bodies such as the FEE (2002, 2004), the Global Reporting Initiative (GRI) (2002) and AccountAbility (1999, 2003, 2005)[29]. Despite the introduction of these authoritative assurance standards, these researchers find that ambiguity and variability remain inherent in current practice.

O'Dwyer and Owen (2005) studied 41 assurance statements appearing in reports of "leading edge" companies short-listed for the 2002 ACCA UK and European sustainability reporting awards scheme. O'Dwyer and Owen (2005) revisited the issue of differences in assurance approaches

[29] According to O'Dwyer and Owen (2005:211-212), the FEE(2002, 2004) and the GRI (2002) have issued assurance and reporting guidelines based on an "accountancy" approach, concerned with examining data accuracy rather than addressing issues of transparency and completeness. This accountancy based approach has been supported by the publication of the ISAE3000 standard (IAASB, 2004). By contrast, O'Dwyer and Owen (2005:211-212) explain that the AccountAbility series of AA1000 assurance standards adopt an approach explicitly underpinned by the principle of "stakeholder inclusivity", with an emphasis on assurance providers addressing the principles of materiality, completeness and responsiveness from a stakeholder perspective. With this model of assurance, providers are encouraged to adopt a strategic view in offering evaluative comment on the reporting organisation's systems and processes, together with the highlighting of perceived strengths and weaknesses in both the reporting and performance domains.

addressed by Maltby (1995), and found that whilst accountants tend to adopt a cautious approach, limited in scope and offering low levels of assurance, the consultancy firms take an evaluative approach, and appear to provide higher levels of assurance. O'Dwyer and Owen (2005:224) claim that assurance providers are being appointed by management, who can place any restrictions they wish on the exercise. Hence, value is provided mainly for management. They point out that stakeholder participation in the assurance process, and stakeholder engagement with the reporting organisation, is minimal (224). Indeed, there is a reluctance to address assurance statements to external stakeholders.

A further study conducted by O'Dwyer and Owen (2007) extended their earlier work (O'Dwyer & Owen, 2005) by examining assurance statements appearing in reports short-listed for the 2003 ACCA UK and European awards scheme. It shows the beginnings of a more holistic stakeholder-centred approach in the assurance practices, with AA 1000AS increasingly used as a reference point. However, they point to the continued lack of stakeholder involvement in the assurance practices, together with a paucity of evaluations of corporate responsiveness to stakeholder concerns and continued reluctance to address statements to stakeholders.

Deegan et al. (2006), in their study examining assurance statements from UK and European companies published from 2000 to 2003, point to a number of problematic areas. First, assurance statements are unclear about the work conducted, and the wording of conclusions can be ambiguous (Deegan et al., 2006:333). There is a huge degree of variability in the assurance practices, both within and between countries; therefore, they note that caution is needed when using aggregate data as O'Dwyer and Owen (2005) have done. The researchers claim that there has not been any change in the assurance practice and that the issues raised by Kamp-Roelands (2002) still remain. They argue that there are issues related to the independence of the work conducted, the tendency to give praise in the assurance statement, the tendency not to identify the addressee, the wide range of objectives for and scope of the assignment (with the latter typically prescribed by management), variation in the extent of description of the nature, timing and extent of procedures employed, and variability in the wording of any conclusions offered. The researchers question whether assurance approaches are adding value to the reporting process (Deegan et al., 2006:368).

Al-Hamadeen's (2007) study of 196 assurance statements issued by the FTSE100 companies from 2000 to 2004 confirms Deegan et al.'s (2006) and O'Dwyer and Owen's (2005, 2007) results, in the sense that he finds a huge variability in assurance practice, and evidence of managerial control. As O'Dwyer and Owen (2005) did, he analyzed differences in assurance approaches, finding that there is a third assurance approach, the certification body approach, which in his view is very similar to the accountancy approach but might add more value to external constituencies as this type of assurance provider demonstrates independence in the assurance process by complying with internal protocols created to govern the relationship with the commissioning party (Al-Hamadeen, 2007:233). His findings illustrate that there is little evidence that assurance providers are evaluating the inclusion of stakeholders' views in the report, or that they evaluate companies' efforts to identify and respond to stakeholders' interests and concerns; they also show a reluctance to address the statements to external stakeholders, confirming the results of O'Dwyer and Owen (2005).

2.5.1 Summary

A number of desk-based studies have provided a critique of the current practices of sustainability assurance in the UK and Europe. Their contribution lies in exposing fundamental questions about the value added to internal and external constituencies by these assurance practices, and about their role in promoting accountability to the stakeholders. A limitation of these studies is that they rely solely upon the examination of assurance statements; however, assurance statements do not convey enough information to understand the sustainability assurance phenomenon in depth and in detail (see Deegan et al., 2006). A more recent study, conducted by O'Dwyer, Owen and Unerman (2011) examines why sustainability assurance has developed in the manner described by Maltby (1995), Ball et al. (2000), Kamp-Roelands (2002), O'Dwyer and Owen (2005; 2007) and Deegan et al. (2006), analyzing this question from the perspective of assurance providers. Arguably, there is a need to investigate the problems and potentialities of sustainability assurance practices from the perspective of companies. There is also a need to canvass the views of stakeholders as to the current and potential role of the assurance process in promoting inclusivity and accountability to stakeholders.

2.6 Stakeholder involvement in sustainability assurance

The issue of stakeholder inclusion in sustainability assurance practices has been examined in a couple of studies. The study conducted by Park (2004), based on interviews held in 2003 with 28 representatives of Swedish companies and five representatives of assurance providers, gives a preliminary insight, revealing the views of these interviewees as to the added value that stakeholder involvement could bring to the assurance practices. Half of the interviewees from companies perceived two main benefits: adding credibility to the assurance process and strengthening relationships with stakeholders. For this sample of companies, the best way to bring the views of stakeholders into the assurance process was via the mediation of assurance providers. They did not support radical changes in the structure of the company-stakeholders power relationships (Park, 2004:73), nor did they support the involvement of NGOs in the assurance process, or the use of stakeholder panels of evaluation. Conversely, all the representatives of assurance providers had a negative attitude towards the involvement of stakeholders in the assurance process.

Edgley et al. (2010) advance the analysis by evaluating issues of assurance benefits, the extent of stakeholder inclusion in the assurance process, and managerial capture, from the perspective of assurance providers in the UK. The views of interviewees point to a growing focus on stakeholder inclusion in the assurance practice. This leads Edgley et al. (2010) to conclude that assurance is now providing benefits for management and stakeholders (542), and that sustainability assurance practices are undergoing significant change (553). Edgley et al. (2010) also examined the impediments to bringing about more stakeholder inclusion in the assurance practices, chiefly ignorance and lack of interest on the part of stakeholders (551). These are fundamental reasons, as “without stakeholders driving the agenda forward, [sustainability reporting] and [sustainability assurance] are unlikely to develop significantly” (Edgley et al., 2010:551). Interestingly, assurance providers also apparently see themselves as representing the voice of the stakeholders to the company.

2.6.1 Summary

Although Park (2004) and Edgley et al. (2010) provide some preliminary insights concerning the views of Swedish corporate managers and Swedish and UK assurance providers on the inclusion of stakeholders’ views in sustainability assurance practices, there is much scope for field work initiatives to explore in more depth the practicalities of including the views of stakeholders in the assurance practice. Whilst the UK interview data analysis shows a rich and in-depth understanding of the perceptions of assurance providers, the Swedish data analysis makes no attempt to analyze motives behind the practices adopted by companies. To date there are no studies addressing this issue from the perspective of UK companies; therefore a further in-depth investigation of companies' perspectives on this issue, and of their favoured approaches to stakeholder inclusion in sustainability assurance practices, seems needed. Additionally, there are no previous studies examining the views of stakeholders about this issue in the UK context. There is a need to canvass the views of stakeholders as to the practicalities of involving them in assurance practices.

2.7 Conclusion

The discussion in this chapter can be summarized in four key points:

(1) The discussion of the literature illustrates recent trends and features of sustainability assurance practices.

(2) The discussion of the literature examines the drivers and benefits of commissioning sustainability assurance services.

(3) The discussion of the literature points to critical issues in sustainability assurance practices.

(4) The discussion of the literature illustrates the views of companies and assurance providers on the inclusion of stakeholders' views in sustainability assurance practices.

First, KPMG (2005, 2008) and CorporateRegister.com (2008) reveal that there are clear regional and country differences in the growth of the provision of sustainability assurance statements within published corporate sustainability reports. Europe is the geographical region with the greatest number of corporate sustainability reports accompanied by a form of externally prepared assurance statement. KPMG (2005, 2008), CorporateRegister.com (2008), Deegan et al. (2006), Al-Hamadeen (2007) and Mock et al. (2007) illustrate that there are international differences in the main features of the sustainability assurance practices. These include differences in the type of assurance provider commissioned to conduct the exercise. Whilst accountancy firms dominate the assurance market worldwide, in the UK specialized assurance consultants are the most preferred (Al-Hamadeen, 2007). There are also differences in whether or not assurance standards are referred to. Whilst the ISAE3000 is the most referenced standard worldwide, in the UK the AA1000AS is the most mentioned (Al-Hamadeen, 2007). There are also differences as to whether the level of assurance is mentioned. Whilst most of the assurance exercises worldwide are conducted with limited levels of assurance, in the UK most of the assurance statements do not refer to the level of assurance (Al-Hamadeen, 2007). These studies also reveal common patterns in the sustainability assurance features in that there is great diversity in the assurance procedures, and assurance statements do not specify an intended audience (Deegan et al., 2006). The practice of sustainability assurance is evolving rapidly (Jones & Solomon, 2010); therefore a detailed investigation of the assurance practices in the UK seems needed to clarify recent developments in the growth of the provision of sustainability assurance statements within the wave of published corporate sustainability reports, and their key features. To date there are no studies examining in detail trends and developments with regard to the participation of stakeholders in the sustainability assurance practices in the UK; therefore such investigation is worth doing. Further, the trends in features of sustainability assurance practices revealed by these studies raise questions that require answers and explanations. Therefore, there is a need to investigate the views of companies on these issues.

Second, the studies of Simnett et al. (2009) and Kolk and Perego (2010) reveal that the likelihood that companies will assure their sustainability reports increases if they are based in stakeholder oriented countries. This likelihood increases further if the companies are large, have higher need to enhance credibility (Simnett et al., 2009), and if they are in countries where there is more pressure for corporate sustainability (Kolk & Perego, 2010). The case of the UK is worthy of investigation given that, despite being a shareholder oriented country, the practice of sustainability assurance has been popular. Studies conducted by Park and Brorson

(2005), Kotonen (2009) and Jones and Solomon (2010) reveal that from a company perspective, important drivers for the voluntary adoption of sustainability assurance services are the need to improve reporting systems and the need to enhance credibility of the information reported with external constituencies. These studies also evidence that across countries there is a general reluctance to endorse external sustainability assurance. The generally negative stance of UK companies towards sustainability assurance practices seems at odds with the high prevalence of sustainability assurance commissioned. Therefore, a further in-depth investigation of the motives of UK companies and their favoured approaches towards assurance is needed.

Third, leading researchers in the field have raised fundamental concerns. There exist differences in the assurance approaches of different assurance providers (Maltby, 1995; Ball et al., 2000; O'Dwyer & Owen, 2005). There is also a huge expectation gap, illustrated by the differences in the interpretation of audit results, audit engagement, and the meaning of the opinion offered by companies and assurance providers (Kamp-Roelands, 2002). Further, when comparing exercises conducted in 1997 with those conducted from 2000 to 2003, there is no evidence of improvement in the practice of sustainability assurance (Deegan et al., 2006). In addition, these sustainability assurance exercises are conducted mainly to serve the corporate agenda rather than as stakeholder accountability exercises (O'Dwyer & Owen, 2005). The studies are limited in that they rely solely upon the examination of assurance statements. Arguably, there is a need to explore the problems and potentialities of sustainability assurance practices from the perspective of companies. There is also a need to canvass the views of stakeholders as to the current and potential role of the assurance practices in promoting inclusivity and accountability to stakeholders.

Fourth, the inclusion of stakeholders' views in the practice of sustainability assurance is crucial in order to enhance corporate accountability to stakeholders. There are international differences in the inclusion of the views of stakeholders in sustainability assurance practices. Whilst in Sweden companies and assurance providers do not support direct participation of stakeholders in the assurance practice (Park, 2004), in the UK assurance providers are supportive of stakeholder participation; they argue that there is a growing focus on the inclusion of stakeholders in assurance practice (Edgley et al., 2010). There is a need to investigate in detail this new tendency in the UK of including stakeholders' views in the sustainability assurance practice. Therefore, an examination of the perspectives of companies and stakeholders on the problems and practicalities of involving stakeholders in sustainability assurance practices in the UK seems necessary.

Finally, the following Table 2.4 provides a clarification of what this thesis investigates:

Table 2-4 Gap in knowledge

Extended work of	Gap in knowledge	Research direction
Al-Hamadeen (2007)	Trends and features in assurance practice in the UK	Descriptive study; Longitudinal study; Content analysis of assurance statements
Edgley et al. (2010)	Trends in stakeholder participation in sustainability assurance practices in the UK	Descriptive study; Longitudinal study; Content analysis of assurance statements
Deegan et al. (2006); Al-Hamadeen (2007); Jones and Solomon (2010); Edgley et al. (2010)	Identify emerging issues in the assurance practice in the UK	Descriptive study; Longitudinal study; Content analysis of assurance statements
Jones and Solomon (2010); Edgley et al. (2010)	Explain emerging issues in the assurance practice in the UK	Explanatory study; Semi-structured interviews with representatives of UK companies and representatives of stakeholder groups
Jones and Solomon (2010)	Investigate motives, reasons behind commission of sustainability assurance services in the UK	Explanatory study; Semi-structured interviews with representatives of UK companies
Kamp-Roelands (2002); O'Dwyer and Owen (2005; 2007) Al-Hamadeen (2007)	Investigate problems and potentialities of sustainability assurance practices in the UK	Explanatory study; Semi-structured interviews with representatives of UK companies and representatives of stakeholder groups
Edgley et al. (2010)	Investigate views on stakeholder participation, and favoured approaches in participation in the UK	Explanatory study; Semi-structured interviews with representatives of UK companies and representatives of stakeholder groups

The present study contributes to the body of literature in the field of sustainability assurance by addressing the following research questions:

- What are the trends and emerging issues in the practice of sustainability assurance as represented in the text of assurance statements of companies in the UK between 2001 and 2007?
- What are the managerial perceptions on emerging issues of sustainability assurance practices in the United Kingdom?

- What are the managerial perceptions on stakeholder-centred sustainability assurance practices?
- What are the managerial views on how to further develop sustainability assurance practices with added value?
- What are the perceptions of various stakeholder groups towards sustainability assurance practices in the United Kingdom?
- What are the perceptions of various stakeholder groups on stakeholder-centred sustainability assurance practices?
- What are the perceptions of various stakeholder groups on how to further develop sustainability assurance practices with added value?

The first of these research questions is answered in chapter five; chapter six deals with research questions two, three and four. Finally, chapter seven addresses research questions five, six and seven.

3 CHAPTER THREE: AUDIT, STAKEHOLDERS AND LEGITIMACY

This chapter has the following aims:

(1) To introduce Michael Power's theory on auditing;

(2) To describe elements of Power's theory used in previous researches that examine the sustainability assurance phenomenon;

(3) To describe critical elements of Power's theory relevant to this research;

(4) To illustrate key elements of legitimacy and stakeholder theories relevant to this research.

3.1 INTRODUCTION

Michael Power's theoretical work on auditing is the accepted analytical perspective used by several academic researchers to examine and explain key features of the development of sustainability assurance practices. Power's concerns with regard to the scale and significance of audit in society have been noticeable in the practice of sustainability assurance. This chapter illustrates how Power's work has been used to examine the emerging practice of sustainability assurance in the UK. It also describes key strands of Power's work used in this research as determinants for the analysis of data and for the drawing of conclusions. It explores the application of legitimacy and stakeholder theories to examine motivations behind the practice of sustainability assurance. It comprises five sections: the first describes the main strands of Power's theoretical work; the second provides an overview of academic research examining sustainability assurance practices through the lens of Power's theory; the third discusses in detail key theses of Power's theoretical work used to examine the findings emerging from this research; the fourth explores the application of legitimacy and stakeholder theories to analyze findings in this research. Finally, section five draws conclusions from the discussions in this chapter.

3.2 Michael Power's theory of auditing

Humphrey and Owen (2000) provide an overview on Power's (1997/1999) main theses concerning the scale and significance of audit in society. Power's work The Audit Society: Rituals of Verification (1997/1999) contains his ideas concerning the importance of audit and its potential added value in society. His work also provides a critique on the state of actual auditing practices, and the consequences of audit failure. For Humphrey and Owen (2000:31-36), Power's main theses are concerned with:

- The indeterminacy of the audit function. Power (1997/1999) argues that the idea of audit has spread in society mainly as a result of the indeterminacy of the notion and function of audit. Albeit several definitions of the idea of audit are provided in different contexts, they are incapable of describing the real function of audit practices. However, Power (1997/1999) attempts to provide clear characteristics of audit by using the normative (programmatic) and operational (technological) elements of audit.

- The condition of auditing as control of control. Power (1997/1999) is concerned with the perception of audit as control of control, whereby the audit activity focuses on examining internal management control systems, rather than the impact of organisations' actions. Humphrey and Owen (2000:35) note that rather than promoting change in organisational activities, the audit practice remains a surface function with potentially questionable ethical foundations.

- The scale of change in different aspects of governance and accountability. Power (1997/1999) argues that changes in public sector administration, shifts towards regulatory styles of governance and demands for accountability, and the rise of quality assurance, have been influential in the rise of audit in society.

- The spread of the idea of audit in society. Power (1997/1999) identifies two main factors which contribute to the spread of audit.

First, the expectation gap allows audit failure to go unrecognized, and disconnects audit collapses from inefficiencies in the regulatory system. Second, audit is capable of moving across several contexts, from providing assurance to examining performance, from examining quality of operations to examining the quality of management systems of control, from critical external examination to internal managerial examination.

- The construction of the audit process. Power (1997/1999) claims that the construction of the audit process is fundamental to maintain the legitimacy of the idea of audit in society. He terms this process of construction “making things auditable”, and describes it as a high level negotiation between the auditor and the auditee, aimed at reproducing the audit knowledge system and sustaining the institutional role of audit. Power raises concerns that legitimacy is achieved even in cases where there is no clarity on the objective or capacity of the audit practice.

- The organisational consequences of attempts to apply audits and make them work. Power (1997/1999) argues that there are two main consequences: decoupling and colonization. Decoupling exists when the audit process is remote from the organisational process. Colonization is the effect of being colonized by an audit process which spreads and inserts the idealized values that support its demands. For Power, colonization and decoupling produce reverse effects which ultimately frustrate and undermine the goals of control and effectiveness.

- The contributions of audit in terms of accountability to society. Power (1997/1999) expresses concerns regarding the changing bases of trust in society, and the role of auditing in that shift. He calls for new forms of social control based on face-to-face responsiveness. For Power, this face-to-face accountability requires a readiness to accept changes in the audit practices (or even to undo audit arrangements).

Power (1997/1999) discussed many of these theses in earlier work (1991, 1992a, 1992b, 1994a, 1994b, 1996), and subsequently extended a number of the ideas (Power, 2000, 2003a, 2003b, 2007a, 2007b). Several of these arguments have been used by academic researchers with the goal of responding to Power's (1997/1997, 2003b) calls for empirical examination of auditing practices, benefits, and consequences.

3.3 STUDIES UTILIZING THE WORK OF POWER TO EXAMINE THE SUSTAINABILITY ASSURANCE PHENOMENON

Maltby (1995), Ball et al. (2000), O'Dwyer and Owen (2005), Jones and Solomon (2010), Edgley et al. (2010), O'Dwyer et al. (2011) and Al-Hamadeen (2007) provide empirical evidence of Power's theses on the phenomenon of auditing practices by evaluating the waves of verification of corporate environmental reports and assurance of corporate sustainability and environmental reports. The most examined theses are related to the issue of managerial control and professional capture, the differences between accountancy and consultancy approaches to auditing, the question of whether assurance statements add any value to external constituencies, and their failure to provide a deliberative base to achieve accountability.

Preliminary work by Maltby (1995) evaluated Power's (1991) claim concerning the conflict between two normative views of environmental auditing: as managerial aid or as instrument of protest. She found that in the view of selected environmental and management consultants, there is no conflict of interest between these two concepts of auditing. It can be inferred from this that these consultants were willing to capture the environmental auditing practice. Maltby (1995) also examined Power's (1991) arguments regarding the competing approaches of the scientific and accounting communities to environmental auditing. She found no noticeable distinction between scientific and accounting approaches, although she acknowledges that the result could have been affected by the disadvantages of collecting the data via the questionnaire-survey method.

In a more recent and more detailed investigation, Ball et al. (2000) analyze Power's (1996) argument regarding the issue of managerial control over auditing practice. From the analysis of a sample of verification statements, Ball et al. infer that the auditee influences and controls what is reported to the public, as environmental corporate reports manifest "managerial orientation" (2000:17). They also corroborate Power's (1991) claims around the capture of environmental auditing by auditors, and the delegation of the examination of disclosures to narrow bodies of expertise. These authors bear out Power's (1997/1999) criticisms of current auditing practices; that is, their focus on examining management control systems rather than performance-based first order operations, their failure to empower stakeholders and promote transparency, the lack of added value of auditing statements for external constituencies, how the construction of this type of auditing distorts the environmental discourse, and how the fact of being seen to be audited builds organisational legitimacy. The authors acknowledge that their analysis is limited, in that conclusions about companies' intentions and motives are only inferences from the analysis of the statements.

In another significant study, O'Dwyer and Owen (2005) re-examine the arguments of Power previously analyzed by Maltby (1995) and Ball et al. (2000), in the context of the age of sustainability assurance. Their inferences from the analysis of selected assurance statements support Power's (1996) arguments concerning managerial control over and professional capture of the assurance process. Their results validate Power's (1991) distinction between the accountancy (cautious) and consultancy (evaluative) approaches to auditing. They also confirm Power's (1997/1999) claims regarding the lack of added value of the assurance statements for external constituencies, and their failure to provide a deliberative base to achieve accountability. The authors infer that assurance practices do not "enable criticism and substantive change", as advocated by Power (1997/1999:124). Their results corroborate Power's (1997/1999) argument that more auditing does not mean more and better accountability. However, albeit that the analysis provided by these researchers is perceptive, they recognize a limitation in that their conclusions about the intentions and motives of companies and assurance providers are only inferences from a small sample of statements.

In a recent longitudinal study, Al-Hamadeen (2007) examines Power's (1997/1999) claims on the need to make a distinction between the programmatic (normative) and technological (operational) notions of auditing. The statistical inferences from the analysis of selected assurance statements provide evidence on the development of the operational notion of sustainability assurance in the form of a codified and formalized assurance practice. According to Al-Hamadeen (2007:242), it is difficult to evaluate the programmatic side of the sustainability assurance practice as it is still a voluntary exercise, and accountability relationships seem to be weak. However, key researchers in the field (see for example, Ball et al., 2000; O'Dwyer & Owen, 2005; Jones and Solomon, 2010) have been able to analyze whether current practices of sustainability assurance enhance accountability (one of the core aspects of the programmatic notion of auditing). Moreover, Al-Hamadeen's analysis is based on inferences from assurance statements. The conclusions of this study would have been more interesting if the author had adopted an in-depth analytical examination of the empirical results based on the theses developed by Power; these points represent serious weaknesses.

Jones and Solomon (2010) revisit Power's (1997/1999) thesis on the lack of added value in sustainability assurance practices that focus on examining management control systems, as previously analyzed by Ball et al. (2000). Their results show that in the view of representatives of UK companies, the external assurance of management control systems is important. However, the authors confirm Power's (1997/1999) claim that auditing is perceived mainly as a management tool rather than as an instrument for achieving accountability. Further, in the view of one of the respondents, the accountancy profession has captured this type of assurance practice, which also supports the arguments made by Power

(1991). Albeit that the researchers acknowledge a problem of bias in the interviewee sample, the major advantage of the analysis of this study is that it examines Power's theses based on the views of representatives of UK companies.

Another recent study, by Edgley et al. (2010), re-examines Power's (1996) argument regarding managerial control over sustainability assurance practices. The authors find evidence of managerial capture in that assurance statements are addressed to the company management, and the process of stakeholder inclusion in sustainability assurance is driven by companies. They also corroborate Power's (1991) argument regarding the differences in provider approaches, finding that there is a distinction between the methods adopted by accountants and those used by consultants to incorporate the views of stakeholders in the assurance process. The major advantage of the analysis of this study is that it examines Power's theses in conjunction with Freire's theory[30], based on the views of representatives of assurance providers.

O'Dwyer et al. (2011) examine the views of assurance providers regarding Power's (2003a) thesis pertaining to auditors' need to secure legitimacy for auditing practices. They find that sustainability assurance practices have been influenced by the need to secure legitimacy with internal and

[30] In Freire's model of education, education should be based on dialogue. These researchers use this model to analyze the dialogic nature of sustainability assurance.

external constituencies, hence supporting Power's (2003a) arguments. The major advantage of the analysis of this study is that it advances Power's (2003a) thesis by providing empirical evidence on the relationships between securing legitimacy and the development of assurance practice (O'Dwyer et al., 2011).

In short, Power's theoretical work has been subject to empirical evaluation through analysis of the emerging practice of sustainability assurance as portrayed in the assurance statements, and through the views of companies and assurance providers. While the contribution of these studies has been significant for the understanding of the sustainability assurance phenomenon, research in the field is still at the emerging stage, and there is ample scope for further study. Therefore, the present study extends the analysis of previous researchers by exploring in more detail Power's theses on the meaning and purpose of auditing in society from the perspectives of representatives of companies and stakeholder groups. This research advances the argument by examining Power's theses concerning the role of audit in achieving stakeholder accountability, and the role of stakeholders in auditing practices and corporate governance. It also explores the role of the internal audit function in the provision of sustainability assurance. Furthermore, this study examines Power's criticisms of current auditing practices related to the influence of the cost of assurance on the practice, the issue of expectation gap and the problem of displacement of trust.

3.4 Understanding Power's theoretical contribution

This section discusses the key concepts of Power's theory which are relevant for this research, and which provide a basis for further discussion in later chapters.

3.4.1 The meaning of auditing

One of Power's main arguments concerns the meaning of auditing. In order to achieve clear understanding, he makes a distinction between the programmatic[31] (normative) and technological (operational) aspects of audit. According to Power (1994b, 1997/1999, 2000, 2003a), at programmatic level definitions of audit are created by the regulatory discourse with the goal of ensuring audit success. This strong desire for success requires a commitment to the idea of audit and to "the social norms and hopes which it represents" (Power, 1997/1999:4). At technological level, audit is defined as a series of routines and practices. In turn, audit practices have their "own sub-programmatic discourse which develops and affirms the efficacy of specific practices" (Power, 1997/1999:7).

At programmatic level, Power (1994b) contends that audit is understood as representing benefits such as the provision of independent validation and the promise of control and efficiency. It also symbolizes ideals of

[31] Power bases this argument on the work of Rose and Millers (1992).

"quality, governance and accountability" (Power, 1994b: 47). This aspect of audit is important to understand, because the definitions provided in governmental policy documents, professional documents and academic papers are an "idealized normative projection of the hopes invested in the audit practice" (Power, 1997/1999:4). Hence, what is discussed is the potentiality of the audit practice, rather than its real capacity and effectiveness. For Power (1994b, 1997/1999), definitions of audit are mainly efforts to attach practices to a set of norms, values and ideologies; they constitute an attempt to say what it would be capable of doing.

The concept of audit comprises highly idealized elements used in a wide variety of contexts (Power, 2000:116). Power (1994b) explains that a major characteristic of the idea of audit is that it can be replicated in diverse contexts as a means to demonstrate, for example, public sector efficiency or the adequacy of environmental and quality management systems, or to promote good governance systems in an organisation. Indeed, while the concept of audit seems straightforward, based on actions of giving and checking accounts, it is difficult to provide a single definition (Power, 1994b, 1997/1999). This is because diverse practices framed by very different bodies of knowledge are labelled with the word auditing (Power, 1994b:4). Hence, "it is wiser to speak of a cluster of definitions which overlap but are not identical" (Power, 1997/1999:4).

At technological level, Power (1994b, 1997/1999, 2003a) argues that audit is a craft depending on a series of specialized practices. The four main elements of the audit practices are independence from the auditee; procedures to collect and analyze evidence; the production of an opinion, and a clear subject matter for audit (Power, 1997/1999:5). Power (2003a:392) explains that these technical practices are arranged in systems comprising standards, technical training, and quality assurance procedures. According to Power (2003a) these systems are subject to constant change as a result of political, economic and regulatory pressures. Indeed, audit practices are affected by the normative ideas of what audit should be and should do (Power, 2003a). In addition, the judgement made by individual auditors based on their skills and experience must be trusted by society (Power, 1997/1999).

3.4.2 The purpose of auditing

Power (1994b, 1997/1999, 2003a) explains that there is no consensus on the purpose of audits in society; hence there exist contradictory views as to the function of audit. Some, sceptical, views argue that audits produce nothing more than paper (Power, 2003a:380); others perceive the audit function as an insurance or certification process (Power, 1997/1999:40). There are also views promoting the effective added value of audits capable of supporting programmes -internal forms of audit - or discipline - in the form of external verification - in the public and private sector spheres (Power, 1994b). For Power, it is clear that audits have the capability to develop organisations' control systems (and thereby change environments); to modify reporting systems, and reports; to transform organisational performance; to facilitate critiques and provoke change; to secure organisational legitimacy, and to operationalize accountability (1994b, 1996, 1997/1999, 2000, 2003a, 2007a,2007b).

Audits are capable of transforming organisations' control systems; however, in the process of doing so, the audit process alters the environment in which it operates (Power, 1994b, 1996). Power (1996:293) explains that audits influence environments and organisations as a result of the "process of what auditors do when they [need to] audit organisations". Power (1996:291-293) points out that the process of audit requires, first, the creation of an audit knowledge base system composed of: (1) the auditing rules, regulations and procedures, (2) the formal and informal education of auditors, (3) the practice, which according to Pentland (Power, 1996:293) involves personal judgement and high level negotiations between the auditor and auditee, and (4) quality control of audit procedures and practices. This audit knowledge base must be "legitimate and institutionally acceptable" (Power, 1996:289); hence, Power (1996) states that there is also a need to create environments open to new ideas and able to accept new audit knowledge bases.

Power (1996) contends that audits play a decisive role in the development of reporting systems and reports. Audit is “an agency of organisational change” (Power, 2000:114). Power (1996) argues that auditors possess knowledge in risk assessment procedures, technologies of control and the rules guiding reporting process, which enables them to provide recommendations for the improvement of these three areas. He notes that in the process of auditing there is a co-evolution between the auditing itself and the organisation’s systems of control. This co-evolution is also noticeable in the development of reporting systems. Power (1996:290), citing Pentland, contends that audit influences the reporting process to the extent that accounts and audits are co-produced.

Indeed, Power (1997/1999) argues that the relationship between audits and reports goes beyond the validation of reports; audit is also a style of processing which influences organisational performance, modifying it and developing it in critical ways (Power, 1994b:8). Power explains that auditors not only evaluate auditee performance, but also shape the performance standards and public perceptions of the problems for which audits are the solution (1994b:8, 2000). The paradox here is that the process of audit itself lacks clear indicators of its own performance.

According to Power (1994b, 1996, 1997/1999, 2000), in society, an important role for audits is to uncover problems, provide proof to external constituencies, and serve as instrument to facilitate external critique. However, Power (1997/1999) claims that the current predominant view of audit is as an instrument that serves the institutional need to deliver comfort in society; in other words, to provide assurance. Power (1997/1999:21) explains that there has been a transformation in the role of audit over the last fifty years, from detecting fraud or providing a view on management performance, to the provision of an opinion on the statements (see Lee, 1986, cited by Power, 1997/1999). The responsibility for fraud detection has been reallocated from the auditors to the company management. In environments where audit arrangements emphasize the production of comfort, audit is designed not to be too successful in reporting on issues for open debate or in making criticisms (Power, 1997/1999:126). Power (1997/1999:126) claims that this antagonism between producing comfort or critiques has serious implications for the use of auditing as an instrument for public dialogue. Hence, audit is a catalyst for change only in environments open to facing judgement, distress and even embarrassment.

Power (2003a:392) contends that the audit system imports and exports legitimacy. Audits "contribute to a style of evaluation from which organisations emerge as legitimate, safe, efficient, and cost-effective and so on" (Power, 1997/1999:8). Power (2003a) asserts that audits produce assurance or an increased confidence in the accounts subject to the audit. Hence, audit is a decisive factor for securing legitimacy of organisational actions (Power, 1997/1999). According to Power, the process of evaluating and providing assurance on the accounts that represent organisational performance provides an indication of the integrity and legitimacy of management (2007b:43). However, Power (1994b, 1997/1999) raises concerns that audit is a new form of image management, which encourages positive feelings about organisational practices; Power claims that being seen to be audited is more important than the how of the audit, or the performance of the auditee (1994b:48).

The actual process of auditing confers legitimacy on the audit system and the auditors themselves. Pentland (Power, 2003a:384) explained that audit is a socially constructed process in which micro-interactions sustain the macro-construction of professionalism, independence of the auditor and institutional trust in audit practice. Pentland (Power 2003a:385) argued that these micro-interactions produce comfort which "in turn makes possible its macro systemic function of legitimacy". Power (2003a:385) also notes that these micro-interactions facilitate solidarity among members of the audit team, impression management, and the efficiency of the audit practice. Hence, the legitimacy of the systems of audit, the work of the auditor and the auditee are co-produced (Power, 2003a:380). In this context, Power (1996:310) claims that the process of auditing aims to safeguard "institutionalized images of assurance which are externally legitimate and which are consistent with the claimed practicalities of cost". Power (2003a:392) explains that this export/import of legitimacy goes in cycles of permanent change which must be legitimated under circumstances in which there exists an increased expectation gap about and within the audit system.

Finally, Power (1997/1999:134) argues that audits have the capacity to operationalize and realize accountability. This is the core programmatic value of audit. Indeed, for Power "what makes auditing auditing is the legitimate requirement for one party to give an account of those actions relevant to its relation to another party" (1997/1999:134). Audit is a form of social control in which auditors are "social control specialists who oversee the proceduralization of information flows to principals in the form of accounting and disclosure requirements (Power 1997/1999:134). This aspect of the audit practice will be discussed in more detail later in this chapter in sections 3.3.6 and 3.3.7.

3.4.3 The economic added value of auditing

Power explains that during the 1990s a new type of auditing service emerged, which "constitut[ed] a new alignment between a need for greater cost-efficiency in the audit process and a need for a service that could have an added-value" (2007b:43). However, there exists a difficulty in demonstrating the added value of auditing, which arises from the questioning and comparing of benefits that flow from auditing practices with the cost of auditing, the public legitimacy of the accountants and other types of assurance providers, and the efficacy of audits in relation to corporate governance (Power, 1994b, 1997/1999). It is not a simple task to demonstrate the added value of audits, as the improvement of reporting systems and reliability of reports may be a result either of good accounting policies or of good auditing (Power, 1994b:29).

In economic terms, the added value of the audit product is the result of a relationship between the audit cost and the assurance produced (Power, 1997/1999). However, it is difficult to demonstrate in tangible terms the extent to which audits enhance credibility of the audited object (Power, 1997/1999). The problem is that the nature of the assurance given by audits cannot be observed or measured other than in broad qualitative terms or through a consensus among auditors themselves (Power, 1997/1999:28). The production of assurance depends on the subjective opinion of the assurance providers (Power, 1997/1999).

Power (1996, 1997/1999, 2003a, 2007a) indicates clearly that the auditing practice is heavily influenced by the “business thinking” and bounded by the financial cost. For example, in reporting a study by Humphrey and Moizer, Power (2003a:382-383) notes that the audit planning process is built under marketing (selling), technical (traditional) and ideological (legitimating) principles simultaneously. He contends that the audit planning process and selling process are linked and have the ability to affect each other. Cost and benefits are "traded in the production of an optimum audit process" (2007a: 3). Power also argues that the quality of the audit practice is affected by the audit cost, as auditing procedures and techniques are limited by economic factors (1996). Indeed, MacNair (Power 2003a: 382) maintained that auditors trade cost and audit quality, and that this problem of the quality of auditing being limited by cost constraints is resolved "through time budgeting and reporting process". The cost of audit also influences the extent to which the principals are willing to undertake an auditing service (Power, 1997/1999). However, Power claims that one of the consequences of organisations transforming themselves to become more "audit ready" or disciplined in terms of audit values is an increase in the likelihood of reducing the cost of auditing over time (Power, 2007a:3).

3.4.4 The rise of internal control and risk management systems

Since the 1990s, there has been a notorious importance of internal management systems of control (see Maijoor, 2000), accompanied by an "audit implosion" (Power, 2000:118). The growth of internal management control systems is part of a broad process aimed at making organisations "accountable, auditable and inspectable" (Power, 2007b:43), and has been referred to as a "core value of policy paradigm for corporate governance" (Hall, 1989, cited in Power, 2007b:60). The process of auditing has been facilitated by examining internal control systems, as they are a window on the client organisation, its risk management and strategy (Power, 2007b:47). The term "audit implosion" refers to the rise of auditing internal management control systems (Power, 2007b:47). Indeed, audit procedures aimed at the inspection of first order activities have been displaced by procedures focusing on the examination of systems of control (Power, 1994b).

The rise of the "audit implosion" is a result of the high cost of direct inspections (Power, 1994b:19). Auditing has focused on examining the self-assessment capability of organisations (Power, 1997/1999:32). Power (2007b) claims that, at regulatory level, these structures of self-control and self-observation have acquired a high importance; however, the role of external auditing is still significant. Auditing internal control management systems lies at the heart of governance thinking and practice (Power, 2007b). Nevertheless, Power (2007b) makes the criticism that stakeholders' organisations can hold organisations to account for the quality of their self-control (rather than for the performance of their activities).

Indeed, Power (2007b:39) contends that "internal control systems and related public disclosures have been transformed into the material representation or proxy for trusting organisations and their leaders". In consequence, internal management control systems act as a symbol of organisational virtue, whereby external interests are managed and represented (Power, 2007b:63). Power explains that the development of complex internal control systems influenced auditors to standardize and re-categorize them as risk management systems (Power, 2007b:52).

Power (2007b:43) states that during the 1990s and 2000s, the complexity of internal control management systems required that auditors rethink the auditing task, concentrating on examining critical risks and how organisations control and mitigate them. This shift in the auditing process allowed the reformation of the auditor role to that of an added-value business advisor, with the management letter being a primary focus of the advice identifying deficiencies in control systems (Power, 2007b:44). Another change in the audit process was the transformation into a professional service, as a result of the need for auditing to focus on examining points in real-time assurance rather than just at the end of the year (Power, 2007b:46). Hence, organisations satisfy demands for accountability by showing how they govern themselves by exhibiting internal management control systems and management of risk systems, rather than showing what they do (Power, 2007b: 95).

Power (1997/1999:32), reporting Russell, argues that in this context, the importance of the internal auditors has also grown. He contends that this change has raised questions as to the optimal balance between internal and external arrangements for assurance (Power, 1997/1999:67). He claims that internal audit departments have transformed themselves into consultancies (Power, 2007b:60), and that a new model of partnership between internal and external auditors has been created as a "control of control" tool (Power, 2007b:48). For him, "only time will tell whether there is a long term shift from external to internal self-auditing capacity" (Power, 1997/1999:67). He predicts that in the future, it is highly probable that the internal audit function will take on the role of the external audit, and the issue of independence in auditing will become unimportant. According to his prediction, internal auditors will come to play a regulatory role (Power, 1997/1999). Notwithstanding this view, Power acknowledges that during the 2000s the substitution of internal for external auditing was still preferred where possible (2007b).

3.4.5 The issue of expectation gap

There is an essential obscurity in the audit process, its objectives and products, which affects the understanding of what audit is for, what audit produces and whether audits fail (Power, 1997/1999:30). This characteristic allows auditing to move across different contexts, from financial to environmental to social spheres. Power claims that the obscurity is a result of the vagueness of the knowledge base of the audit process (1996:289), as its public face, codified rules and regulations on appropriate procedure and behaviour are heavily influenced by subjective beliefs and the views of the auditors (1997/1999). He argues that auditing objectives are intentionally obscure in order to avoid evaluation of the failure or success of the auditing process in meeting its objectives (Power, 1997/1999). Power (1994b, 1997/1999) contends that the product of the audit process is also obscure. According to him, what audit promises at normative level is not always “closely linked to [its] actual operational capacity” (Power, 2000:112).

Power (1997/1999) argues that the yardstick to measure the effectiveness of the audit process is also obscure. Albeit that at normative level it is claimed that audit promotes organisational transparency (Power, 1994b), the obscure nature of the audit process limits this ambition, and prevents it delivering this transparency. Subjectivity as to the nature of the assurance provided by the audit process is also problematic (Power, 1997/1999), as it can make organisations more obscure (Power, 1994b). Another issue, according to Power (1994b), is that in reality, audits focus on examining management control systems rather than organisational performance, and this fact is ignored by most users of audit opinions.

The idea of audit disseminates in the institutional environment, where it cannot be controlled by practitioners; hence the expectation gap (Power, 2000:112). Power (1997/1999:22), in reporting studies by KPMG Peat Marwick McLintock, Humphrey, and Humphrey, Moizer and Turley, explains that there is a gap between “what the public expects – the detection of fraud or [the detection of problems in the social and environmental areas on the ground] and what auditors claim to be delivering – an opinion of the … statements”. Auditors argue that management is the entity responsible for fraud detection, or identification of problems in the social and environmental areas, as a result of high cost and audit feasibility (Power, 1997/1999:22). In these disputes, regulators prefer to ignore what audits are for (Power 1994b:25). Hence questions are raised as to the value of auditing (Power, 1997/1999).

There is also a problem of perception, a difference between how auditors see themselves and how the public sees them (Power, 1994b). Power argues that whilst the public believe that auditors' responsibility is to expose critical issues, auditors affirm that their job is to form a professional opinion (1994b:24). Auditors argue that there is a misunderstanding among the public (Power, 1997/1999); however, discussions as to what audits can and cannot do take place only within the auditing profession itself, without considering external constituencies (Power, 2000:112).

The solution to the issue of an expectation gap requires that the audit process, objectives and products become open and transparent (Power, 1994b). Power suggests that there are two options to resolve the problem: either it is necessary to educate users as to what it is acceptable to expect from an audit process, or the audit process must be “brought into line with those expectations that do exist” (1994b:24). However, Power maintains that a solution might not be achievable as, in his view, the expectation gap is a supply drawn upon rather than a cause of distress (1997/1999).

Power (1997/1999) postulates that the expectation gap is the source of auditors’ economic success. He explains that regulators, policy makers and auditors take advantage of the high expectations generated by the audit process, which are superior to what they can deliver in reality (1994b:24). For the auditors, this translates into higher fees and professional status (Power, 1994b). For policy makers and regulators, the benefits lie in providing society with a sense of comfort (Power, 1994b). However, in the light of evidence of audit failure (financial collapse of companies, accumulation of social and environmental issues, abuse of public revenues, and so on), auditors develop strategies to manage the expectation gap (Power, 1997/1999).

One strategy used by auditors to manage the expectation gap is to state general auditing objectives, and in terms which do not specify the issue of detection of fraud or of material social and environmental issues (Power, 1997/1999). Another strategy is to communicate in the statement “little more than the fact than an audit has been done and the reader is left to decode specialized and cautious expressions of opinion" (Power, 1997/1999:13). Auditors also lead campaigns for some kind of shield of limited liability, and for a clearer understanding of the auditing role (Power, 1997/1999). Despite crises and scandals, audits remain strong, as they have become fundamental for public accountability (Power, 1997/1999).

Audits have the capacity to emerge from crises and scandals institutionally secure (Power, 1994b). Power (1994b:30) claims that after a crisis, "there is a process of blame allocation and reform of the audit process". The process of blame allocation is manifested in criticisms from the press and in legal judgements; the two main issues discussed are the problem of mismanagement, and the incompetence of the auditors (Power, 1994b). For Power (1994b), the process of audit reform implies a demand for more auditing (7), the development of more extensive audit guidance and norms (30), and the promotion of institutional change to strengthen audit (26). Intriguingly, the role and purpose of auditing is hardly questioned. Power (1994b) explains that what is important is to preserve the normative purpose and role of auditing rather than the name and status of the auditors.

3.4.6 Audits, trust and accountability

According to Power, at normative level, audits are demanded in situations where there is risk, distrust and a need for accountability (1997/1999). Power claims that the idea of auditing is appealed to in environments where trust is damaged, and there is a need to restore it (Power, 1997/1999, 2000). In these environments, audit is portrayed as the solution to achieve accountability; that is, it is a mechanism that facilitates the requirement (accountability) for one party (the agent) to give an account of its actions to another party (the principal) (Power, 1997/1999:5)[32]. In society, audits exist to negotiate and represent accountability of independent agents (Power, 1997/1999). The ideas of audit and accountability are linked by the idea of transparency. Power (1994b:23) notes that audits are normally legitimized as they have the ability to “enhance the transparency of individual and corporate actions to those parties who have an interest in the nature and effects of those actions”. Audit is required when there is a risk that the agent might act against the principal (or there is a likelihood of finding information asymmetries), and the principal is unable to conduct a face-to-face examination of the agent’s actions (Power, 1997/1999).

[32] Power (1994b:11) explains that “specialized academic stories have formalized these intuitions about the need for audits”.

Power (1997/1999) claims that the idea of audit sustains the idea of trust in society. The rise of auditing industries that satisfy demands for signals of trust, order and accountability has to do with the loss of confidence in central society institutions, particularly politics (Power, 2000:118). Shapiro (Power, 1997/1999:135) stated that in society, audit provides a "second order trust relationship which polices trust". The idea of audit is at the heart of a control style committed to the principles of checking and trust (Power, 1997/1999). The issue here is that, instead of solving the problem of trust, audits displace the problem; that is, the focus of trust moves to the auditors, or to forms of documentary evidence or accreditation, or to the assurance of the integrity of management systems (Power, 1994b:13). Intriguingly, Power argues that auditors too cannot be trusted; therefore, their work is also subject to examination (1994b). Conversely, Power (1997/1999) contends that as a result of the need to adapt to the auditing process, organisations become less trustworthy; hence, distrust sustains the idea of audit.

Power (1997/1999, 2000) contends that the idea of audit is driven by an ideology which, rather than providing the base for rational open deliberation, advocates belief in third-party groups. This is the model of accountability that prevails in society, a simplified model of ex-post external control that works in low trust environments (Power, 1994b:9). There is an alternative style to this model of accountability, a real time qualitative examination by internal agencies that stimulates public dialogue and works in high trust environments (Power, 1994b); however, Power (1994b) claims that it is difficult for this model to gain acceptance in society. Power advocates for the integration of the two models as, in his view, it would help the audit process to overcome the expectation gap, and enhance the benefits of audit (1994b).

Power (1997/1999:127) contends that "although the audit explosion has ocurred in the name of improved accountability", in reality, it exists as a form of "downward" accountability. Day and Klein (Power, 1997/1999:127) stated that such a model has been advocated to resist "upward" accountability. In the "downward" accountability model, audits discharge accountability by demonstrating the existence of management systems of control and risk rather than by demonstrating good performance in economic, social and environmental practices on the ground (Power, 1994b:19). In this model, the issue of auditor independence is more important than competence or relevance (Power, 1994b). The approach is to praise the fact that an audit has been done, rather than examine what the audit has done or to whom it is addressed (Power, 2000). The strategy has been to discharge "downward" accountability to avoid transparency (Power, 2000). This leads to the conclusion that more "auditing does not necessarily mean more and better accountability" (Power, 1997/1999:127). In this game, the form of "upward" or direct face-to-face accountability is rejected, and audits become a "dead end in the chain of accountability" (Day and Klein, 1987 cited in Power, 1997/1999:127).

Power (1997/1999:124) contends that the audit process should open organisations to independent external scrutiny. He (1997/1999:124) argues that in the discharge of accountability, auditors' reports (purpose, style and content) are important, as they must, like the audit process per se, enlighten, inform, influence, and enable criticism and substantive change rather than bring inquiry to an end. Power (1997/1999) makes the criticism that the statement created and produced by auditors functions more as a quality label. He argues that without clear standards of what quality is, this label becomes an ambiguous document (Power, 1997/1999), which creates expectation gaps between the producers and users of the audit opinion; the label exists to produce comfort. Power (1997/1999:125) argues that in cases where auditors "are dissatisfied, the only option is to refuse to produce the label". In other words, the option is to avoid the problem of providing a negative opinion rather than to express their views and confront company management.

3.4.7 Audits, stakeholders and corporate governance

One fundamental issue in the conceptualization of accountability is the discussion about the principals' rights to know. Power (1997/1999) argues for the existence of different types of principals, such as shareholders, local residents, taxpayers, and future generations (Power, 1997/1999). Each of these has different needs, and therefore different rights to know (Power, 1997/1999). For example, taxpayers have the right to claim information on how their money is being spent, consumers are entitled to oversee performance of public and private services. Demands for accountability are valid for both the public and private sectors (Power, 2000). In the private sector, these demands are linked to the concept of corporate governance; that is, the relationship of the company with its principals. Power (1994b:43) advocates that "corporate community is a necessary precondition for corporate governance". Hence, Power (1994b:44) argues for the need to have "new institutional spaces in which stakeholders of every variety can assert their claims as principals"[33].

One of Power's main theses is that audit provides the "bases for enhanced control by those parties with the legitimate right to exercise it" (1997/1999:124). Audits are "thought to shift power; from professionals to the public, from experts to stakeholders" (Power, 1994b: 23). He advocates for a face-to-face accountability process where audit plays a central role, given its capability to facilitate this civic dialogue (Power, 1994b). Power (1994b:27) claims that the ideas of accountability and direct interaction in society have been disregarded by those who see the

[33] In the context of corporate governance, principals are named stakeholders (Power, 1994b).

model of ex-post external control as a universal panacea, and place high faith in it. Power (1994b) contends that these audit arrangements discourage dialogue both inside and outside organisations. Albeit that this model of ex-post external control encourages transparency, "transparency alone does not empower" (Power, 1994b:27). Power (1994b) argues that this encouragement of transparency deactivates forms of accountability based in answerability by convincing the public that something has been done by someone.

The production of normative frameworks for corporate governance embodies two intertwined logics, as Drori (Power, 2007b:60) stated: "a neoliberal managerial logic which draws heavily on intellectual resources of economics, principal-agent theory, and practical disciplines such as accounting; and a rights-based participative logic which draws from democratic and critical theories". Power advocates for the latter, arguing that corporate governance relates to the "democratization of organisational life, and more radical senses of empowerment which include the labour force and other stakeholders with a legitimate interest in the workings of the organisations" (1997/1999:41). Hence, Power (1994b) defends the use of an audit model in which stakeholders' needs could be represented (and heard). However, he acknowledges that formal audit would become redundant in the case that the inclusion of the views of stakeholders in the corporate governance is efficient (Power, 1994b:44).

Power (2007b) analyzes how stakeholders can be brought into the system of corporate governance. In reporting studies by Larkin and by Friedman and Miles, Power (2007b:136) states that the definition of stakeholding implies two normative connotations; that is, there is either a "[managerial] strategic response to the perceived rise of consumer activism and the increasingly organized character of social conscience", or a relationship of partnership with stakeholders. For him, there is an apparent displacement in the power, from corporations to active organisational actors claiming their rights to speak and represent society (Power, 2007b). This means that, as Friedman and Miles stated (cited in Power, 2007b:137), stakeholders have shifted their strategy from confrontational to dialogic, and have transformed themselves, as noted by Larkin (Power, 2007b:139), into "legitimate representatives of society and credible dialogue partners". Power (2007b) explains that this transformation implies that stakeholders have become more business-like, adopting similar strategies to those used by the organisations they seek to engage and criticize. In essence, as Larkin (Power, 2007b:139) argued, the increased stakeholder engagement in corporate governance systems is a symptom of lack of faith in experts, science, and authorities.

In short, the present study responds to Power's (1997/1999) calls for more questioning of the audit practice and its consequences. In this study, representatives of companies and of stakeholders groups provide their views as to the meaning of sustainability assurance, its purpose, and benefits in society. There is also a discussion about the consequences of implementing sustainability assurance practices (as they are currently designed) in society. This study examines one of Power's main arguments, that organisations and stakeholders are ready for an auditing process that encourages face-to-face accountability and organisational change rather than being an empty ritual of verification (Power, 1997/1999:145).

3.5 Stakeholder and legitimacy theories

In order to complement key strands of Power's theory, this research relies on two additional theoretical perspectives. The current study adds to a growing body of literature on the sustainability assurance phenomenon in the UK, by examining it through the lens of stakeholder and legitimacy theories. Legitimacy theory provides an explanation of the mechanism whereby organisations seek to gain legitimacy in society (Deegan & Unerman, 2006/2008). Stakeholder theory provides an explanation of how organisations manage their stakeholder groups (Deegan & Unerman, 2006/2008). These two theories were selected on the grounds that they provide a basis for understanding the motivations behind the voluntary commission of sustainability assurance, the reasons behind the inclusion of stakeholders in the assurance practices, and the perspectives of different stakeholder groups on the sustainability assurance phenomenon.

Legitimacy and stakeholder theories derive from the bourgeois perspective of the political economy theory (Deegan & Unerman, 2006/2008:269). Their main concern is to examine relationships between society and organisations. Deegan (2000) notes that both are system oriented theories that see organisations as being part of the broader social system, whereby their activities have repercussions in society, and they in turn are affected by other groups. The difference between the two theories lies in the fact that legitimacy theory examines demands from society at large, whilst stakeholder theory focuses on examining demands from particular groups within society, viz, stakeholder groups (Deegan & Unerman, 2006/2008).

3.5.1 Legitimacy theory

The notion of the social contract provides the basis for understanding legitimacy theory (Deegan & Unerman, 2006/2008). Mathews (Deegan & Unerman, 2006/2008:272) states that in society, companies operate via the social contract, based on the principle that:

> *"Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The organisation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society".*

The implicit and explicit expectations of society are considered in the social contract; however, in general, it is expected that organisations provide benefits to society measured in terms of their organisational performance (Deegan, 2002). According to legitimacy theory, organisations that exhibit a poor economic, social and environmental performance find it difficult to obtain the "license to operate" in society (Lindblom, 2010). Indeed, failure to meet the social contract may lead to penalties such as legal sanctions, limited resources, and reduced demand for their products (Lindblom, 2010:52), that is, to the eventual decline and fall of the organisation. From the perspective of society, it is essential that organisations consider providing benefits for society as a whole rather than focusing only on the benefits for investors (Deegan & Unerman, 2006/2008:272).

From the perspective of organisations, legitimacy theory states that organisations need to secure legitimacy in order to be accepted by society. Organisations create strategies to "ensure that their activities are perceived by outsiders' parties as being 'legitimate'" (Deegan & Unerman, 2006/2008:271). Organisations seek to achieve a status of legitimacy, that is, "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part" (Lindblom, 2010:52).

Lindblom (2010:57-60) explains that organisational strategies aimed at securing or preserving legitimacy are: 1) to educate and inform society about real changes in performance, hence, closing the legitimacy gap; (2) to change the perceptions of society concerning the performance of the organisation, without changing organizations' actions; (3) to manipulate perceptions by changing the discussion from the issues of concern; (4) to change society expectations by showing that they are unreasonable.

These strategies highlight the fact that it is perceptions of performance that organisations seek to change, not necessarily performance itself. Deegan and Unerman (2006/2008:276) note that another strategy is the use of reputation risk management; in other words, the approach is to focus on managing activities which question the existence and reputation of the organisation.

The notion of legitimacy is developing continuously, as it depends on the expectations of society, which are also evolving over time (Lindblom, 2010). In other words, organisations constantly change their strategies to adapt to new societal expectations. Lindblom (2010:52) explains that this continuous change in the notion of legitimacy and the expectations of society creates a gap that can "fluctuate without any changes in action on the part of the corporation". Hence, organisations are careful not to exceed the legitimacy gap to the point where there is conflict that could erode or take away altogether the support from society. From the organisations' perspective, managers who can address the needs of society efficiently, and hence reduce the legitimacy gap, are highly desirable (Deegan & Unerman, 2006/2008:273). Deegan (2000) argues that although legitimacy theory provides a base to explain the reasons behind the voluntary adoption of certain organisational practices, some questions remain unresolved.

First, for Deegan (2002), legitimacy theory does not explain whether legitimacy strategies work. In the field of sustainability assurance, this issue is addressed in a recent study conducted by Kuruppu and Milne (2010:15), who evaluated whether the presence or absence of an assurance statement in a corporate sustainability report affects attitudes and beliefs toward the credibility of reported information, and its capacity to deliver organisational legitimacy and reputation. Kuruppu and Milne (2010)' study involved an experimental design with a group of final year undergraduate students taking advanced financial accounting and auditing courses, to examine the influence of information sources on the decision to accept an employment offer, and on beliefs about the legitimacy of a business when confronted with evidence of significant environmental damage.

Kuruppu and Milne (2010:15) found that sustainability assurance does not influence the legitimacy of an organization. This analysis raises questions concerning the credibility benefits claimed for assurance statements by companies and regulatory organisations (FEE, 2002), even in cases where the assurance statements do add value (2010:13).

However, Kuruppu and Milne (2010:15) claim that “caution is needed to not overstate these findings”, and point to the following limitations of the research: (1) only a single experiment was conducted; (2) the information provided to participants was limited; (3) there was insufficient time for participants to process the information; (4) decisions made by participants are hypothetical; (5) the participants were drawn from a group of students in business and accounting disciplines, hence the results may represent a particular group not generalizable to others (Kuruppu and Milne, 2010:15).

It is clear that the results of this experimental design concerning the influence of the presence of a sustainability assurance statement on the credibility of information reported and the capacity to deliver organisational legitimacy and reputation are rather controversial (Kuruppu & Milne, 2010). The findings suggest that more research is needed in order that the relationship between sustainability assurance and its capacity to deliver legitimacy can be more clearly understood. Hence, the present study addresses this issue by examining in detail the views of companies and stakeholders concerning the type of value created through the commission of sustainability assurance services (see also Kuruppu & Milne, 2010).

Second, for Deegan (2002:295), legitimacy theory provides “poor resolution” in that it talks about society as a whole; therefore, it fails to examine specific civil society groups, their power and their influence on other groups and on organisations. Deegan (2002:295) explains that stakeholder theory addresses this issue by accepting that “different groups have different views about how organisations should conduct their operations, and have different abilities to affect an organisation”. Therefore, on the grounds that one of the main aspects of the present research is the investigation of the inclusion of stakeholders’ views in the sustainability assurance practice, this study also uses stakeholder theory to understand companies’ motivations behind that inclusion, and the perspectives of diverse stakeholder groups towards sustainability assurance exercises.

3.5.2 Stakeholder theory

The term “stakeholder” refers to any group or individual that can affect or be affected by the organisation’s objectives and activities, for example investors, employees, customers, suppliers, government and community (Freeman, 1984). Stakeholder theory, the body of study examining these organisation-stakeholder relations, has informed finance, accounting, management, and marketing business disciplines (Freeman, Harrison, Wicks, Parmar, and De Colle, 2010). In the case of the accounting discipline, and specifically social accounting, theorists classify stakeholder theory into two main subdivisions, the managerial and the ethical branches (Deegan & Unerman, 2006/2008).

The managerial branch of stakeholder theory offers a managerial perspective on "how business works at its best and how it could work" (Freeman et al., 2010:8). The managerial perspective focuses on the ethics of organisations working in a capitalist society, and on how to manage successfully the stakeholders of the organisation (Freeman et al., 2010). This perspective is organisational-centred, descriptive, prescriptive and instrumental (Donaldson and Preston, 1995). The managerial branch of stakeholder theory concerns the organisations' relationships with different stakeholder groups, the nature of those relationships, the outcomes for the organisations and their stakeholders, and the process of strategic stakeholder management (Caroll & Buchholtz, 2006). "The Clarkson principles" (Caroll & Buchholtz, 2006:89) summarize key strands of the theory, as follow:

- Organisations should acknowledge and evaluate the concerns of all legitimate stakeholders, and address their issues in the decision making process;
- Organisations should listen to and communicate with (legitimate) stakeholders about their concerns, and the risk assumed because of their engagement with the corporation;
- Organisations should adopt processes sensitive to the (legitimate) stakeholder concerns;

- Organisations should recognize the interdependency with (legitimate) stakeholders, and attempt to distribute fairly the benefits and burdens of the organisation's activities among them;
- Organisations should work cooperatively with other entities to ensure that risk and harm arising from the organisation's activities are minimized, controlled and compensated;
- Organisations should avoid activities that might jeopardize the human rights of relevant stakeholders.

Hence, the theory focuses mainly on the expectations of primary rather than secondary stakeholders[34], that is, stakeholders who are fundamental for the existence and survival of the organisation (Clarkson, 1995). Proponents of this theory identify relevant stakeholders based on the attributes of legitimacy, power and urgency (Mitchell, Agle and Wood, 1997)[35]. According to Deegan and Unerman (2006/2008) this branch of stakeholder theory can be tested by empirical observations.

The view portrayed by the managerial branch of stakeholder theory is challenged by researchers working within the normative branch. These researchers argue that the managerial perspective of stakeholder theory is only concerned with how the organisation manages its powerful

[34] Secondary stakeholders are those who are not engaged in transactions with the organisation, and are not essential for its survival (Clarkson, 1995).
[35] Mitchell et al. (1997) classifies stakeholders as: (1) Dormant stakeholder; (2) Discretionary stakeholder; (3) Demanding stakeholder; (4) Dominant stakeholder; (5) Dangerous stakeholder; (6) Dependent stakeholder; (7) Definitive stakeholder.

stakeholders (Gray, Owen and Adams, 1996), with the aim of building or maintaining its legitimacy (Gray, Dey, Owen, Evans, Zadek, 1997). That is, it considers "specifically different stakeholder groups within society and how they should best be managed if the organisation is to survive" (Deegan & Unerman, 2006/2008:289). The main argument of these researchers is that all the stakeholders, primary and secondary, should be considered by management as they "have certain minimum rights that must not be violated", and issues of stakeholder power (legitimacy and urgency) are not important (Deegan & Unerman, 2006/2008:287).

From the normative perspective of stakeholder theory, an important consideration is that the impact of organisations' objectives and activities on the lives of stakeholders (and here the environment, non-human species, and future generations[36] should be included) "should be what determines the organisation's responsibilities to that stakeholder rather than the existence of that stakeholder's economic power over the organisation" (Deegan & Unerman, 2006/2008:286). This normative view claims that all stakeholders have intrinsic rights. For example, in the case of the environment, there exists the right to expect that organisations would adopt precautionary measures when there is no scientific evidence of the consequences for the environment of an organisation's action (precautionary principle). In the case of other stakeholders, there exists the right to live in a clean environment, with safe working conditions and

[36] Starik (1995) argues that these stakeholders should be considered in the definition of stakeholders.

fair salaries (Deegan & Unerman, 2006/2008), and to be informed about how an organisation impacts the stakeholders, even if they choose not to use the information (see O'Dwyer, 2005).

In essence, the normative perspective of stakeholder theory is based on accountability understood as the duty to take responsibility to undertake certain actions, and to account for those actions (Gray et al., 1996). Deegan and Unerman (2006/2008) note that from this perspective it is the need to be accountable that should drive the actions of organisations, rather than the need to respond to primary stakeholders to ensure the survival of the organisation. In the view of researchers working within the normative branch of stakeholder theory, the explicit manifestations of the criteria to hold organisations to account are stated in the statute law (e.g. Companies' Acts) and standards established by statutory bodies (e.g. Environmental Protection Agency) (Gray et al., 1997:334), whilst other mechanisms, such as voluntary codes of practice, illustrate the implicit manifestations of these criteria. According to Deegan and Unerman (2006/2008:288), the normative branch of stakeholder theory is concerned with how organisations should act, which is not the same as how organisations actually act. Therefore, these perspectives cannot be validated by empirical observation.

3.6 CONCLUSION

The review of literature conducted in this chapter can be summarized in two key points:

(1) The discussion of the literature illustrates Power's main theses on the scale and importance of audit in society.

(2) The discussion of the literature points to limitations in existing empirical research examining the sustainability assurance phenomenon.

First, Power's theses explain the causes underlying the rise of audit, its importance and its potential added value in society. The rise of audit is the result of several factors, chiefly the expectation gap and the indeterminacy of the audit function, which have allowed auditing to spread across several contexts (Power, 1997/1999). A number of changes in UK society have been influential here, including the development of new public management, a shift towards regulatory styles of governance, demands for accountability, and the rise of quality assurance (Power, 1997/1999). The accountancy profession has also been influential in the rise of auditing in the UK (Power, 2000).

Power raises serious critiques on the problems and consequences of audit practices. One of the main problems is related to the focus on examining organisations' management control systems and risk management systems, rather than actual performance (Power, 2000, 2007b). A second problem is that audit practices fail to promote public dialogue and transparency, and hence accountability (Power, 1994b). The consequences of making audits work are decoupling and colonization, which in turn undermine the achievement of control and effectiveness (Power, 1997/1999). Power advocates for new forms of social control which encourage face-to-face accountability rather than empty rituals of verification (Power, 1994b).

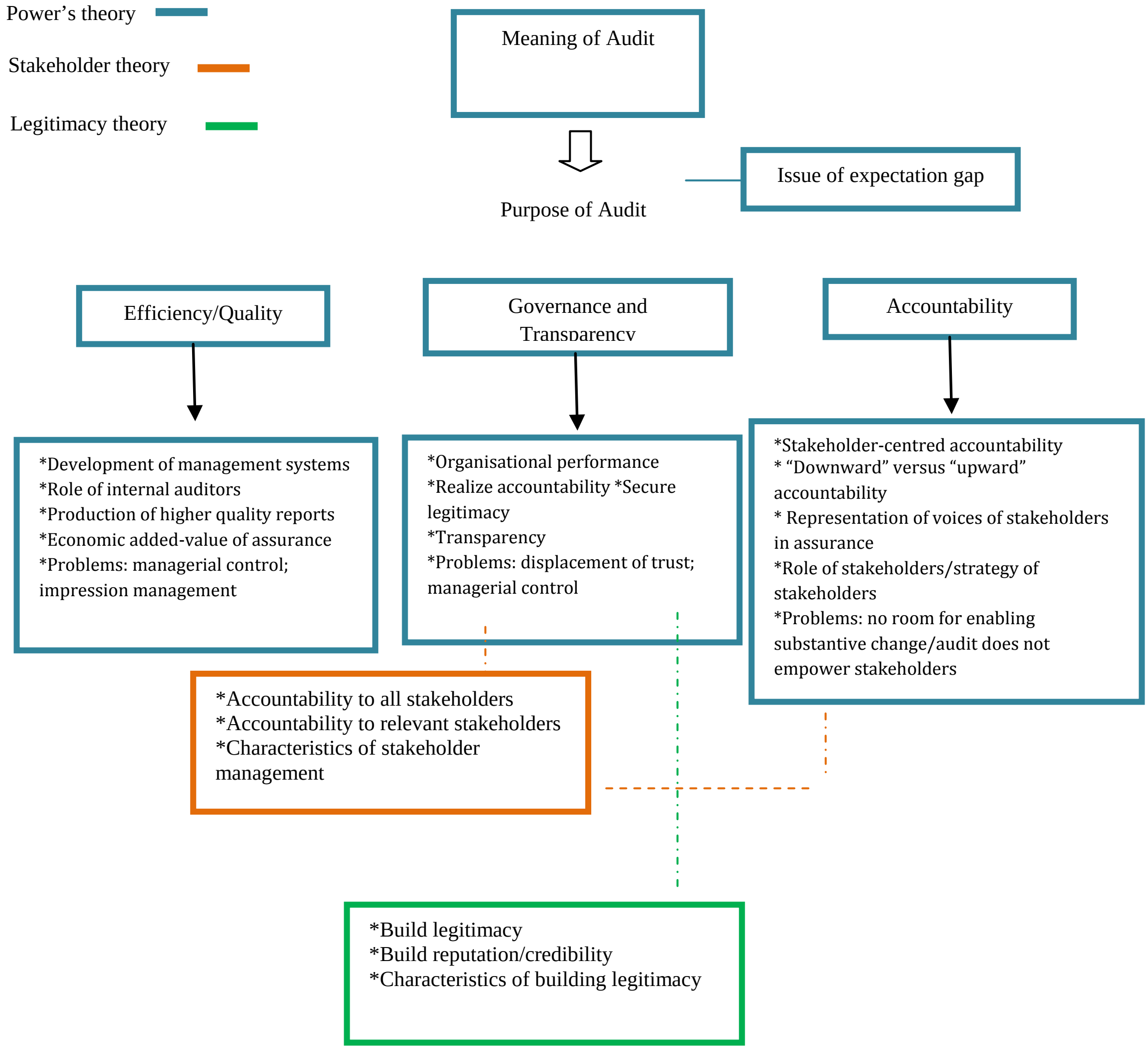
One limitation of Power's theoretical work is that it mainly considers the perspective of the auditor (Ball et al., 2000), and regulatory bodies. There is a need to provide the organisational and stakeholder perspectives; therefore, this research uses stakeholder theory and legitimacy theory as additional analytical lenses to examine the motivations behind the rise of auditing services, problems and potential added value in society.

Second, the recent phenomenon of sustainability assurance provides a useful base to explore Power's theses. In examining the sustainability assurance phenomenon, researchers have noted most of the concerns raised by Power, that is, the professional and managerial capture of the sustainability assurance practice (Maltby, 1995; Ball et al., 2000; O'Dwyer & Owen, 2005; Jones & Solomon, 2010; Edgley et al., 2010), the different assurance approaches among different assurance providers (Maltby, 1995; Ball et al., 2000; O'Dwyer & Owen, 2005; Edgley et al., 2010), the problem of managerial control (Ball et al., 2000; O'Dwyer & Owen, 2005; Jones & Solomon, 2010) , and the failure to provide a basis for a deliberative accountability process (O'Dwyer & Owen, 2005). Researchers have also explored the way in which the audit process is constructed, how it secures legitimacy (O'Dwyer et al., 2011) and the differences between the normative and operational sides of the practice (Al-Hamadeen, 2007). However, most of the research conducted suffers from the fact that conclusions are based on inferences from verification or assurance statements. In this research study, Power's theses concerning the meaning of auditing, its purpose, benefits in society, and problems, are examined from the point of view of organisations and stakeholders. Further, this research contributes to the examination of one of Power's key theses, that is, the potential of auditing to empower stakeholders to achieve accountability. This research study analyzes the role of stakeholders in sustainability assurance practices, the practicalities of their inclusion in those practices, and the potential to encourage face-to-face accountability from the perspectives of organisations and stakeholders.

The theoretical tenet discussed in this chapter and used in this research to analyze empirical results in the form of perceptions held by companies and stakeholders, and to reach conceptual conclusions, is represented in the conceptual framework (Figure 3.1) [37]:

[37] Robson (2002:63) defines the term conceptual framework as the theory used in a research study expressed in diagrammatic form.

Figure 3-1 Conceptual framework



The analysis of the views of companies and stakeholders is addressed in chapters six and seven.

4 CHAPTER FOUR: RESEARCH DESIGN AND RESEARCH METHODS

This chapter has three aims:

(1) To describe and discuss the ontological and epistemological underpinnings of the research;

(2) To describe the mixed-methods research design;

(3) To discuss issues of reliability and validity.

4.1 INTRODUCTION

This research is grounded on the body of work known as "the social accounting project" (Gray, 2002). It adopts a critical perspective to examine the practice of sustainability assurance in the United Kingdom, using a mixed-methods research design. This chapter acts as a "research gearbox", linking the preceding conceptual chapters to the empirical chapters that explain research findings. This chapter comprises seven sections: the first explains the research setting; the second illustrates ontological and epistemological factors underpinning the research, and the research approach; the third describes the research design considerations; the fourth explains the research design adopted; the fifth describes the limitations of the research design; the sixth section illustrates the ethical considerations for this study. Finally, the chapter draws conclusions based on these discussions.

4.2 THE RESEARCH SETTING

The majority of research studies investigating the phenomenon of sustainability assurance have focused on geographical regions such as Europe, or have made comparative studies between countries and regions, such as the United Kingdom and Europe. Recently, academic studies have examined assurance exercises worldwide. In 2005, when this research was begun, few studies had focused on investigating the sustainability assurance phenomenon exclusively in the United Kingdom. Moreover, Deegan et al. (2006) argue that there is a lack of uniformity in sustainability assurance practice across different countries. Therefore, this research responds to the need to understand the sustainability assurance phenomenon specifically in the United Kingdom context.

Of the research that has been conducted in the United Kingdom, most studies have examined the sustainability assurance phenomenon exclusively as portrayed in assurance statements, without seeking the views of main participants in the exercise. Recently, studies by Jones and Solomon (2010) and Edgley et al. (2010) have investigated assurance practices in the United Kingdom through the views of companies and assurance providers; however, despite the importance of stakeholders in the sustainability assurance process, far too little attention has been paid to their views. This study fills the gap by incorporating the views of stakeholders on the purpose of assurance, problems of the practice, and role in achieving stakeholder-centred accountability.

Jones and Solomon (2010) examined the views of companies concerning the drivers for commissioning sustainability assurance services, and the nature of the assurance process. However, a number of issues related to the motivation behind the commission of this type of assurance service remain unresolved. Further, Jones and Solomon (2010:30)
call for more research investigating and reporting the views of companies' representatives, as sustainability assurance is a practice undergoing rapid development. Therefore, there is a need to examine emerging issues in the sustainability assurance practice in the United Kingdom. This research responds to the call for detailed study on the sustainability assurance phenomenon in the United Kingdom, both as portrayed in the statements, and through the views of companies and stakeholders.

4.3 RESEARCH PHILOSOPHY AND RESEARCH APPROACH[38]

Within the different schools of thought in accounting (see Chua, 1986; Dillard, 1991; Laughlin, 1995; Gray, 2002), this research aligns itself with "the social accounting project" (Gray, 2002). Gray (2002:692) defines the social accounting project as the work responding to calls for new forms of accounting (Medawar, 1976) based on the principles of democracy and accountability, with the purpose, as Bronner (Gray, 2002:700) argued, of

[38] In this section the term "paradigm" refers to "how we view the world and, thus, go about conducting research" (Creswell & Plano-Clark, 2007:21); the term "methodology" refers to the philosophical framework and the fundamental assumptions of research; it responds to the question: What is the process of research? (Creswell & Plano-Clark, 2007:21).

challenging capitalism "on its own ground". The social accounting project is underpinned by a pragmatic view of the world (Gray, 2002:688); that is, the project conveys different avenues of research, research methods and political ideologies (Gray, 2002:688)[39]. Gray (2002) argues that this project shares elements of the "critical accounting project"[40].

Both the social accounting and the critical accounting projects argue for a form of research which places emphasis on understanding the role of accounting in society, and its influence on reinforcing the position of elites, rather than engaging in disputes as to whether particular research methods should be used (Deegan & Unerman, 2006/2008:428). Proponents of both projects believe that through research they can challenge and generate change (Deegan & Unerman, 2006/2008:430). For supporters of both projects, it is important to investigate and expose the environmental and social consequences of conventional accounting practices (Gray, 2002:692). However, the two schools of thought differ in how they see the role of accounting in society, and the scale of change desired.

[39] Gray (2002:292) explains that researchers working in social accounting evidence several ideologies, from those who reject current social structures – Marxists, feminists, for example - through those who accept current social structures (which is the common position in most of the discussion).

[40] However, Deegan and Unerman (2006/2008) view the social accounting project as a body of thought within the umbrella term "critical accounting project". Deegan and Unerman (2006/2008:449) explain that generally speaking, the majority of critical accounting research is "grounded in classical political economy theory"; however, there are "other critical accounting researchers whose critiques of the role of accounting… [in society] are not based on Marxist philosophy"(2006/2008:449).

For proponents of the critical accounting project, the role of accounting practices is to legitimate particular social structures, hence reinforcing power and wealth inequalities in society (Deegan & Unerman, 2006/2008:428). Therefore, through radical critiques, their research aims at exploring the role of current accounting practices in supporting these inequalities (Deegan & Unerman, 2006/2008:430-432). Conversely, advocators of the social accounting project argue for the introduction of new forms of accounting to overcome social inequalities. Hence, their research provides critiques of existing accounting practices, with the aim of developing practices of different types, for example of voluntary or regulatory nature, protest driven, or which empower civil society groups (Gray, 2002:700).

Advocates of the critical accounting project believe that structural change should be achieved more broadly in society, a perspective grounded on the classical political economy theory (Deegan & Unerman, 2006/2008:429). Their research seeks for radical change in a capitalistic society (Brown & Fraser, 2006:110). Hence, they believe they can significantly alter the status quo (see Brown &Fraser, 2006). Conversely, the majority of proponents of the social accounting project accept that society is structured as “a given”, a view underpinned by the bourgeois form of political economy theory (Deegan & Unerman, 2006/2008:433), and that change should be achieved considering current possibilities (Gray, 2002:692). Hence, they believe that incremental, rather than radical, change could be achieved. Indeed, one of the key differences is that whilst researchers working within the critical accounting project do not provide solutions to the particular issues they raise, the advocators of the social accounting project "seek for engagement [of researchers in social and environmental accounting research] and the changing of the [accounting] practice" (Gray, 2002:698).

This research responds to calls for this engagement by examining the practice of sustainability assurance in the United Kingdom. In this study sustainability assurance is understood as an instrument that is capable of bringing organisations to answer to their stakeholders, a crucial constituency "to hold [organisations] to account for actions impacting their lives" (O'Dwyer, 2005:31). Sustainability assurance is conceived as an instrument whereby the voices of stakeholders could be heard, with the intention to negotiate change in organisations (Gray et al., 1997). Consistent with the school of thought followed by this research, the study adopts a strategic attitude to change, which questions certain aspects of the status quo whilst maintaining other aspects of it (Laughlin, 1995:68-70)[41]. That is, this study examines the status quo of the assurance practice, in order to explore the possibility of bringing change into certain aspects of it, and to promote the common good.

[41] Therefore, "in certain circumstances critique and ultimate change are important but not in other situations" (Laughlin, 1995:82). Laughlin (1995:68) associates the level of emphasis given to critique of the status quo with the terms high, medium, and low. However, he clarifies that these terms are "not precise, definable or measurable".

Researchers forming part of the social accounting project "have healthy disregard for attachment to particular research methods" (Gray, 2002:697). Therefore, whilst adopting a critical perspective, this research also aligns itself with the pragmatic paradigm, in which both objective and subjective knowledge is valued (see Creswell & Plano-Clark, 2007:26)[42]. Ontologically, this research recognizes the existence and importance of a singular reality - the trend and patterns in selected features (characteristics which were identified from the body of literature described in chapter two) as they are portrayed in the assurance statements; and multiple realities - the multiple views of companies' and stakeholders' representatives (Creswell & Plano-Clark, 2011:41). Consistent with the ontological assumption made, the study takes a practical attitude to the construction of knowledge. That is, the determinant for the development of knowledge in this study is the set of research objectives (Creswell & Plano-Clark, 2007); the researcher collects data according to "what works" to address those objectives (Creswell & Plano-Clark, 2011:42).

In this study, the researcher sees the development of knowledge as a continuum where, as Tashakkori and Teddlie (Saunders, Lewis & Thornhill, 2007:110) explain, at "some points the knower and the known

[42] Creswell and Plano-Clark (2007:26-27) state that researchers embracing pragmatism argue that "(1) the forced-choice dichotomy between postpositivism and constructivism should be abandoned; (2) the use, discussion and debates concerning metaphysical concepts such as "truth" and "reality" should also be abandoned".

must be interactive, while at others, one may easily stand apart from what one is studying". In this study, the researcher first objectively collected data on a coding form from assurance statements, and then visited company and stakeholder participants at their sites to gather data. Hence, the research includes both biased and unbiased perspectives (Creswell & Plano-Clark, 2007). During the first phase of the research, bias was eliminated through the use of quality control procedures (see discussion later in this chapter in section 4.4.1.3). During the second phase, procedures were introduced to deal with bias (see discussion later in this chapter, pages 4.4.2.3).

The imperative to accomplish the research objectives guides the methodological choices (see Creswell & Plano-Clark, 2007:26-27; Johnson & Onwuegbuzie, 2004). In order to address the research objectives, the process of research began by seeking trends, patterns and emerging issues in features of the practice of sustainability assurance as represented in the assurance statements; then, it investigated multiple views from participants on these emerging issues in the practice of sustainability assurance. Stakeholder inclusivity is a key aspect of the examination. Such an approach calls for the collection of both quantitative and qualitative data, and requires that they be used together (Creswell & Plano-Clark, 2007).

In this research, the set of quantitative data was examined through the set of conceptual strands developed in chapter two. The set of qualitative data was interpreted adopting a critical perspective on current practices in sustainability assurance. The conceptual framework used to interpret and critique the qualitative data comprises key strands of the theoretical work of Michael Power on contextualizing the role of audit in society, particularly in the United Kingdom context, together with stakeholder and legitimacy theories (see chapter three, sections 3.3 and 3.4). This conceptual framework was chosen on the grounds that it reflects the belief that through sustainability assurance it is possible to achieve change in society. In essence, Power's (1994b) critiques on actual auditing practices led him to claim the need for a form of audit which provides a base for substantive change, whereby the voices of stakeholders can be heard and stakeholder-centred accountability can be achieved. Conversely, both stakeholder and legitimacy theories explain changes in organisational behaviour.

This research, therefore, aligns itself with the inductive research approach. The inductive research approach was chosen on the grounds that there is little existing literature on examining the assurance phenomenon specifically in the UK context which could provide well defined hypotheses to be tested (Saunders et al., 2007:119).

Results and conclusions from the analysis of the quantitative data set of this research are difficult to generalize to any settings other than close approximations to the settings of this study (Robson, 2002:107). Similarly, because of the small number of companies participating in this study, together with the fact that companies selected were "markedly different" from the majority of FTSE100 companies (they follow best practices in sustainability assurance), results and conclusions from the analysis of qualitative data are not generalizable to the entire population of FTSE100 companies (Saunders et al., 2007:151). Furthermore, it is acknowledged that the perspectives of participants in this research might not reflect the position of their respective organisations. Therefore, it is not feasible to make generalizations about the entire population. Comparison with other research findings and conclusions should be made with caution.

4.4 RESEARCH DESIGN CONSIDERATIONS

The process of this research began by identifying trends and emerging issues worthy of investigation in the practice of sustainability assurance in the UK. Albeit that this research is based on an inductive research approach, researchers need some directionality for the overall research design process (Robson, 2002:81). Figure 4.1 displays the array of features of data that it was necessary to investigate during this first phase of the research. These key features of the assurance practice were identified and analyzed according to the set of conceptual strands developed in chapter two:

- Commission of sustainability assurance services: This feature captures the developments in the commission of sustainability assurance services.

- Provision of sustainability assurance services: This characteristic captures the nature of the assurance provision by examining the type of assurance provider providing the assurance service. Studies conducted by KPMG (2005, 2008), CorporateRegister.com (2008). Deegan et al. (2006) and Al-Hamadeen (2007) identify the main types of assurance providers. Based on their results, this study identified and examined the following type of assurance providers: accountancy firms, specialized consultancy firms, certification bodies, panels of evaluation in the form of stakeholder panels or expert panels.

- Sustainability assurance standards: This feature captures the approach and rigour of the assurance process by examining the use of assurance standards. Studies conducted by KPMG (2005, 2008), CorporateRegister.com (2008). Deegan et al. (2006) and Al-Hamadeen (2007) identified different types of assurance standards. Based on their results, this research identified and examined three types of assurance standard: ISAE3000, AA1000, and other type of standards.

- Level of assurance: This characteristic captures the rigour of the assurance process by examining whether limited or reasonable levels were used to conduct the assurance exercise. In this research, the terms "limited" and "reasonable" levels refer to the definition provided by the ISAE3000 assurance standard[43]. However, the research also considered cases where other labels were used to describe the level of assurance.

- Assurance procedures: This feature captures the rigour of the assurance process by examining the procedures used to conduct the exercise. Deegan et al. (2006) identified fourteen assurance procedures used in assurance practice. Based on their results, ten types of assurance procedures were identified and examined in this research: Use of analytical procedures; Confirmation/corroboration of specific data with external parties; Consistency with underlying systems/data/report; Conducting interviews or discussions with management and employees; Inspection/checking of supporting documentation; Reviewing accounting policies/disclosure principles/measurement methods/performance/risk/materiality; Site visits; Testing/reviewing reliability/accuracy of internal control systems; Reliance on internal audit; Inclusion of stakeholder views.

[43] These terms are defined in chapter 1 and chapter 5.

Figure 4-1 Operational field work research map – phase one

Identifying emerging trends and issues in the practice of sustainability assurance in the UK

Commission of sustainability assurance services:

Data characteristic:
*Existence of an assurance statement within the corporate sustainability report
*Type of assurance statement: provided by: a formal assurance provider; stakeholder panel; other: internal audit function

⇩

Based on the work of KPMG (2005, 2008); CorporateRegister.com (2008)

Features in the practice of sustainability assurance:

(1) Sustainability assurance provision:
Data characteristic:
*Assurance approach: accountancy; consultancy; social audit
*Type of assurance provider: accountancy firm; specialized consultancy firm; certification body; stakeholder panel; panel of experts

⇩

Based on the work of KPMG (2005, 2008); CorporateRegister.com (2008); Al-Hamadeen (2007); Deegan et al. (2006)

(2) Sustainability assurance standards:
Data characteristic:
*Assurance standard: ISAE3000; AA1000; other

⇩

Based on the work of KPMG (2005, 2008); CorporateRegister.com (2008); Al-Hamadeen (2007); Deegan et al. (2006)

(3) Level of assurance:
Data characteristic:
*Level: limited; reasonable; other

⇩

Based on the work of KPMG (2005, 2008); CorporateRegister.com (2008); Al-Hamadeen (2007)

⇩

(4) Assurance procedures:
Data characteristic:
* Type of assurance procedures: Type 1- Use of analytical procedures; Type 2- Confirmation/corroboration of specific data with external parties; Type 3 – Consistency with underlying systems/data/report; Type 4 –Conducting interviews/discussion with management and employees; Type 5- Inspection/checking/supporting underlying documentation; Type 6 –Reviewing accounting policies/disclosure principles/measurement methods/performance/risk/materiality; Type 7-Site visits; Type 8- Testing/reviewing reliability/accuracy of internal control systems; Type 9- Reliance on internal audit; Type 10 – Inclusion of stakeholder views

⇩

Based on the work of Deegan et al. (2006)

(5) Inclusion of stakeholder views:
Data characteristic:
*Type of stakeholder engagement: Type 1 -Review of media; Type 2-Via secondary data; Type 3- Via observations, attending stakeholder sessions; Type 4 -Via questionnaires, surveys; Type 5- Via meetings with stakeholders and interviews; Type 6 -Via stakeholder panel/panel of experts

⇩

Based on the work of KPMG (2005, 2008); Edgley et al. (2010) and Park (2004)

- Inclusion of stakeholder views: This characteristic captures the extent to which the views of stakeholders were included in the assurance process. The preliminary analysis carried out by Park (2004) identified different forms of inclusion of stakeholder views in the assurance process across leading worldwide companies. Moreover, Edgley et al. (2010) identified actual forms of indirect and direct stakeholder inclusion in the assurance process in the UK. Based on their results, this study identified and examined six types of methods of stakeholder inclusion in the practice: Review of media; Via secondary data; Via observations, attending stakeholder sessions; Via questionnaires, surveys; Via meetings with stakeholders and interviews; Via stakeholder panel/panel of experts.

The main outcome of the examination of these characteristics was a set of emerging issues which were subsequently investigated during phase two of the research with companies and stakeholder groups. Figure 4.2 displays the array of emerging issues identified in phase one and which needed to be investigated during phase two. The findings of this second phase were understood using the conceptual framework developed in chapter three. The conceptualization of the qualitative results of this study is based mainly on the work of Power, who theorizes on the role of auditing in society, and it also adopts a framework of system-oriented theories, viz, stakeholder and legitimacy theories. First, Power (1997/1999) theorizes about the purpose of audit in society, and provides critiques on the problems of actual audit practices. Thus, this study provides an overview on the purpose of sustainability assurance, and key issues faced by the practice. Second, Power (1994b) argues for an audit practice within which the voices of citizens are heard, in order to achieve accountability. Consequently, this study provides an understanding of the role of stakeholders in the sustainability assurance practice. Further, the framework of system-oriented theories assists the conceptualization of the driving force behind organisations' adoption of sustainability assurance practices. Stakeholder theory is particularly helpful in

Figure 4-2 Operational field work research map – phase two

Explaining emerging issues in the practice of sustainability assurance in the UK

Companies' representatives

Reason for commission of sustainability assurance services

Benefits of sustainability assurance services

Factors underpinning the sustainability assurance approach; view on sustainability assurance standards

Restriction on the level of the assurance exercise

Role of internal audit function

Necessary degree of stakeholder inclusion

Positive or negative views towards the exercise

Future of sustainability assurance

Conceptual strands for analysis of research results: efficiency and quality; governance; stakeholder -centred accountability (based on the work of Power, see chapter 3); Power's criticisms on actual auditing practices; key strands of legitimacy and stakeholder theories

Stakeholders' Groups representatives

Purpose of sustainability assurance

Positive or negative views towards the exercise

Views on assurance standards

Views on stakeholder inclusion

Future of sustainability assurance

Conceptual strands for analysis of research results: stakeholder-centred accountability; the issue of expectation gap (based on the work of Power, see chapter 3); Power's criticisms on actual auditing practices; key strands of stakeholder theory conceptualizing the demands made of sustainability assurance by specific stakeholder groups.

Therefore, this research is of descriptive and explanatory nature. That is, this study presents a clear picture of the sustainability assurance phenomenon in the UK, but also provides an explanation of the emerging issues of the practice. Because of the need to establish trends in the features of sustainability assurance practices, this study is also longitudinal. A period of seven years, between 2001 and 2007, was selected in order to observe these trends clearly. This time period was chosen based on a preliminary analysis of the results, which evidenced a clear trend in the data starting from the year 2001[44]. It should be noted here that the sample period in this research covers the introduction of a number of authoritative standards guiding the sustainability reporting process, such as GRI (2002, 2006), and assurance engagements such as FEE (2002, 2004), ISAE3000 (2004) and AA1000AS (1999, 2003, 2005). Studying the trends from the year 2001 allowed the researcher to observe the influence of those standards on assurance practices in the same way as previous researchers had done (see Ball et al. 2000).

[44] In this research, raw data were collected starting from the year 1997. However, between 1997 and 2000 the number of assurance statements collected was minimal. Hence, between 1997 and 2000 no clear trend was identified in the data. Therefore, the final analysis was conducted starting from the year 2001, when the data begin to show a clear pattern.

Evidence for the examination of features and emerging issues in the UK during phase one of this research was found in the assurance statements attached to reports containing companies' sustainability information. In order to visualize clearly trends and issues, it was necessary to transform the qualitative information contained in the statements into quantitative data, and then to analyze that data using quantitative analysis procedures. Evidence for the explanation of these emerging issues was collected during phase two of this study from representatives of UK companies. The necessary data, of qualitative nature, was held by people working within the companies on issues concerning sustainability assurance. Evidence was also collected from representatives of organisations representing various civil society groups. The necessary data, again of qualitative nature, was held by people working in those organisations on matters related to sustainability and organisations. Both types of qualitative data had to be analyzed using qualitative analysis procedures. The research needed to adopt data collection processes capable of gathering the necessary features during phase one, and then explain them during phase two. Hence, it was necessary to adopt a research design whereby "both quantitative and qualitative data collection techniques and analysis procedures are used" (Saunders et al. 2007:145). Therefore, this research follows a mixed-methods research design.

Mixed-methods research is based on the idea that "the use of quantitative and qualitative [methods] in combination provides better understandings of research problems than either [method] alone" (Creswell & Plano-Clark, 2007:5). Creswell and Plano-Clark (2007) argue that in cases where quantitative results provide limited explanation of the phenomenon under investigation, it is advisable to adopt a mixed-method research design. This provides better opportunities to answer the research questions and to enable triangulation[45]. This approach is consistent with the research philosophy adopted in this study, since researchers embracing the pragmatic paradigm might use either quantitative or qualitative research methods, or both methods in a single study.

4.5 RESEARCH DESIGN[46]

In this study, the follow-up explanatory model research design was adopted in response to the need to know what these trends and emerging issues in sustainability assurance mean for the companies, and for stakeholder groups. In essence, the follow-up explanatory model research design is a two-phase mixed methods design whereby qualitative data help to explain or build upon initial quantitative results (Creswell & Plano-Clark, 2007:71). It is clear that analysis of sustainability assurance statements alone is insufficient to provide this information accurately since examining assurance statements alone is unhelpful in revealing exactly what sustainability assurance practice entails and who it is

[45] Saunders et al., (2007:614) define triangulation as "the use of two or more independent sources of data or data collection methods within one study in order to help ensure that the data are telling you what you think they are telling you".
[46] In this section, the term "research design" refers to the "plan of action that links the philosophical assumptions to specific methods" (Creswell & Plano-Clark, 2007:4).

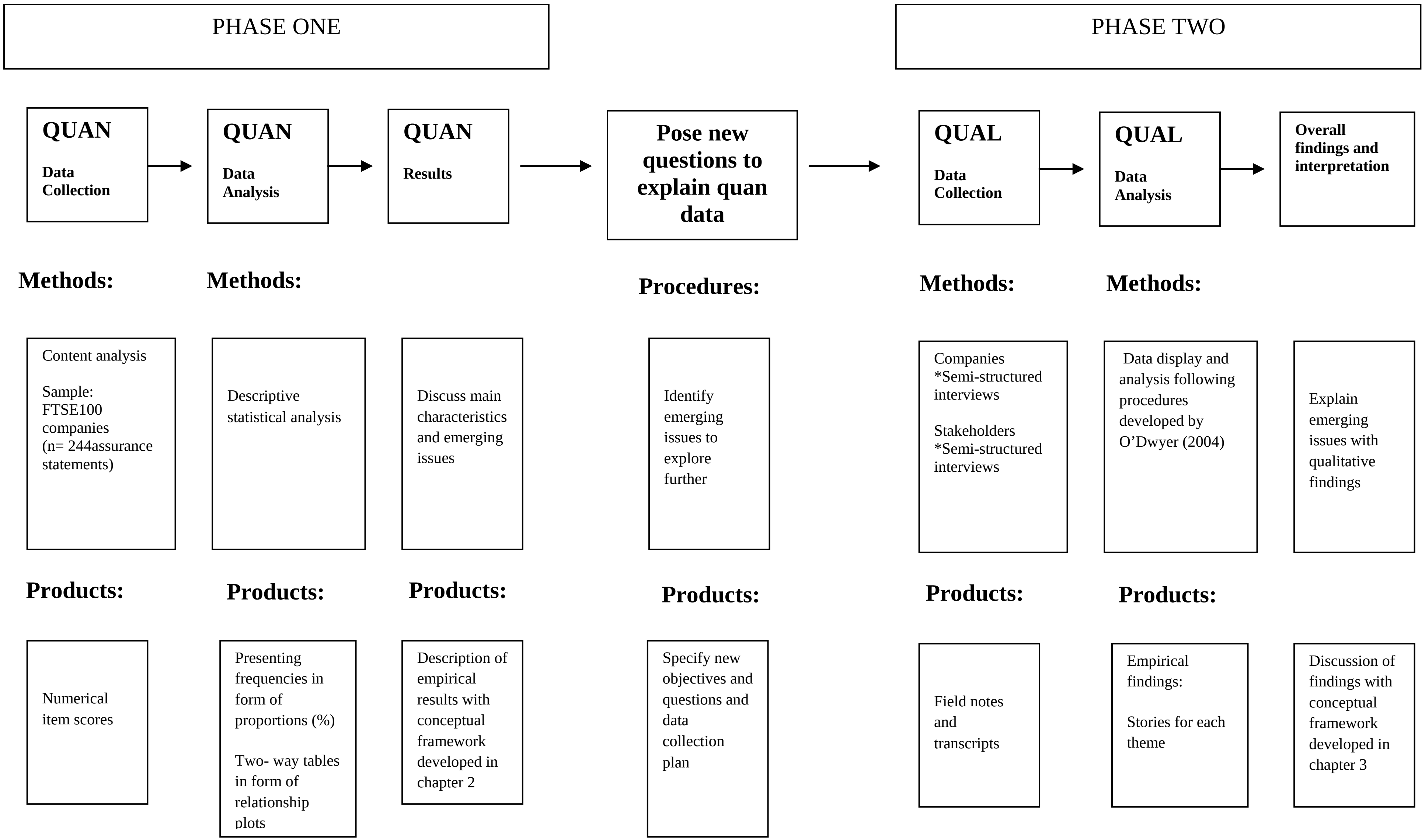
designed to benefit (Deegan et al., 2006). Therefore, the selection of this research design responds to the need to incorporate the views of individuals affected or who have a voice in the sustainability assurance world in sustainability assurance research.

Figure 4.3 illustrates the research design adopted for this study. It shows that the research process consisted of a two-phase mixed-methods follow-up explanatory sequential design, from quantitative phase (phase one) to qualitative phase (phase two), (QUAN to QUAL). The research began with general research questions (see chapter 2, section 2.6) drawn from the literature review process, which were used to generate the research objective for the quantitative phase of the research (see chapter 5, section 5), and provided the framework to develop specific objectives for the qualitative phase (see chapter 5, section 5.7). The main outcome of the quantitative phase was the research objectives for the qualitative phase.

Hence, the research objective for the quantitative phase (phase one) of this study was to:

- Analyze trends and to identify emerging issues as represented in the text of sustainability assurance statements of companies in the UK between 2001 and 2007.

Figure 4-3 Research Design: Explanatory design (QUAN to QUAL) – follow-up explanatory model



Source: Adapted from Creswell and Plano-Clark (2007: 51)

During the second, qualitative, phase of this research, the aims were to:

- Investigate companies' reasons for commissioning sustainability assurance, and the factors underpinning the choice of assurance approaches, assurance standards, role of internal audit function, and restrictions in level of assurance;
- Elicit the views of companies representatives about the appropriate level of stakeholder inclusion in the assurance process, together with their suggestions for further developing assurance processes;
- Examine stakeholder views on sustainability assurance process, together with their suggestions for further developing assurance processes in order to promote a greater degree of stakeholder accountability.

The next section will discuss the process of data collection and analysis used during both phases of this research.

4.5.1 Phase one of the research: Quantitative[47]

The first phase of this research responds to the research objective: "To analyze trends and to identify emerging issues as represented in the text of sustainability assurance statements of companies in the UK between

[47] In this section the term "method" refers to techniques of data collection and analysis (Creswell & Plano-Clark, 2007:4).

2001 and 2007". In order to address this objective, it was necessary to use a specific technique to collect and transform data into a quantitative form. Therefore, the research method used was content analysis, as applied by previous researchers (see Al-Hamadeen, 2007; but also see Deegan et al., 2006). Hence, this phase adopted a quantitative approach; that is, it consisted of collecting qualitative data, transforming this data to quantitative form, and analyzing this quantitative form data using descriptive statistics (Collis & Hussey, 2003).

4.5.1.1 Data collection method: Content analysis

To identify trends and emerging issues in the practice of sustainability assurance in companies in the UK, the most appropriate method was a textual analysis of sustainability assurance statements issued between 2001 and 2007. Silverman (1993) defines textual analysis as the examination of text and documents. From among the research methods that could be used to understand the meaning in a text (Weber, 1990; Robson, 2002; Neuendorf, 2002; Krippendorff, 2004), this research uses content analysis. Krippendorff (2004) explains that this method is classified into two categories, viz, quantitative and qualitative. Quantitative content analysis was chosen on the grounds that it is one of the more practical ways to systematically convert information on selected features of the practice of sustainability assurance to numerical (categorical) variables for quantitative data analysis and to "[work] with the frequency of occurrence of [these features]" (George, 2009:145).

Albeit that Weber (1990) argues that there is no simple right way to conduct content analysis, it was decided that the best procedures to adopt for this phase of the investigation were the following sub-processes[48]:

(1)Identifying sources of data: This procedure focused on the selection of UK companies, and selection of reports and assurance statements;

(2)Designing the coding form: The design of the coding form considered the data characteristics described in section 4.3, viz "coding framework". The procedure also focused on testing the reliability of the coding form;

(3)Desk-based work: This consisted of coding the information contained in the assurance statements, and designing a database in Excel for the purpose of descriptive statistical analysis.

4.5.1.1.1 Identifying sources of data

Companies examined

This research examines companies listed in the FTSE100 Index. This index "comprises the 100 most highly capitalized companies in the United

[48] Based on the work of Silverman (2006:159).

Kingdom listed on the London stock exchange, representing 81% of the UK market"[49]. Albeit that the FTSE100 Index is not representative of the United Kingdom companies as a whole (see Gray, Kouhy & Lavers, 1995), it was selected on the grounds that[50], first, larger organisations are more likely to commission a type of assurance service (see Kolk & Perego, 2010). Hence, there was empirical evidence that more than 50% of FTSE100 companies reporting on sustainability issues commissioned sustainability assurance services (KPMG, 2005, 2008). Second, this index provides more comparability with previous studies investigating the phenomenon of sustainability assurance, which also used a FTSE100 sample of companies (see Al-Hamadeen, 2007; Jones & Solomon, 2010). Therefore, the one hundred companies listed on the FTSE100 Index on 31st March 2005 were examined. The breakdown of these one hundred companies by industrial sector is shown in Table 4.1. As can be seen from the table, the sample of companies represents a wide range of industrial sectors; hence, it is unlikely that there will be a sector bias in the result.

Table 4-1FTSE100 companies covered by the research, by industrial sector classification

Industrial sector	Classification representation in total list (%)
Aerospace and defence	3.0
Banks	8.0
Beverages	4.1
Chemicals	3.0
Construction and building materials	3.0
Electricity	3.0
Food and drug retailers	3.0

[49] http://www.ftse.com/Indices/UK_Indices/index.jsp
[50] This section draws on the work of Gray et al. (1995:87-88).

Industrial sector	Classification representation in total list (%)
Foods producers and processors	4.0
General retailers	6.0
Health, pharmaceuticals, and biotechnology	5.0
Leisure and hotels	6.0
Life assurance	6.0
Media and entertainment	9.0
Mining	4.9
Oil and gas	3.0
Personal care and household products	1.0
Real estate	4.0
Software and computer services	1.0
Speciality and other finance	4.0
Support services	4.9
Telecommunication services	4.0
Tobacco	3.0
Transport	3.0
Utilities	4.0
Total	100

Assurance statements

The information needed to achieve the objective of the first phase of the research is contained in sustainability assurance statements. This research follows previous research by analyzing sustainability assurance statements attached to reports (see Ball et al., 2000; Kamp-Roelands, 2002; O'Dwyer & Owen, 2005; Al-Hamadeen, 2007). Specifically, the study examines assurance statements attached to reports published by FTSE100 companies through sustainability sections on their websites over a period of seven years. First, reports issued by the FTSE100 companies from 2001 to 2007 under the headings "environmental, health and safety", "environmental", "social/environmental", "corporate social responsibility" and “corporate sustainability” were collected. Reports under other denominations, or not archived on the website, were not counted. In four cases there were mergers and acquisitions of companies in the sample. Reports released by these “new companies” were not recorded. In total, a sample of 401 reports was collected. Next, assurance statements were identified and collected from these reports. In this research an assurance statement was any statement in the report with a clear method of evaluation and issued by a formal external assurance provider. However, because of the need to explore different assurance approaches in the FTSE100 companies, statements issued by panels of evaluation or by the internal audit group were included[51]. In total, 244 assurance statements were identified and collected. The process of gathering assurance statements was carried out between January 2006 and September 2008. A final check was conducted in December 2008, to verify the number of reports and assurance statements contained in the sample database[52].

4.5.1.1.2 Designing a coding form

The process of designing the coding form consisted of the following sub-processes[53]:

---

[51] The sample of assurance statements excluded benchmarking statements (such as those provided by the London benchmarking group-LBG), and commentaries provided by opinion leaders.
[52] The high cost of access to a database such as CorporateRegister.com limited this step of the research.
[53] The procedure draws on the work of Neuendorf (2002:111-163).

(1) The first draft of the coding form was designed considering the features needed to describe the trends, and analyze emerging issues of the assurance practice (see section 4.3). Krippendorff (2004:173-178) suggests that the development of these features should be an interactive process; hence, the initial list of features was revised and adjusted after being evaluated by the research supervisor in his status of expert in the field. Following this procedure, the following final list of 20 features was produced:

- Presence of assurance statement
- Assurance provider type: accountancy firm, specialized consultants, certification bodies; other
- Assurance standard type: ISAE3000;AA1000; other
- Level of assurance type: reasonable, limited, other
- Assurance procedure type 1: Use of analytical procedures
- Assurance procedure type 2: Confirmation/corroboration of specific data with external parties
- Assurance procedure type 3: Consistency with underlying systems/data/report
- Assurance procedure type 4: Conducting interviews/discussion with management and employees
- Assurance procedure type 5: Inspection/checking of supporting underlying documentation

- Assurance procedure type 6: Reviewing accounting policies/disclosure principles/measurement methods/performance/risk/materiality
- Assurance procedure type 7: Site visits
- Assurance procedure type 8: Testing/reviewing reliability/accuracy of internal control systems
- Assurance procedure type 9: Rely on internal audit
- Assurance procedure type 10: Inclusion of stakeholder views
- Inclusion of stakeholder views method type 1: Review of media
- Inclusion of stakeholder views method type 2: Via secondary data
- Inclusion of stakeholder views method type 3: Via observations, attending stakeholder sessions
- Inclusion of stakeholder views method type 4: Via questionnaires, surveys
- Inclusion of stakeholder views method type 5: Via meetings with stakeholders and interviews
- Inclusion of stakeholder views method type 6: Via stakeholder panel/views of experts.

Albeit that the list of features generated is ample, it is not all-inclusive. However, it provides a good base for the examination of trends in the sustainability assurance practice.

(2)Preliminary drafts of the coding form were tested to assure reliability. A pilot reliability test was conducted on a sample of 33 assurance statements (15% of total sample). This process is explained in more detail in section 4.4.1.3;

(3)Efforts were made to establish content validity. This process is explained in more detail in section 4.4.1.3;

After confirming the reliability and validity of the coding form, the final version of the coding form was approved by the researcher's supervisor.

4.5.1.1.3 Desk-based work

Data were collected by means of the 62-item coding form (see version of the coding form in appendix 1). The majority of the items collected by the coding form were categorical variables; that is, yes/no variables (Agresti, 2007)[54]. Other items asked for factual information such as name of company or name of assurance provider. Following the procedures of O'Dwyer and Owen (2005), the researcher re-checked the array of data collected on several occasions. A final check of the data compiled was conducted in December 2008. After this, the categorical variables were translated into a spreadsheet in Excel, using numerical codes (0,1). A 'missing data' code was used to indicate reasons for data missed. The

[54] Categorical data are "data whose values cannot be measured numerically but can be either classified into sets (categories) or placed in rank order" (Saunders et al., 2007:593).

spreadsheet was checked and re-checked several times to verify that the data had been entered correctly. Following this, a preliminary analysis was carried out to check for errors in the database; in this manner, the database was corrected. After carrying out this process several times, the final analysis was conducted.

4.5.1.2 Data analysis method: Descriptive statistical analysis

A descriptive statistics analysis, using diagrams, enables the researcher to describe (and compare) variables numerically (Saunders et al. 2007). Therefore, in this research the categorical data were subject to a descriptive statistics analysis using Data Analysis and Statistical Software (Stata). The reason for using Stata was that it is command-line oriented (Kohler & Kreuter, 2005); this feature allows more efficient organisation and editing of datasets than does the Statistical Package for the Social Sciences (SPSS). From among the existing forms for presentation of categorical data (Saunders et al., 2007), this research chose two. That is, the statistical analysis consisted of: (1) Comparison of proportions of occurrences of categories for two or more variables in a percentage component bar chart, and (2) Showing patterns in variables using cross-tabulation in the form of categorical tabplots (see Cox, 2004). These forms were selected on the grounds that they facilitate to visualize trends, make comparison between variables, and to find relationships between variables (Saunders et al., 2007:430). The analysis of this data identified trends, patterns and emerging issues in the practice of sustainability assurance in the FTSE100 companies. In this manner, the research objective of the quantitative phase of the research was achieved.

4.5.1.3 Quality control procedures

There are two main types of validity that need to be established in a research project, viz content validity and results validity (see Saunders et al., 2007). Whilst content validity refers to the extent to which the content analysis method measures what it intends to measure, results validity concerns "the extent to which results are really about that they profess to be about" (Saunders et al., 2007:614). Krippendorff (2004:313-338) describes a variety of procedures that are used to establish the content and results validity in content analysis. For the purpose of establishing content validity, and because of time constraints, this research used a semantic validity procedure to ensure that the features selected for investigation (see section 4.3) accurately describe meanings in the context of this research (Krippendorff, 2004); that is, that the features could be easily identifiable by experts in the field of sustainability assurance as characteristic of the practice. Hence, the features were drawn from an extensive review of the literature on sustainability assurance, with particular focus on the United Kingdom case, and were then approved by the supervisor of this research in his role of expert in the field. Thus, the features seemed reasonable (see Robson, 2002). Moreover, results validity was established by the predictive validity procedure (Krippendorff, 2004). In other words, based on the review of the literature on sustainability assurance possible answers were envisaged with regard to the trends of the features selected for investigation (see section 4.3). Hence, observations in the dataset validate the predictions made.

Conversely, reliability refers to "the extent to which the data collection method will yield consistent findings" (Saunders et al., 2007:609). Neuendorf (2002:141) states that "when human coders are used in content analysis, this translates to intercoder reliability or level of agreement among two or more coders". Neuendorf (2002:146) notes that in content analysis, reliability should be assessed at two points, pilot and final. In this study, a pilot test was conducted on a random sample of 15% of the total sample of the assurance statements, in order to verify the performance of the coding form[55]. The data collected were reviewed by the research supervisor who, in his role as expert in the field of sustainability assurance, confirmed the results. Next, during the data gathering processing a final reliability test was conducted by two different coders (the researcher and a PhD student who received training on the subject) in order to verify the performance/consistency of the researcher in collecting the data. A random sample of 15% of the total number of statements was selected to conduct this final reliability test.

[55] A guideline between 10% and 20% is the rule (Neuendorf, 2002:158).

Because there is no one universally accepted coefficient of intercoder reliability, three coefficients were used in this study: percent of agreement, Scott's pi and Cohen's kappa[56]. For the calculation of the coefficients, the statistical software Statistical Analysis and Simulation Software (Simstat) was used. The reason for using Simstat was that it can calculate percentage agreement, Scott's pi and Cohen's kappa, whereas SPSS can only calculate Cohen's kappa (Lombard, Snyder-Duch & Campanella, 2010). In total, 23 items of the coding form were tested. The pilot test reported the following results (see results of the analysis in Appendix 2): (1) 9 items in the coding form with 100% agreement; (2) 6 items with coefficients equal to 1; (3) 8 items between 1 and 0.9; (4) 5 items between 0.9 and 0.8; (5) 1 item with less than 0.7[57]. The final test reported the following results: (1) 11 items in the coding form with 100% agreement; (2) 8 items with coefficients equal to 1; (3) 7 items between 1 and 0.9; (4) 2 items between 0.9 and 0.8; (5) 2 items between 0.8 and 0.7; (5) 1 item with less than 0.7[58]. Neuendorf (2002:143) notes that coefficients > 0.9 would be acceptable for all; coefficients > 0.8 would be acceptable in most situations, and below 0.7 there exists a disagreement. The two items in the coding form below 0.7 were revisited to better understand their meaning, and correct the issue in the final coding. Then,

[56] These coefficients are the most popular in social and behavioural science (Neuendorf, 2002). They are concerned with "the assessment of whether coders agree as to the precise values assigned to a given variable" (149). Because percentage of agreement coefficient does not take into account the element of chance, Scott's pi and Cohen's kappa are also used. "Scott's pi ranges between 0.00 (agreement at chance level) and 1 (perfect agreement); values less than 0.00 indicate that agreement is less than chance. Cohen's kappa ranges from 0.00 (agreement at chance level) to 1.00 (perfect agreement); values less than 0.00 indicate that agreement is less than chance" (Neuendorf, 2002:150).

[57] Simstat did not report results for 3 items.

[58] Simstat did not report results for 3 items.

a final re-check was conducted for all the variables of the coding form with the whole sample of statements; however, no reliability test was conducted.

4.5.1.4 Limitations of content analysis method

Research methods have advantages and disadvantages (Collis & Hussey, 2003; Silverman, 2006; Weber, 1990). Robson (2002:358) argues that one of the major advantages of the content analysis method lies in its execution on data which is in permanent form; this allows reliability checks. However, a major disadvantage is the bias from “working on documents which have been written for some purpose other than for the research” (Robson, 2002:358). Hence, with this research method there is no possibility of interacting beyond reading and analyzing the text. Robson (2002) suggests the need for other data sources to address this problem. Therefore, in this study this limitation was minimized through the use of another research method, semi-structured interviews, as discussed below.

4.5.2 Phase two of the research: Qualitative

During phase one of this research, trends and emerging issues in the practice of sustainability assurance in the FTSE100 companies were identified. During phase two, these issues were explained and understood through the views of representatives of FTSE100 companies and of stakeholder groups. Hence, the following objectives were established for the second phase of the research:

- To investigate companies' reasons for commissioning sustainability assurance, and the factors underpinning the choice of assurance approaches, assurance standards, role of internal audit function, and restrictions in level of assurance;
- To elicit the views of companies about the appropriate level of stakeholder inclusion in the assurance process, together with their suggestions for further developing assurance processes;
- To examine stakeholder views on the sustainability assurance process, together with their suggestions for further developing assurance processes in order to promote a greater degree of stakeholder accountability.

To address these objectives, it was necessary to use a specific technique to collect the views of companies and stakeholder groups on emerging issues of the sustainability assurance in the United Kingdom. The research method used was semi-structured interviews, as applied by previous researchers (see Jones & Solomon, 2010; Edgley et al., 2010; O'Dwyer et al., 2011). Therefore, this phase of the research adopted a qualitative approach; in other words, this phase consisted of eliciting research participants' views on emerging issues of the sustainability assurance in the United Kingdom, and using their words as data to obtain a deep understanding of the phenomenon (see Collis & Hussey, 2003).

4.5.2.1 Data collection method: Semi-structured interviews

This study chose the interview method over the questionnaire-based survey and observation methods for three reasons. First, the questionnaire-based survey method "work[s] best with standardized questions where it is possible to be confident that the questions mean the same thing to different respondents" (Robson, 2002:234). Hence, this method was inappropriate, particularly when dealing with participants from stakeholder groups. It was anticipated that with this group, there would be a need to explain and interpret some questions concerning technicalities of the assurance process, such as issues concerning assurance standards and the stakeholder inclusion in different stages of the assurance process. Second, there are practical difficulties in carrying out participant observation, chief among them the high cost, and the uncertainty of access to companies and stakeholder group organisations. Finally, it was more likely that participants would agree to be interviewed rather than complete a questionnaire survey (see Saunders et al., 2007).

The interview is a method of collecting research data in which "participants are asked questions in order to find out what they do, think or feel" (Collis & Hussey, 2003:167). From among the different types of interviews - structured, semi-structured, open-ended, or focus group type (Silverman, 2006), this research chose the semi-structured interview. It was considered that through this type of interview, a flexible approach could be adopted. That is, whilst emerging issues were discussed with all participants, there were cases in which new questions were addressed as different aspects of those issues were revealed. Moreover, the semi-structured interview method allows for varying the order of inquiries between the interviews (Saunders et al., 2007).

Saunders et al. (2007) explain that semi-structured interviews may be conducted on a one-to-one or group basis. Although conducting semi-structured interviews by telephone is the more convenient approach (see Saunders et al., 2007), the majority of the interviews in this study were conducted one-to-one in a face-to-face situation. It was considered that in this way, the issue of the interviewer conducting the interviews in English could be managed[59]. Hence, thirteen interviews were conducted in a face-to-face situation, and five by telephone[60]. Moreover, face-to-face interviews offer "the possibility of following up interesting responses" (Robson, 2002). Conversely, group interviews and video teleconferencing were not considered for practical reasons, chiefly the difficulty of organizing such interviews. Equally, electronic semi-structured interviews using email or chat rooms would have been inappropriate as it would not

[59] The interviewer's native language is Spanish.
[60] Telephone interviews were conducted in cases where there were difficulties in travelling to the place where the interview was conducted.

have been possible to establish personal contact and build trust to explore sensitive matters concerning social and environmental issues.

4.5.2.1.1 Selection of respondents

The companies participating in this study were selected according to their status as "interesting" or "best practice" exemplars (Gray et al., 1995). In other words, the companies selected had a history of participation in the ACCA sustainability reporting awards scheme (for years 2005, 2006, and 2007). The sample of companies was also designed to cover: (1) the main approaches in the assurance provision adopted, such as big four, specialized consultant, certification body and panel of evaluation; (2) companies that had changed their assurance provider, or type of provision, during the previous five years, and (3) one company that decided not to re-commission assurance that it had previously discontinued.

Representatives of these companies were contacted via email, with a formal letter explaining the nature of the project. In qualitative research, the researcher selects individuals who can provide the information needed; that is, "researchers intentionally select participants who have experience with the central phenomenon or the key concept being explored" (Creswell & Plano-Clark, 2007:112). Therefore, participants were corporate responsibility managers who held primary responsibility for commissioning sustainability assurance. In the case of one company, two senior managers participated in the research; however, because the views they expressed were broadly the same, no distinction was made between them when considering the views of that company. Robson (2002:176) argues that if the researcher selects the interviewees, this introduces a bias in the research. However, as was the case with previous researchers, this bias was considered balanced by the interviewees' knowledge in sustainability assurance (Jones & Solomon, 2010:22). In total ten corporate responsibility managers were interviewed. These respondents were selected across industrial sectors to reduce sector bias in the result. The full list of corporate interviewees appears in Table 4.2.

Table 4-2 Company interviewees

Interviewee	Industrial Sector	Sustainability assurance provision (2007)	Assurance history (2002 -2007)
C1: Head of sustainable development	Mining	Big 4	Big 4 (change in provider 2007)
C2: Social performance manager	Oil and gas	Big 4	Big 4 (change in provider 2005)
C3: International sustainability manager	Tobacco	Big 4	Certification body and Big 4 (change in 2006)
C4: (i) Manager for country sustainability reporting ; (ii) Head of corporate reporting	Oil and gas	Big 4	Big 4 (same provider 2002-2007)
C5: (former) Sustainability manager	Telecommunication services	Certification body and stakeholder external panel	Certification body (same provider 2001-2007)
C6: VP corporate responsibility	Health, pharmaceuticals, and biotechnology	Certification body	Consultant and certification body (change in 2006)
C7: Public affairs manager	General retail	Big 4, consultant and stakeholder external panel	Big 4, consultant and stakeholder panel (change in 2007)
C8: Group senior adviser, sustainable development	Oil and gas	Stakeholder external panel	Big 4 (2002-04); external stakeholder panel from 2005
C9: Senior	Banks	No assurance	Consultant (2002-4);

Interviewee	Industrial Sector	Sustainability assurance provision (2007)	Assurance history (2002 -2007)
sustainability manager			(change in provider in 2004)
C10: European sustainability director	Telecommunication services	Big 4	Big 4 (same provider 2003-2007); stakeholders' views (2005-2006)

Additionally, a maximal variation sampling approach was used to select stakeholder groups participating in this study. In this approach, "groups chosen hold different perspectives on the central phenomenon" (Creswell & Plano-Clark, 2007:112). The idea is to choose a diversity of participants who can provide different views on the phenomenon under study, hence, providing a good qualitative study (Creswell & Plano-Clark, 2007:112). On this basis, three categories of stakeholder groups were selected.

First, the group from the investment community was sought, in view of the fact that social and environmental issues are becoming increasingly integrated into institutional investment decision making (see Solomon & Solomon, 2006), and because of the potential influence of this group in the development of sustainability reporting and assurance practice (see Zadek et al., 2004). Again, individuals from this stakeholder group were contacted by email, with a formal explanation of the research project. During the process of interview, respondents were asked to recommend people who were interested in the subject matter. In this manner, three individuals representing the investment stakeholder group were selected and agreed to participate in the research.

Second, nongovernmental organisations (INGOs) working on development issues at international level were approached. INGOs have tended to be at the fore in corporate stakeholder engagement initiatives: some, such as Christian Aid and Oxfam, have produced critiques of corporate social and environmental impacts; whilst others, such as War on Want and Friends of the Earth, have produced alternative corporate sustainability reports. Here, the strategy for identifying interview participants was to ask the first interviewee to recommend individuals with appropriate experience in corporate sustainability assurance and reporting. In most cases, one interviewee provided the name of the next interviewee. In another instance, the researcher contacted an individual at an international event held in Brussels in 2008[61]. In this way, four participants representing the INGO sector in the areas of development, environment, human rights, and social/poverty development were identified and agreed to participate in the research.

Third, the researcher sought a contribution from the trade union stakeholder group. Zadek et al. (2004) argue that employees are a major audience for sustainability assurance as they might be interested in the continuous improvement of company performance. Interestingly, it was here that there was greatest difficulty in securing interviewees, with the

[61] Conference: "Smart regulation: Legislative opportunities for the EU to improve corporate accountability" hosted by the European Parliament in 2008.

major United Kingdom trade union organisations all declining participation, largely arguing lack of expertise and/or interest in the subject matter. However, the researcher contacted a prominent official with an international trade union organisation, whom she met at an international event in Brussels in 2006[62], who agreed to an interview.

All the participants representing the stakeholder groups were either actively involved in sustainability reporting and assurance activity and/or had strong views concerning its current usefulness and future possibilities. In total, eight participants agreed to be interviewed. The full list of stakeholder interviewees appears in Table 4.3.

Table 4-3 Stakeholder groups interviewees

S1	Investor (specialist asset management)
S2	Investor (pension scheme advisor)
S3	Investor (SRI analyst)
S4	Environmental INGO
S5	Social/Poverty INGO
S6	Sustainable development INGO
S7	Environmental/Human rights INGO
S8	(International) Trade union official

In terms of numbers, "rather than selecting a large number of people or sites, the qualitative researcher identifies a small number that will provide in-depth information about each person or site". It is normal that "a small number is used, such as 4 to 10" (Creswell & Plano-Clark, 2007:12). Therefore, it was decided to choose a small number of participants from

[62] Conference: "Recent trends in Sustainability Reporting in Europe" hosted by the European Commission in 2006.

the companies and stakeholder groups to provide detailed views on the phenomenon under study.

4.5.2.1.2 Interview themes and procedures

In this research, interview themes to examine the views of representatives of companies and stakeholder groups on emerging issues in sustainability assurance were derived from the analysis of trends and issues in sustainability assurance in the FTSE100 companies (see chapter five, section 5.7). Themes for the interviews were as follow:

(1)Interview themes with representatives of companies:

- Company division with main role in the sustainability assurance exercise
- Reasons for commissioning sustainability assurance services
- Benefits of the assurance services
- Factors underpinning assurance approach; view on sustainability assurance standards
- Restrictions on level of assurance
- Role of internal audit function
- Necessary degree of stakeholder inclusion
- Positive or negative views on the assurance exercise
- Future of sustainability assurance.

(2)Interview themes with representatives of stakeholder groups:

- Purpose of sustainability assurance
- Positive or negative views towards the exercise
- Views on assurance standards
- Future of sustainability assurance.

From these themes, two interview guides were developed, one for the representatives of companies and another for representatives of stakeholder groups (see list of questions in Appendix 3). Additional questions were asked according to the context, and depending on the issues discussed. Moreover, specific questions were asked to clarify responses given to the general questions.

Interviews with participants from the companies and stakeholder groups were held from January 2008 to August 2008. The majority of face-to-face interviews were conducted in various cities in the United Kingdom, and one was conducted in Brussels, Belgium. The interview protocol consisted of a brief presentation of the researcher's background together with the interview objectives, followed by general and follow-up questions. Interviews lasted between 30 minutes and 2 hours.

With the agreement of the interviewees, all the interviews were recorded and subsequently transcribed for the purpose of analysis. Several participants were concerned with what would be reported, and how

(Robson, 2002). Therefore, a guarantee of anonymity was given to the interviewees, in that neither their own name nor the name of their organisation would be identified in the final research report. This situation led to difficulties of referencing in the writing up process. In one case, there was a need to reference a previous research article that specifies the name of a company participating in this study. To guarantee anonymity, the name of the company was removed from the title of the article in the list of references of this thesis.

Conducting interviews in English was a challenging experience for the researcher, especially when dealing with difficult interviewees. For example, one interviewee provided straightforward, short answers to the questions, without the possibility to explore the topic further, while another started interviewing the researcher, in an almost intimidating way. In the latter case, the researcher had to build trust with the interviewee, and was finally able to conduct an interview which yielded interesting insights. Overall however, the experience of interviewing was a positive one.

4.5.2.2 Data analysis method: Data display and analysis

Because this study is based on an inductive research approach, it follows an inductively-based analytical approach to analyze the qualitative data (Saunders et al., 2007: 492). Lack of experience in conducting a qualitative data analysis meant that the researcher was an apprentice (Robson, 2002:457), and needed assistance in this area. Hence, from among the group of inductively-based analytical methods, it was advised that the researcher use the data display and analysis method (Saunders et al., 2007: 493). This method has been developed in more detail and used by a previous researcher in the field (O'Dwyer, 2004). Hence, this research mainly follows O'Dwyer's (2004: 391-407) procedures, which consisted of the following three sub-processes:

(1)Data reduction

Prior to commencing the data reduction, every transcript was read several times until the text was fully understood. Then, the researcher read each transcript while simultaneously listening to the recording, and made notes on specific issues. Following this, categories related to the research objectives of phase two of the research were identified in the text. Additionally, the interview themes were used as a guide. After these categories were identified, open codes were derived from the dataset. The process of composing the open codes took a considerable amount of time, especially with the dataset from the stakeholder groups' participants, since they provided very heterogeneous views. Then, each codified dataset was recorded in a Word file and cross referenced with the marked page in each transcript. Finally, further readings of the transcripts were made in order to make a summary of each interview, and in the case of the stakeholder groups dataset, the review considered the type of stakeholder group represented. After this, a period of six months was taken to reflect on the findings, following which the transcripts and summaries were read again.

(2)Data display

In order to organize the codified dataset, a matrix was used to assemble the dataset into a diagrammatic form. This matrix allowed comparison among different viewpoints and different items of information, and the identification of patterns and contradictions in the dataset. To build the matrix, the matrix function in the software NViVo (a type of computer assisted qualitative data analysis software [CAQDAS])[63] was used (see Saunders et al., 2007:509).

(3)Drawing conclusions

This stage of the analysis took a considerable amount of time, almost eighteen months. To draw empirical conclusions, the dataset was analyzed by asking the following questions: What are the points of interest emerging? What are the differences in the views of different stakeholder groups, and companies? Are there any connections among different categories? Are there any connections among the different views of participants? (see Saunders et al., 2007). Then, a story was developed

[63] For practical reasons the matrix function of this software was used to assist with the construction of the matrix that O'Dwyer (2004) recommends.

around a theme, focusing on expressing the diversity and contradictions of the views of the participants. Here, the researcher made generous use of direct quotes from the interview transcripts to provide an extensive description and interpretation of sustainability assurance in the United Kingdom. For the researcher, this was the most difficult part of the dataset analysis and required further assistance from her supervisors. Following this, and for the purpose of drawing conceptual conclusions, the dataset was analyzed by asking the following question: How does the empirical material relate to the conceptual framework (see chapter three, section 3.5)? (see Saunders et al., 2007). Finally, an explanation was developed around key strands of the conceptual framework.

4.5.2.3 Quality control procedures

In this research, the lack of a standard set of questions leads to concerns regarding reliability (Saunders et al., 2007:318). However, reliability has "limited meaning in qualitative research since the circumstances to be explored are complex and dynamic" (Creswell & Plano-Clark, 2007:135). In this study, the researcher underwent a thorough process of reflexivity (Robson, 2002:172); that is, the researcher took full account of particular personal beliefs and ideologies which could have an impact on the research process. Through the reflexivity process, she identified areas of potential researcher bias, and dealt with them. In this manner, the validity or credibility of the results was established.

In qualitative approaches the concern for the researcher is to deal with threats to the validity of results (Robson, 2002). There are three possible threats to the validity of qualitative approaches, viz, reactivity, respondent biases, and researcher biases (Robson, 2002:172). In this research, a member checking procedure was used (Creswell & Plano-Clark, 2007) to deal with these three threats. The empirical findings were returned to the respondents, who were asked "whether the findings were an accurate reflection of their experiences" (2007:135). Whilst most of the respondents agreed on the empirical findings, one participant from one stakeholder group asked to rectify one result. Further, triangulation in the form of observer triangulation was used (Robson, 2002:174). That is, the supervisor of this research was present during the majority of the interviews, and he conducted the empirical analysis of the data. Hence, both the supervisor and the researcher arrived at similar results. Finally, preliminary findings were subject to external review from researchers in the field of sustainability assurance.

4.5.2.4 Limitations of semi-structured interviews method

The advantage of the semi-structured interview method is that it allows the researcher to explore a wide range of categories at a deeper level than the questionnaire-based survey method. However, the major limitation comes from interviewer bias. In this research, the potential for misinterpretation of the interviewees' responses because of cultural differences between the interviewees and the researcher was minimized by follow-up statements from the interviewees when necessary, and by recording the interviews then having them transcribed by native-English-speaking professional transcribers.

4.6 LIMITATIONS OF MIXED-METHODS RESEARCH

Albeit that the follow-up explanatory model research design is straightforward, researchers choosing this approach face specific challenges. Creswell and Plano Clark (2007:149) argue that potential issues in this type of mixed-methods research design are: "(1) Not choosing participants for the follow-up who help explain significant results; (2) Not designing an instrument with sound psychometric (i.e., validity and reliability) properties; (3) Choosing weak quantitative results to follow up on qualitatively". In order to minimize these threats, the following procedures were applied: (1) Participants for the quantitative and the qualitative phases were chosen from the same sample of FSTE100 companies; (2) Rigorous procedures for developing and validating the coding form were followed; (3) Significant results were chosen to follow up on; (4) Procedures to address both threads to validity and reliability were carried out when applicable.

4.7 ETHICAL CONSIDERATIONS

A researcher needs "to consider a number of different ethical issues and find out what rules there may be for conducting research at an early stage of the research" (Collis & Hussey, 2003:37). Since there are no established ethical principles for business research, this study used the University of Nottingham code of conduct for research[64]. First, professional development training in quantitative and qualitative research methods was undertaken. Second, paper records, and two databases with the quantitative and qualitative data, were kept to demonstrate that there was no falsification of results. Third, confidentiality of the research participants was ensured, since no names were disclosed. Finally, the research participants took part on a voluntary basis.

4.8 CONCLUSION

This chapter has described the research philosophy, research design and research methods choices made in this research. It has examined in detail the ontological assumptions, research design considerations, choice of research methods, and quality control measures adopted in the study. It has made clear that the study is based on an inductive research approach. This study is of descriptive, explanatory and longitudinal type. The chapter has described the mixed-methods research design - follow-up explanatory model - of two phases, from quantitative to qualitative. The

---

[64] Version of the code for year 2007 (http://www.nottingham.ac.uk/ris/policy/code_of_conduct.pdf)

results arising from the first, quantitative, phase are presented in chapter five. In chapters six and seven results from the second, qualitative, phase of the research are reported. This chapter provides a link between the preceding conceptual chapters, and the empirical chapters that follow.

5 CHAPTER FIVE: TRENDS AND ISSUES IN SUSTAINABILITY ASSURANCE PRACTICE: THE FTSE100[65]

This chapter has three aims:

(1) To examine sustainability assurance practices adopted by the FTSE100 companies using the content analysis method;

(2) To describe the trends, and emerging issues, in sustainability assurance exercises between 2001 and 2007;

(3) To highlight further research required to be conducted during the second, qualitative, phase of this research.

5.1 INTRODUCTION

Evidence from chapter two indicates that there are country differences in the growth of the commission of sustainability assurance services, and variations in the main features of the sustainability assurance practices. In order to address the research objective "to analyze trends and to identify emerging issues as represented in the text of sustainability assurance statements of companies in the UK between 2001 and 2007", this chapter examines the patterns of significant features of the sustainability assurance practices over that period in the FTSE100 companies. The

[65] This chapter draws upon the work of Owen et al. (2009:14-16), who present an overview of the trends and issues in sustainability assurance practices in the FTSE100.

analysis highlights a number of emerging issues in the practice of sustainability assurance, which will be explored in chapters six and seven. This chapter comprises seven sections. The first section analyzes the trend in the commission of sustainability assurance services; the second examines the trend in the choice of assurance provider and approach; the third section illustrates the tendency regarding sustainability assurance standards; the fourth describes the trend concerning the level of assurance; the fifth describes the trend in the type of assurance procedures employed, while the sixth section examines the trend in the inclusion of the opinion of stakeholders within assurance exercises. Finally, section seven draws conclusions from the discussions in this chapter.

5.2 COMMISSION OF SUSTAINABILITY ASSURANCE SERVICES

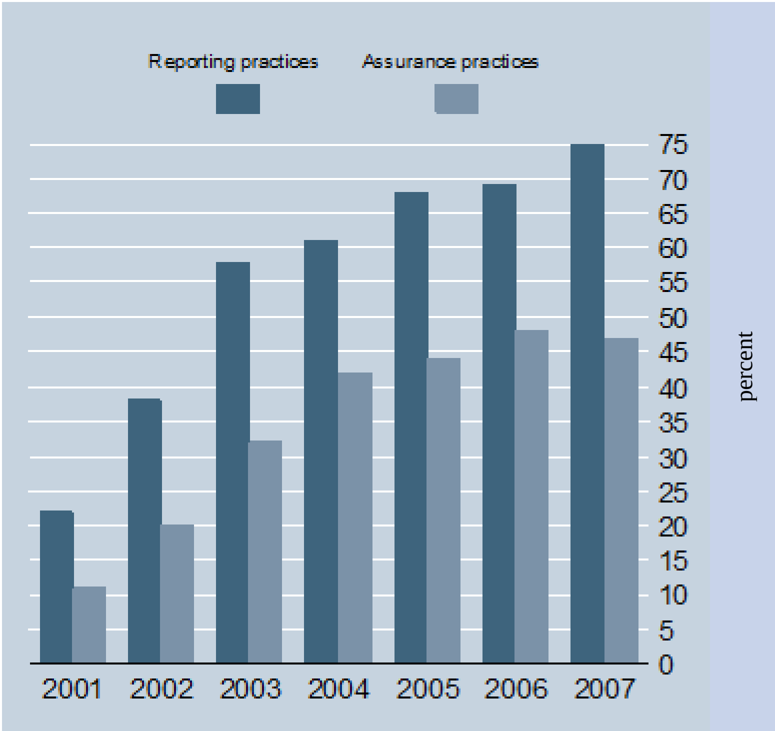
As mentioned in chapter two, the commission of sustainability assurance services is a voluntary company decision. Therefore, the business case for sustainability assurance is a determinant of the adoption of these services. The FEE (2002:16) argues that there are potential internal and external benefits from implementing this type of assurance. Internally, the assurance process contributes to the development of management systems of control and reporting systems, which in turn improve the process of decision making and the capacity to achieve business objectives. Externally, the assurance process promotes improvement of community perceptions of companies' activities, as the credibility of the sustainability report is enhanced. According to the FEE (2002:16), companies also receive benefits from the expertise and experience of assurance providers. Further, the adoption of assurance process reduces the likelihood of regulatory investigations and penalties in connection with social and environmental concerns (FEE, 2002).

This section explores the extent of the commission of sustainability assurance services in the FTSE100 companies. Given the claims that external and internal benefits arise from the provision of sustainability assurance services, it could be expected that there would be a significant annual increment in the percentage of FTSE100 companies hiring this type of assurance service. However, the results in this study show a different tendency.

Figure 5.1 outlines the trends in the proportion of FTSE100 companies that issued reports and the proportion of companies that commissioned sustainability assurance services between 2001 and 2007. The figure shows that the proportion of reporting practices was higher than the proportion of assurance practices. It is clear that most of the reporting practices of the FTSE100 companies were under some type of sustainability assurance exercise. As can be seen from the chart, the proportion of companies adopting reporting practices steadily increased during the period of study; however, from 2001 to 2004, this increase was significant compared to the rise between 2004 and 2007. Conversely, although the proportion of companies commissioning assurance services increased significantly from 2001 to 2004, it appears that this proportion remained almost stable between 2004 and 2007. Moreover, the difference between the proportion of companies adopting reporting practices and the proportion of companies commissioning sustainability assurance services fluctuated between 2001 and 2007; that is, in the years 2002, 2004 and 2006, the gap was lower than in the years 2003, 2005 and 2007.

Three scenarios might explain these trends in commissioning assurance services: (1) It might be that companies engage in assurance exercises only once they have robust reporting systems, and therefore those companies that initiated reporting exercises in 2004 or later are not yet declaring assurance; (2) Sustainability assurance might be reaching a peak or even declining as a result of companies' budgetary constraints in the unfavourable economic climate; (3) If companies are unconvinced as to the benefits arising from the sustainability assurance service, they might develop an "intermittent assurance process", alternating between adopting and not adopting assurance exercises.

Figure 5-1 Reporting and the commission of sustainability assurance



Source: Owen et al. (2009:14)

The results of this research differ from some published studies in the percentage figure of FTSE100 companies commissioning assurance services. Whilst KPMG Surveys (2005, 2008) report that between 2002 and 2008 the commission of sustainability assurance services in the FTSE100 companies remained almost stable at around 53-55%, the present study found that the percentage figure is stable at around 44-46%. This discrepancy can be explained by the differences in the samples of corporate sustainability reports taken for the two analyses. However, the research findings in this study are in agreement with the KPMG (2005, 2008) results in that there was a lag in the commission of sustainability assurance services in the FTSE100 companies. As a result of this lag, the UK was displaced from its 2002 position as the country with the second highest percentage in Europe of top national companies commissioning sustainability assurance services, to fourth place in 2008, after France, Spain and Italy, where 73%, 70% and 60% respectively of the top national companies commissioned this type of assurance services (KPMG, 2005, 2008).

It is clear that sustainability assurance services are popular among the FTSE100; however, the lag in the adoption of this type of assurance services, together with the general reluctance among corporate responsibility managers of the FTSE100 to endorse external assurance, as reported by Jones and Solomon (2010), evidences the need for in-depth investigation of corporate motives and favoured approaches towards sustainability assurance. Consistent with the view of KPMG (2008), further research should be done to identify the reasons driving the commission of sustainability assurance exercises in the UK.

5.3 SUSTAINABILITY ASSURANCE PROVISION

The FEE (2002) defines four types of assurance approaches: accountancy, consultancy, social audit, and other approaches. According to the FEE (2002:18), differences among these approaches arise for historical reasons and are evident in the nature of the assurance provider. The accountancy and the consultancy approaches lead to the production of an assurance statement (report) by the assuror for the company. The accountancy approach consists of an independent examination by an accountancy firm of the information contained in the company reports (FEE, 2002:18). The consultancy approach came into being as part of the consultancy services that companies were seeking to strengthen various management processes (FEE, 2002:20). Conversely, the social audit approach began as an external critical investigation of the company's activities by an independent social auditor who would produce a report mainly for external constituencies without any report from the company (FEE, 2002:19).

The accountancy approach, the FEE (2002) explains, is a structured approach using risk analysis methods and appropriate procedures to gather evidence in order to produce an assurance statement[66]. The consultancy approach provides recommendations to the companies to improve performance in the areas of sustainability or to increase the reliability and disclosure of sustainability information (FEE, 2002)[67]. Al-Hamadeen (2007) suggests that within the consultancy approach, there is

[66] Academic researchers have raised concerns regarding the accountancy approach in sustainability assurance. O'Dwyer and Owen (2005:225) assert that, in reality, accountants tend to adopt a cautious approach. They claim that accountants engage in little "real time" assurance and reduce this type of assurance to checking data only, in stark contrast to the risk-based financial approach in financial auditing, which focuses on auditing adding value.

[67] This view is supported by O'Dwyer and Owen (2005:225-226), who claim that the consultancy approach is more evaluative, focusing on issues of completeness and fairness, providing commentary on reporting systems and weakness in performance. According to these researchers, this approach is more strategic and adds value to external constituencies.

a clear distinction between specialized assurance consultants and certification bodies. Hamadeen (2007) emphasizes that certification bodies provide information concerning the assurance standards, scope of the exercise and the criteria used to evaluate the quality of the report. The social audit approach relies on obtaining evidence from outside the company, mainly from stakeholders and third parties, to produce a public report (FEE, 2002:19)[68]. However, the need to assure sustainability information led to assurance providers incorporating operating procedures of social auditors in their assurance approaches. The FEE (2002:20) illustrates other approaches which consist of judgements made either by a "rating agency type of organisation", or by independent experts or celebrities in the field[69].

According to Deegan et al. (2006), there is neither regulation nor consensus as to who is the most appropriate entity to conduct a sustainability assurance exercise. Therefore, it is expected that a diversity of assurance approaches will be found in the FTSE100 companies. In this section, the assurance approaches adopted by the FTSE100 companies are explored via an analysis of the type of assurance provider conducting the assurance exercise. Three main categories of assurance provider were identified in this sample of study: traditional assurance firms (accountants), specialized assurance firms (consultants) and certification bodies. Figure 5.2 presents the trend in the proportion of assurance

---

[68] Examination of this approach was intentionally excluded from this research.
[69] Examination of this approach was intentionally excluded from this research.

services conducted by accountants, specialized assurance firms, and certification bodies between 2001 and 2007. As is apparent from the figure, initially traditional assurance providers (accountancy firms) were the companies' first choice to provide assurance services. Specialized assurance consultants emerged as assurance providers when sustainability reporting began to take off from 2001 onwards, and were dominant in the sustainability assurance market between 2001 and 2007; however, between 2005 and 2007 there was a noticeable increase in the proportion of companies using accountancy firms. Hence, the difference between the proportion of assurance services conducted by specialized assurance firms and the proportion conducted by accountancy firms decreased considerably between 2005 and 2007. It appears that accountancy firms began to take a more proactive position in the sustainability assurance market in the UK. It would be of considerable interest to observe whether this trend continues, since it might have an impact on the assurance approach adopted in the future. Conversely, as can be seen from the chart, certification bodies were used to a much lesser degree than specialized assurance consultants and accountancy firms.

The present findings seem to be consistent with other research which has found that, between 2000 and 2004, the consultancy approach was the most used approach in sustainability assurance in the FTSE100 (Al-Hamadeen, 2007). What is surprising in this finding is that whilst UK companies still prefer the consultancy approach, the global trend tends to favour the accountancy approach (KPMG, 2005, 2008). The finding in this study raises questions concerning the preference for a certain type of assurance approach. Consistent with the views of Deegan et al. (2006) and Al-Hamadeen (2007), further investigation is needed to clarify the

Figure 5-2 The trend in assurance provision

Source: Owen et al. (2009:14)

factors behind the selection of the consultancy and the certification body[70] approaches in the UK. However, the findings in this research also reveal that accountants have begun (and will probably continue) to take a larger

[70] This approach is examined as it is considered part of the consultancy approach.

slice of the sustainability assurance market in the UK. Hence, further research should be done to investigate the reasons behind this recent preference for the accountancy approach.

Turning now to examine additional results on the assurance approaches used by the FTSE100 companies, the findings in this research suggest that the approaches used by assurance providers have started to incorporate the operating procedures used by social auditors (FEE, 2002); that is, the assurance providers are entering into dialogue with stakeholders. The degree of inclusion of the opinion of stakeholders in sustainability assurance exercises will be examined in detail later in this chapter in section 5.6. Results in this research indicate that few companies were using either a stakeholder panel or panel of experts or independent credible experts in conjunction with a formal assurance approach (conducted either by an accountancy firm or by a specialized assurance firm or certification body). These results are consistent with those of other studies and suggest that there is an incipient emerging trend of using procedures of social audit in the assurance approach (see KPMG, 2005, 2008; Edgley et al., 2010). The most striking result to emerge from the data is that two of the FTSE100 companies[71] were replacing the traditional assurance approach with a form of panel of evaluation. Hence, further work is required to establish the reasons behind both the adoption

[71] The companies were from the defence and oil industrial sectors.

of the panel of evaluation, and the use of different assurance approaches in a single assurance exercise.

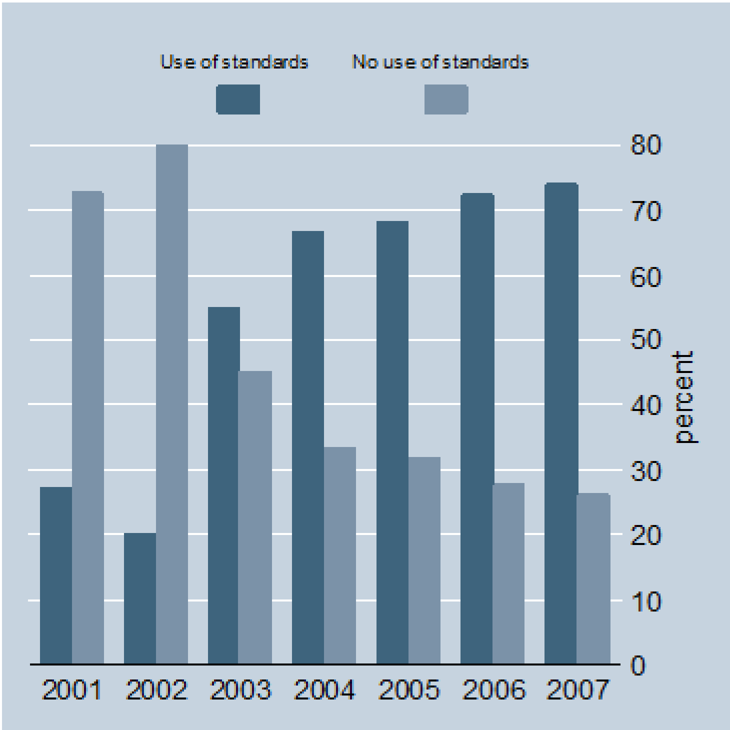
5.4 USE OF ASSURANCE STANDARDS

As sustainability assurance is currently voluntary in the UK, there are no mandatory ethical, procedural or reporting standards to guide the assurance exercise. Nevertheless, according to Deegan et al. (2006), the assurance provider is the authoritative entity for selecting the most appropriate assurance standard. The selection of the standard is based on the type of assurance engagement and the scope of the exercise, and the expectations of the organisation and stakeholders (Deegan et al., 2006). However, in the case of accountancy firms, the assurance approach is based on the standards and guidance provided by the IAASB (FEE, 2002). Hence, it is expected that they use the ISAE3000 standard, which apply to all assurance engagements other than audits and reviews of historical information, and are effective for assurance engagements where the statement is dated on or after 1 January 2005 (IAASB, 2004). Conversely, specialized assurance consultants tend to use the AA1000 assurance standard (O'Dwyer & Owen, 2005), which was developed by the leading (non-accounting) international institute, AccountAbility, and is based on a process of stakeholder accountability.

This section examines the trends in the use of assurance standards to conduct the assurance exercise. Figure 5.3 compares the proportions of assurance practices conducted with and without the use of a standard between 2001 and 2007. From this figure, it is evident that the proportion of the exercises using assurance standards steadily increased from 2003 to 2007. As can be seen from the chart, the difference between the proportion of exercises using standards and the proportion not using standards is growing. Hence, it is apparent that over time, assurance standards are gaining wider acceptance among, and being referenced by, assurance providers in the United Kingdom. Previous research has shown that the rule among UK companies was not to report the use of an assurance standard (Deegan et al., 2006; Al-Hamadeen, 2007). The findings in this research suggest that there has been progress towards the adoption of a more rigorous approach to the assurance process.

In this research, three main types of assurance standard were identified as the AA1000AS, the ISA/ISAE3000, and other standards. Figure 5.4 compares what proportion of exercises used the AA1000AS, the ISA/ISAE3000, a combination of AA1000AS and ISA/ISAE3000, and other standards between 2001 and 2007. From the figure, we can see that the AA1000 standards were introduced in 2001 and were widely used in the assurance exercises. The popular use of the AA1000AS in this sample of FTSE100 companies corroborates earlier findings from Al-Hamadeen (2007). The ISA/ISAE3000 standards were less popular in assurance exercises; however, there has been an increment in the proportion of the use of the ISAE3000 standard since 2005.

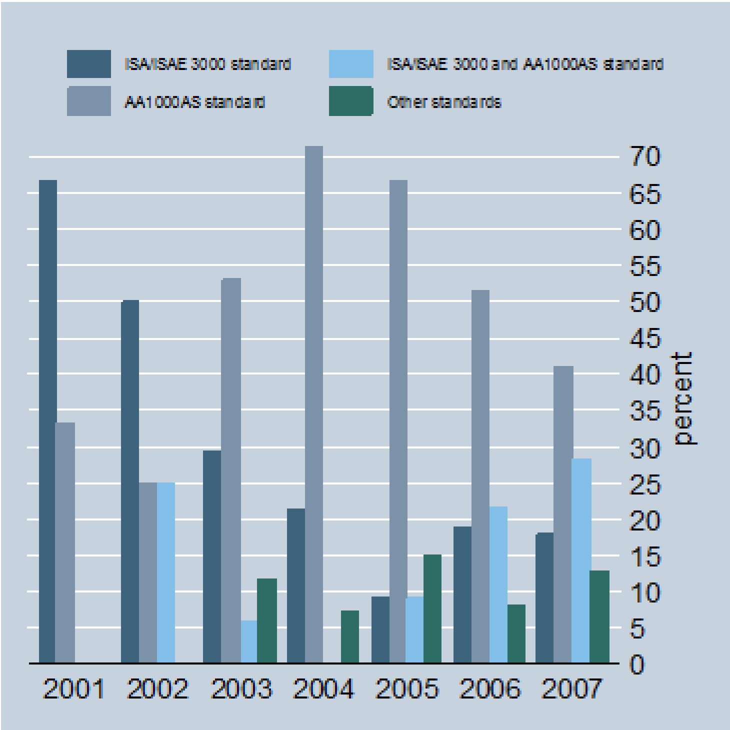
Figure 5-3 Use of assurance standards



Source: Owen et al. (2009:15)

This trend might be a consequence of the growth in accountancy-based assurance between 2005 and 2007. As can be seen from the chart, there has been a significant increment in the proportion of assurance exercises conducted with both AA1000 and ISAE3000 standards simultaneously between 2005 and 2007. This indicates that assurance providers have begun to mix different approaches, as represented in the nature of the assurance standard used, in the practice. Hence, it is probable that in the future, the assurance service provided by different assurance providers will have similar features. It is also clear that a lower proportion of assurance providers were using another type of standard, mainly from the International Organisation for Standardisation, the (ISO) series.

Figure 5-4 The type of standard used

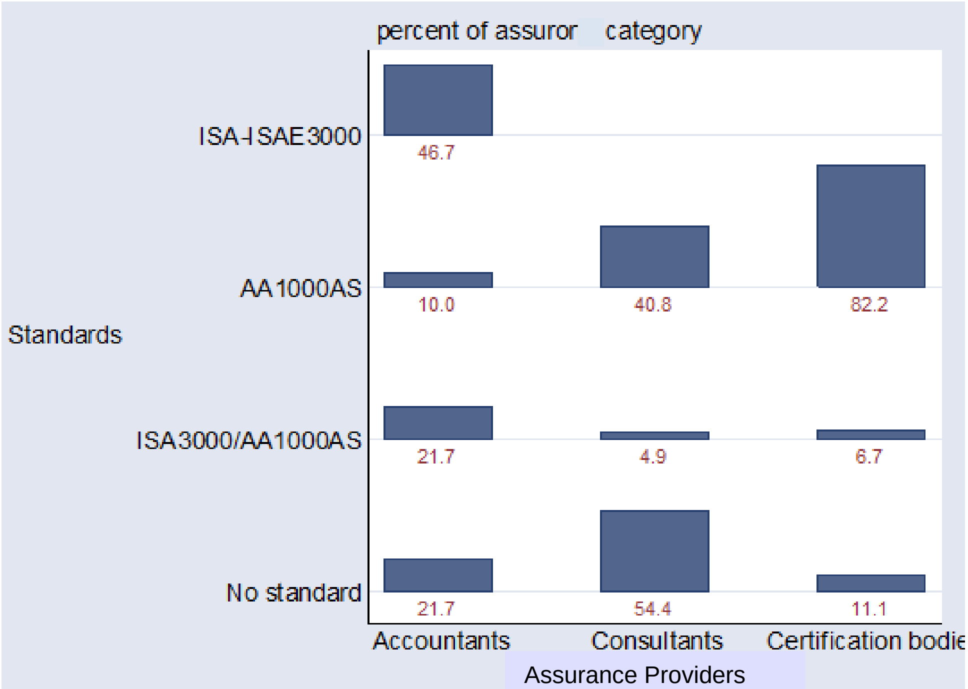


Source: Owen et al. (2009:15)

If we now turn to examine the use of assurance standards according to the type of assurance provider, a clear tendency can be observed. Figure 5.5 outlines the proportions of assurance standards used by different assurance providers in sustainability assurance exercises between 2001 and 2007. From the figure, we can see that accountants tend to make greater use of the ISAE3000 standard, but also use AA1000AS. Similarly, specialized assurance consultants tend to make greater use of AA1000AS, but in the majority of cases they do not refer at all to the use of standards. These findings corroborate the findings of a great deal of the previous work in this field (see O'Dwyer & Owen, 2005). Given that specialized assurance consultants dominate the assurance market in the UK, and that one third of the accountancy firms, together with a high proportion of certification bodies, use AA1000AS, the results confirm the predominance of these standards. As can be seen from the chart, for the certification bodies, the AA1000AS standard is the first choice. Interestingly, the figure shows that accountants are more reluctant than other assurance providers[72] to engage in sustainability assurance exercises without adopting a rigorous approach via the use of standards. This finding is in agreement with the study by Mock et al. (2007:73), which showed that accountancy firms are more likely to disclose the assurance framework used to conduct the exercise. As can be seen from the figure, accountants tend to use a combination of ISAE3000 and AA1000 standards to a greater extent than do specialized assurance consultants and certification bodies. Intriguingly, this figure shows that a small proportion of specialized assurance consultants and of certification bodies are also using the ISAE3000 assurance standard.

[72] Here specialized assurance consultants and certification bodies are considered together.

Figure 5-5 Use of standards by assurance providers



This finding confirms that there is an emerging trend of using both assurance standards in the assurance exercise (CorporateRegister.com, 2008).

It is clear that the assurance practice in the UK has taken a different course than has practice at the global level, where the preference is for the accountancy and ISAE3000 approaches (see KPMG, 2008). The favoured position of the AA1000 assurance standard in the sustainability assurance market in the UK is worthy of examination. Hence, further work is required to investigate the opinion on this assurance standard approach. What is interesting in the results of this research is that accountancy firms have started to integrate a stakeholder-centred approach (by using the AA1000AS) into their own assurance services. A possible implication of this finding is that accountants will be providing assurance with more added value for external stakeholder groups. Therefore, future research in the field should build on the work of O'Dwyer and Owen (2005) and Al-Hamadeen (2007) to clearly establish the influence of the core principles of the AA1000AS on the accountancy assurance approach.

5.5 THE LEVEL OF ASSURANCE

The concept of level of assurance is used mainly in the context of the accountancy approach, where assurance engagements are categorized as "reasonable" or "limited". According to Soltani (2007:16), the level of assurance conveys the degree of confidence that the users of the assurance statement may place in the credibility of the subject matter. However, the FEE (2002:36) explains that "an audit cannot guarantee the complete absence of material misstatements in audited subject matter". That is, there is always a risk that audits fail. In the case of sustainability assurance, "the assurance provider may have to consider the risk of system failure not only in relation to the disclosure of data but also in relation to the evidence necessary to allow assurance to be given directly on the operation of the system" (FEE, 2002: 36). The risk of audit failure is measured and controlled by auditing firms.

The ISAE3000 standard provides a clear definition of the objectives of limited and reasonable levels of assurance:

> *"The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion.*
>
> *The objective of a limited assurance engagement is a reduction in assurance risk to a level that is acceptable in the circumstances of the assurance engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion (paragraph eleven)* (IAASB, 2004: *1045)".*[73]

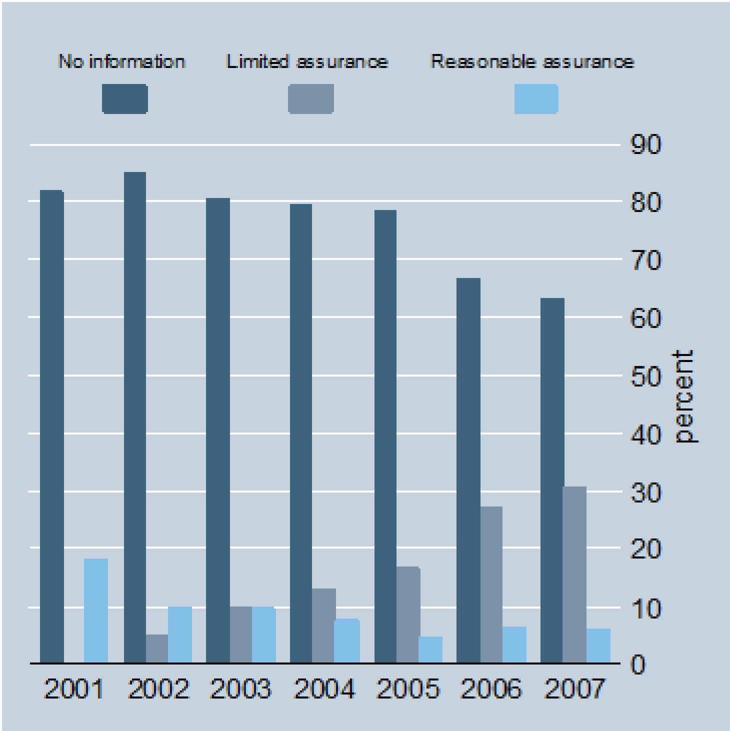
According to Deegan et al. (2006:332), the level of assurance has important implications for the practice of sustainability assurance in terms of the definition of the scope, the procedures employed, and the investment in money and in time. That is, it is expected that reasonable levels of assurance, also known as audit-level engagements, involve considerable levels of testing and assurance (Deegan et al., 2006:363). Deegan et al. (2006) explain that it is accepted that a positive form of opinion should be used for a reasonable assurance engagement, and that a negative form is used for a limited assurance engagement.

[73] The IAASB (2004:1060) explains that a positive form of opinion is in the form of: "In our opinion internal control is effective, in all material respects, based on XYZ criteria." Conversely, a conclusion in the negative form is expressed in the form: "Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria." (IAASB, 2004:1060)

This section examines the level of assurance provided in sustainability assurance exercises. Figure 5.6 compares the proportions of assurance exercises carried out with limited and reasonable levels, with the proportion that gave no disclosure information on the level of assurance between 2001 and 2007. As shown in the figure, the results in this research indicate that limited and reasonable engagements were used. However, it can be clearly seen from the chart that the proportion of assurance exercises that did not disclose information on the level of assurance was much higher than the proportion that did provide this information. Hence, the trend was not to disclose information on the level of the assurance exercises. This result is consistent with those of other studies (see Al-Hamadeen, 2007), and could be the consequence of companies hiring mainly specialized assurance consultants and certification bodies to conduct the assurance exercise. However, Figure 5.6 also reveals that the proportion of assurance exercises reporting on the level of assurance increased significantly between 2004 and 2007. It is highly probable that this growing trend will be observable in the future, given the introduction of a new requirement in the latest version of AA1000AS to disclose the level of assurance provided (AccountAbility, 2008 a, b).

Nevertheless, in contrast to earlier findings (see Al-Hamadeen, 2007), from the data in Figure 5.6 it is apparent that the proportion of exercises conducted with reasonable levels of assurance was much lower than the proportion conducted with limited levels. Hence, reasonable levels of assurance were noticeable largely by their absence. This tendency is also reported at global level (KPMG, 2008). Indeed, the difference between the proportion of exercises conducted with limited levels and the proportion conducted with reasonable levels increased considerably between 2004 and 2007. A possible explanation might be the difficulty in providing higher levels of assurance on the area of sustainability. Some researchers even argue that it will never be possible to guarantee highly reliable verifications, mainly because the examination of the information contained in sustainability reports is a complex task (Manetti & Becatti, 2009). Interestingly, the findings in this research also show that in the case of three FTSE100 companies, assurance providers reported two different levels of assurance (limited and reasonable) simultaneously in a single assurance engagement. In one case, whilst a reasonable level of assurance was used to provide assurance on key environmental indicators reported, no level was reported for social information. This finding further supports the conclusion by the FEE (2002:37) that "it may not be possible to achieve high levels of assurance on certain potential disclosures because of their nature, the lack of suitable criteria, and restrictions on the evidence reasonably likely to be available".

Figure 5-6 The level of assurance



Source: Owen et al. (2009:15)

The latest version of AA1000AS defines two levels of assurance labels in addition to those used by the accountancy profession, namely high level and moderate level (AccountAbility, 2008 a, b). According to the AA1000 standard, a high level of assurance is achieved where the evidence taken is sufficient for the risk of the conclusion to be very low but not zero (AccountAbility, 2008b:11). By contrast, a moderate level of assurance is reached when enough evidence is provided to reduce the risk of the conclusion being in error, but not to the point at which the risk is very low (AccountAbility, 2008b:11)[74]. This is an important issue for the future

[74] Soltani (2007:18) argues that moderate levels of assurance "are used in the case of a review engagement, referring to the circumstances in which the information subject to

practice of sustainability assurance, in that there is the possibility that the level of assurance could be upgraded from limited to moderate level.

Turning now to examine additional results in this research on the level of assurance used by the FTSE100 companies, these seem to be consistent with the findings in other research that a group of assurance providers developed their own definitions of levels of assurance (see Al-Hamadeen, 2007; Mock et al., 2007). The findings in this research reveal that in order to describe the level of assurance provided in the assurance engagement, one certification body and two accountancy firms used the terms "reasonable" and "absolute" levels[75], whilst another certification body[76] used the terms "advanced", "positive" or "basic". This finding in this research raises the important questions of whether using different level of assurance labels might increase the expectation gap, and whether there will be a standardization of the terms and meanings of level of assurance in the future.

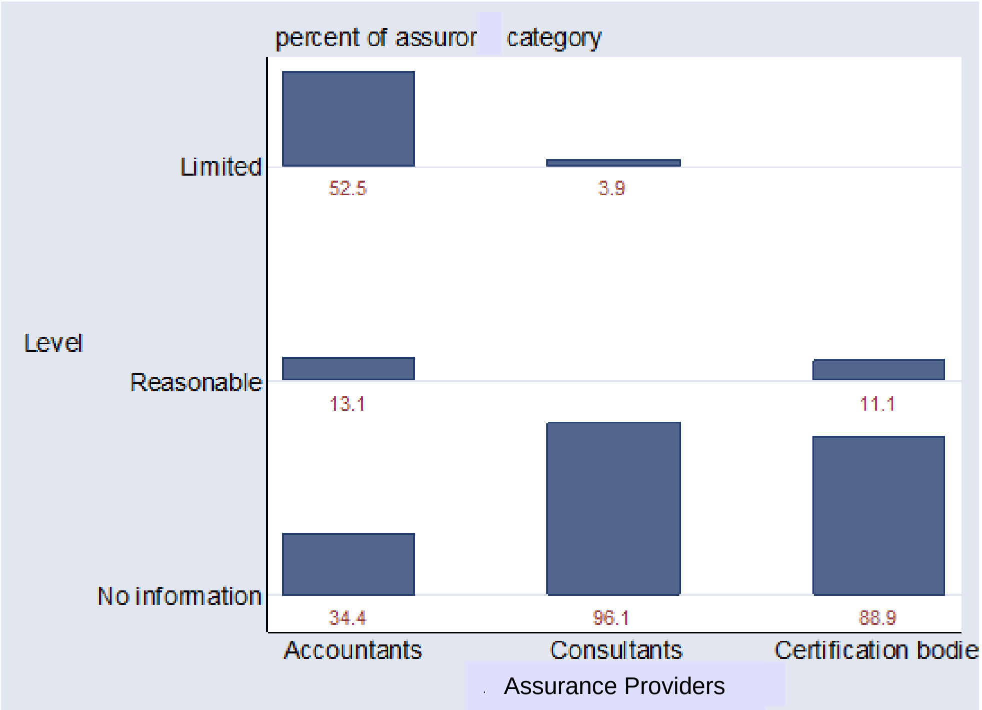
review is free of material misstatement which is expressed in the form of negative assurance".

[75] The ISAE3000 assurance standard notes that reasonable assurance is less than absolute assurance. It claims that "reducing assurance engagement risk to zero is very rarely attainable or cost beneficial" (IAASB, 2004:1054). Soltani (2007:17) also claims that "absolute assurance is not generally achievable because of factors such as the nature of selective testing, the shortcomings of the company internal controls, the characteristics of the audit evidence, and the importance of the auditors' perceptions in performing audits and formulating audit opinions".

[76] Further to these three levels, this certification body also noted in the assurance statement that "our work was planned and carried out to provide reasonable, rather than absolute, assurance". This increases the confusion as to what real level of assurance was used to conduct the exercise.

The results of this study illustrating the level of assurance by assurance provider are in accord with earlier observations by O'Dwyer and Owen (2005) that accountancy firms disclose levels of assurance applied in the exercises more often than do other assurance providers. This might be a consequence of accountancy firms using mainly the ISAE3000 standard. Figure 5.7 outlines the proportion of disclosure of the level of assurance by assurance provider in sustainability assurance exercises between 2001 and 2007. From the figure we can see that specialized assurance consultants and certification bodies very seldom report on the levels of assurance. However, when using the ISAE3000 standard, accountancy firms and specialized assurance consultants tend to report limited levels of assurance, whilst certification bodies tend to report reasonable levels. These findings further support the assertion by Mock et al. (2007) that accountancy firms are less likely to give positive (or reasonable) assurance.

Figure 5-7 Level of assurance by assurance providers



The level of assurance is an important issue in the provision of the assurance service, since it determines whether the form of the opinion offered is negative or positive. From the perspective of assurance providers, it is clear that the decision to restrict the level of assurance provided depends on the nature of the information reported and on limitations on finding reasonable evidence to provide an opinion (Deegan et al., 2006). However, further research should be done from the perspective of the auditee to investigate the factors underpinning restrictions on the level of the assurance exercise.

5.6 Procedures employed in sustainability assurance services

GRI (2006:38) notes that one key factor which demonstrates the quality of external assurance of sustainability reports is that assurance providers implement it in "a manner that is systematic, documented, evidence-based, and characterized by defined procedures". According to Deegan et al. (2006), a systematic form of assurance procedure is important to provide assurance on the information contained in the sustainability report. However, they explain that the level of assurance chosen for the assurance engagement influences the nature, timing and extent of assurance procedures employed. That is, it is expected that assurance exercises conducted with limited levels of assurance accentuate "the use of inquiries or/and analytical procedures rather than collecting large amounts of substantiating evidence" (Deegan et al., 2006:353).

There is a lack of consensus concerning the procedures for conducting assurance on sustainability reports (Deegan et al., 2006). However, sustainability assurance standards provide a guide on the type of procedures that should be used to conduct the exercise. For example, the ISAE3000 standard specifies that assurance procedures must combine substantive tests, analytical procedures and control tests (Manetti & Becatti, 2009). According to the FEE (2002:25), substantive tests are procedures aimed at obtaining evidence of misstatements or omissions in the sustainability report, and "they may involve substantiating individual items making up a disclosure and checking that calculations and summarisations have been done accurately" (26). Analytical procedures consist of "a critical analysis of past series of data, enquiring into gaps between planned and achieved values and into indexes and business trends" (Manetti & Becatti, 2009:291). Control tests are procedures such as inquiries and observations to verify the efficiency of the internal management control systems (Manetti & Becatti, 2009). Conversely, the AA1000 assurance standard mentions traditional financial and environmental audit procedures in addition to procedures that include the view of stakeholders (AccountAbility, 1999, 2003, 2005).

This section examines the procedures used in sustainability assurance exercises. Figure 5.8 compares the proportions of different types of assurance procedures employed in sustainability assurance services between 2001 and 2007. The findings corroborate the suggestion by Deegan et al. (2006) that there is great variation in procedures applied. As shown in the figure, the findings in this study confirm that a high proportion of the assurance procedures concern substantive tests (see Manetti & Becatti, 2009). The figure shows that substantive test procedures in the form of interviews with management and employees, reviewing consistency with underlying systems/data/reports, inspection of documentation, and site visits, were used to a much greater extent than were analytical procedures. These results are consistent with Al-

Hamadeen (2007). The figure also shows that procedures for testing of control and reviewing reliability/accuracy of internal control systems were used less than procedures concerning substantive test, which confirms that most of the assurance exercises were conducted with limited levels of assurance. As can be seen from the figure, the annual growth in the proportion of use of assurance procedures for evaluation of reporting criteria, risk, materiality, and/or organisational performance is minimal[77]. This result is consistent with Al-Hamadeen (2007), who found that a low percentage of the assurance findings referred to weaknesses in the sustainability performance of the FTSE100 companies[78].

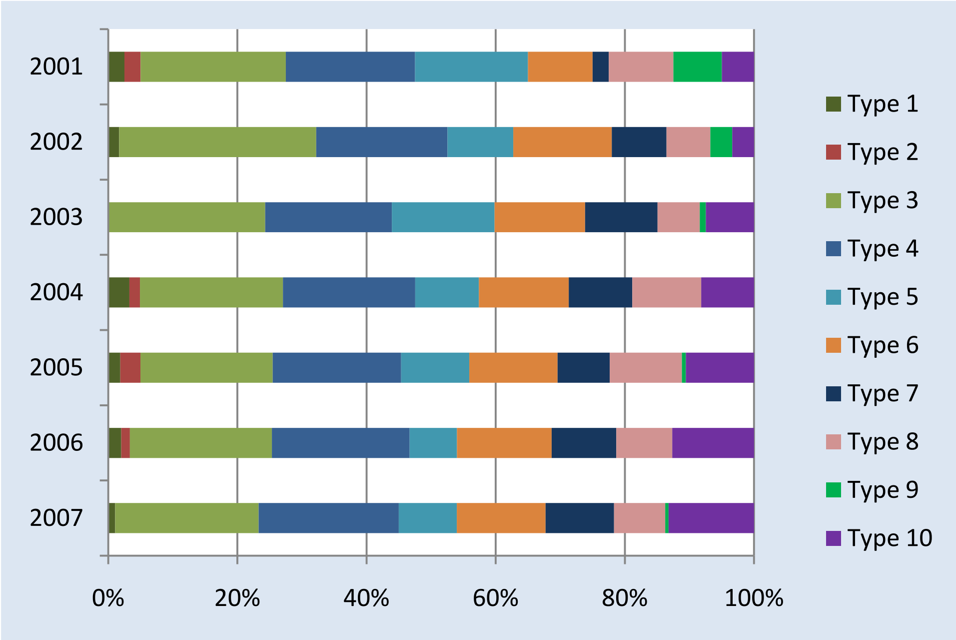
It is also clear that a small proportion of assurance procedures rely on the internal audit function. In fact, an additional finding in this research was that five companies of the FTSE100 opted to use the internal audit function to provide an assurance statement on the information reported by the company. The use of the internal audit function in the practice of sustainability assurance has implications for the practice, as was discussed in chapter three, section 3.3.4. Hence, further work is required to establish the nature of the role of the internal audit division in the provision of sustainability assurance.

---

[77] Here, the procedures considered for this analysis clearly indicated the evaluation of organisational performance.

[78] O'Dwyer and Owen's (2005:221) findings show that "in six cases assurors went further in providing views on the acceptability of the reporting organisation's performance". O'Dwyer and Owen (2005:224) argue that a greater degree of focus on the organisation performance (as opposed to simply management systems) was discernible in their sample of analysis when comparing their results with Ball et al. (2000). Conversely, in this research the results show that from 2001 to 2007 the majority of the procedures still focus on reviewing the consistency with underlying systems/data/reports.

Figure 5-8 The procedures in assurance exercises



Type 1- Analytical procedures;
Type 2 - Confirmation/corroboration of specific data with external parties;
Type 3 - Consistency with underlying systems/data/report;
Type 4 - Conducting interviews/discussions with management and employees;
Type 5 -Inspection/checking/supporting underlying documentation;
Type 6 - Reviewing accounting policies, disclosure principles, measurement methods, performance, risk, materiality ;
Type 7- Site visits;
Type 8 – Testing of control, reviewing reliability/accuracy of internal control systems;
Type 9 - Rely on internal audit;
Type 10 - Inclusion of stakeholder views

From the above figure it is apparent that from 2001 to 2007 there was a slightly increase, of approximately 9%, in the proportion of the procedures employed which asked the views of stakeholders. It is somewhat surprising that although the AA1000AS is the most referenced assurance standard in the FTSE100 companies, only a very small proportion of the procedures refer to targeting the collection of stakeholder opinions, a key procedure recommended by this standard. It appears that there is a disconnect between what assurance providers say they do - following the AA100AS - and the procedures they employ to conduct the exercise. This also accords with earlier studies, which show limited participation of stakeholders in the assurance practices (see also O'Dwyer & Owen, 2005; Al-Hamadeen, 2007). This finding suggests that there has not been any significant improvement or real change. It seems possible that the absence of stakeholder participation is mainly a consequence of the large degree of managerial control over the assurance process (see O'Dwyer & Owen, 2005; Edgley et al., 2010). Therefore, further research should be done to investigate the views of companies on the inclusion of stakeholders' opinions in the assurance process. The issue of how the opinion of stakeholders is being incorporated into the sustainability assurance process is examined in the next section.

5.7 Inclusion of stakeholder views within assurance exercises

The need to provide assurance on social and environmental disclosures leads assurance providers to enter into dialogue with stakeholders (FEE, 2002:19). The inclusion of stakeholders in assurance is managed in different ways by the assurance standards. For example, the AA1000 assurance standard emphasizes that organisations adopting this standard commit themselves to the practice of inclusivity (AccountAbility, 1999, 2003, 2008 a, b) ; that is, organisational activities (and here assurance is included) must consider and respond to the aspirations and needs of all stakeholder groups (including the environment and future generations).

According to the AA1000AS, the opinion of stakeholders may be incorporated in assurance through an engagement process by means of surveys of stakeholder opinions, interviews, review of commentary from experts, or via stakeholder panels (to advise the organisations or the lead auditor) (AccountAbility, 1999, 2003, 2008 a, b). Conversely, the ISAE3000 assurance standard does not pay specific attention to the inclusion of stakeholders views (IAASB, 2004). Instead, it notes that assurance providers should use the opinion of experts from different disciplines to conduct examinations in areas where they lack competency (Manetti & Becatti, 2009). Manetti and Becatti (2009) argue that this procedure of consulting experts such as environmental technicians, representatives of NGOs, or rating agencies, is reminiscent of the social audit approach[79].

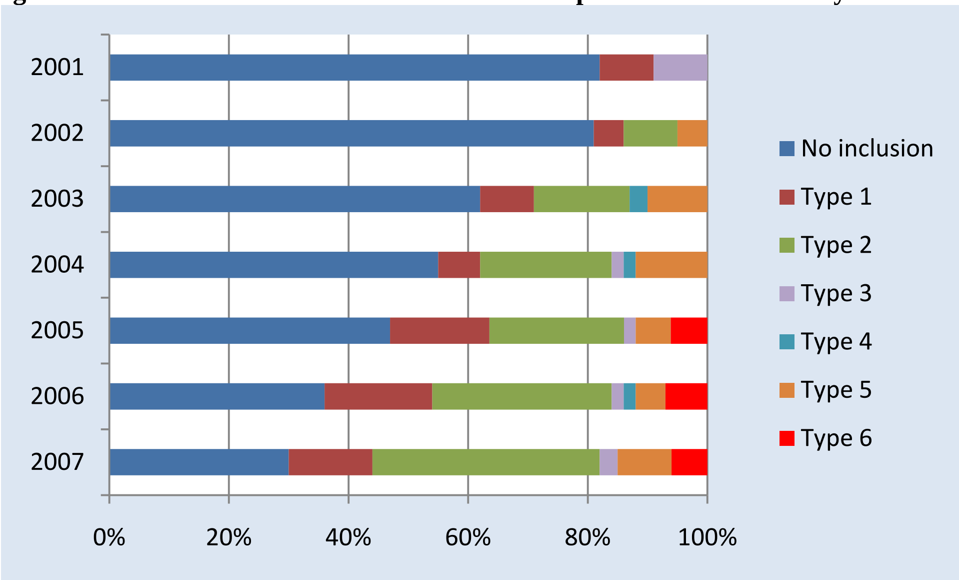
This section examines the procedures used to include the opinion of stakeholders within sustainability assurance exercises between 2001 and 2007. Figure 5.9 compares the proportion of assurance exercises that included the collection of stakeholders' views, either directly or indirectly, with the proportion that excluded this procedure. As can be seen from the chart, the proportion of assurance practices that excluded the opinion of stakeholders was much higher than the proportion that included these views. However, the figure shows that the difference between the

---

[79] However, Iansen-Rogers and Oelschlaegel (2005:27) argue that the ISAE3000 also refers to the need to engage with parties independent from the auditee to obtain evidence that the information provided is sufficient, accurate and relevant (Appendix 17).

proportion of procedures that included the views of stakeholders and the proportion that did not decreased significantly between 2001 and 2007. These findings corroborate the suggestion by Edgley et al. (2010) that there is an emerging tendency to include the views of stakeholders in the assurance exercise, albeit in an indirect form. This study confirms that the tendency is to use procedures such as review of opinions stated in the media, review of minutes of stakeholder dialogues, or observation of stakeholder and company meetings (see Edgley et al., 2010). However, it is apparent from the figure that the preferred procedure for the inclusion of the opinion of stakeholders is the examination of minutes of stakeholder dialogues. As can be seen from the chart, the proportion of procedures directly collecting the views of stakeholders increased slightly between 2002 and 2007. However, it is clear from the figure that direct stakeholder participation, through interviews or stakeholder panels, or views of experts, barely figures within the assurance process.

Figure 5-9 Procedures of inclusion of stakeholder opinions in sustainability assurance



Type 1 - Review of media; Type 2 - Via secondary data (review of minutes of stakeholder dialogues); Type 3 - Via observations, attending stakeholder sessions; Type 4 - Via questionnaires, surveys; Type 5 - Via meetings with stakeholders and interviews; Type 6 - Stakeholder panel/views of experts/expert panel

Contrary to expectations, this study did not find significant evidence that the use of the assurance standard AA1000 is leading to direct stakeholder inclusion in sustainability assurance. The present findings are significant in that they do not support Edgley et al.'s (2010:553) suggestion that stakeholder inclusivity is no longer rare or exceptional. This is because the practice of inclusivity in sustainability assurance requires procedures that facilitate direct contact between companies and their stakeholders, which in reality does not often occur. Figure 5.9 shows that between 2002 and 2007 the trend in the proportion of procedures directly including the views of stakeholders within sustainability assurance exercises grew at a very slow rate, of approximately ±2% per year, which suggests that it remains very limited. This trend coincides with tendencies reported by CorporateRegister.com (2008), which showed that only 12% of the assurance exercises in its sample of analysis included procedures asking the views of external stakeholders. Therefore, further research should be done to investigate the reasons for the reluctance to include the views of stakeholders directly within the assurance process, and for companies' favouring of certain approaches to stakeholder participation.

The most striking result to emerge from the data is that assurance providers are increasingly opting for indirect mechanisms of stakeholder inclusivity. They do not consider it their responsibility to engage directly with stakeholders (Edgley et al., 2010:545). They argue that the main obstacles to the inclusion of stakeholder opinions in the assurance process are the high cost of the engagement for the companies, and ignorance or lack of interest on the part of stakeholders (Edgley et al., 2010). Further work is required to establish the causes of this lack of interest. Further research should also be done to examine the views of stakeholders on the sustainability assurance process.

5.8 Conclusion

The discussion in this chapter can be summarized into two points:

(1)The analysis explored patterns of key features of sustainability assurance, and highlighted emerging issues in the practice of sustainability assurance which will be investigated with representatives of companies and of stakeholders.

(2)The results provide the basis to develop the objectives of the second, qualitative, phase of this research.

First, results in this research show that sustainability assurance services are popular among the FTSE100 companies. However, the findings indicate that there was a lag in the adoption of this type of assurance services among these companies (see KPMG, 2005, 2008). Hence, further research is needed to clarify the reasons driving companies to commission sustainability assurance exercises. This research confirms that the favoured assurance approach among the FTSE100 companies is the consultancy approach (Al-Hamadeen, 2007), albeit that there is a new trend towards increased use of the accountancy approach. This research supports the idea that there is an incipient trend to use operating procedures of social audit in the assurance approach (see KPMG, 2005, 2008; Edgley et al., 2010). Therefore, further investigation seems necessary on the reasons for companies' preference for the accountancy, consultancy or certification body approaches, for the incorporation of social audit approach operating procedures, and for the use of different assurance approaches in a single assurance exercise.

The findings in this research suggest that among the FTSE100 companies there has been progress towards the adoption of a more rigorous approach to the assurance process, via the use of assurance standards.

These results are consistent with those of other studies and suggest that the most popular assurance standard in the UK is the AA1000 (Al-Hamadeen, 2007), albeit that there is a recent trend of using the AA1000AS in conjunction with the ISAE3000 standard. This research confirms that whilst accountants tend to make greater use of the ISAE 3000 standards, specialized consultants tend to make greater use of AA1000AS (O'Dwyer & Owen, 2005). The findings in this research further support the idea that accountants are more reluctant than other assurance providers to engage in sustainability assurance exercises without adopting a rigorous approach by the use of standards (Mock et al., 2007). Therefore, more research is needed to examine the opinion of companies on the AA1000AS and the ISAE3000 assurance standards.

The results of this research show that there is a new trend of reporting on the level of assurance; however, reasonable levels of assurance are noticeable largely by their absence. This research confirms that accountancy firms disclose levels of assurance applied in the exercises more often than do other assurance providers (O'Dwyer & Owen, 2005). Therefore, further investigation of factors underpinning restrictions on the level of the assurance exercise seems necessary. The findings support previous research showing that most of the assurance procedures concern substantive tests (Manetti & Becatti, 2009). Findings in this study show that a small proportion of assurance procedures rely on the internal audit function. Therefore, further work is needed to examine the role of the internal audit division in the provision of sustainability assurance from the perspective of companies.

This research corroborates the suggestion by Edgley et al. (2010) that there is a new tendency to include the views of stakeholders in sustainability assurance practices, albeit in an indirect form. Contrary to expectations, this study did not find significant evidence that the use of standard AA1000 is leading to direct stakeholder participation in sustainability assurance. The present findings are significant in that they do not support the suggestion by Edgley et al. (2010:553) that stakeholder inclusivity is no longer rare or exceptional. The reason for this is that true stakeholder inclusivity requires direct contact between companies and their stakeholders, which barely figures in sustainability assurance practices. Hence, further research examining the opinion of companies on the inclusion of stakeholders' opinions within the assurance process seems necessary.

In addition, it would be interesting to explore the views of companies on how the budget for the assurance exercise is arrived at, and their level of satisfaction (or dissatisfaction) with current assurance practices, and the future of sustainability assurance. Further investigation of the views of stakeholder groups on the sustainability assurance process, particularly on the level of involvement desired or experienced in assurance exercises, their suggestions for institutional and corporate governance reforms that might enhance the credibility of the assurance exercise from a stakeholder perspective, and their expectations for the future of assurance, seems needed.

Second, the objectives of the second, qualitative, phase of this research are: (1) To investigate companies' reasons for commissioning sustainability assurance, and the factors underpinning the choice of assurance approaches, assurance standards, role of internal audit function, and restrictions in level of assurance; (2) To elicit the views of companies about the appropriate level of stakeholder inclusion in the assurance process, together with their suggestions for further developing assurance processes; (3) To examine stakeholder views on sustainability assurance process, together with their suggestions for further developing assurance processes in order to promote a greater degree of stakeholder accountability.

In chapters six and seven, the views of representatives of FTSE100 companies and of stakeholders are examined.

6 CHAPTER SIX: CORPORATE MANAGERS' PERSPECTIVES ON SUSTAINABILITY ASSURANCE

This chapter has two aims:

(1) To describe the views of selected representatives of ten FTSE100 companies on emerging issues in sustainability assurance in the United Kingdom;

(2) To discuss and interpret the interview results across several key issues using the lens of Michael Power's theory, and legitimacy and stakeholder theories.

6.1 INTRODUCTION

This chapter explains recent developments in sustainability assurance practices in the United Kingdom from the perspective of companies. It reports on the results of the semi-structured interviews with representatives of ten FTSE100 companies on emerging issues in sustainability assurance. The emerging issues discussed were identified by analyzing in detail trends in the practice of sustainability assurance in the FTSE100 companies (see chapter 5). The chapter includes a discussion and interpretation of the interview results across several key issues through the lens of Michael Power's theory and legitimacy and stakeholder theories as conceptualized in chapter 3.

This chapter is structured as follows: First, it presents empirical results in the form of (1) an examination of the reasons why companies commission assurance; (2) interviewees' views on choice of assurance providers and perceived differences in assurance approaches ; (3) interviewees' views on sustainability assurance standards; (4) interviewees' perspectives on the reasons for constraining assurance exercises; (5) interviewees' views on the role of the internal audit function in sustainability assurance; (6) interviewees' perspectives on stakeholder inclusion in assurance exercises; (7) their views on the future prospects for sustainability assurance, and (8) a summary of findings. Second, it provides a discussion and analysis of the empirical results by examining the following aspects: (1) sustainability assurance and the ideals of efficiency and quality; (2) sustainability assurance and the ideal of governance and transparency; (3) sustainability assurance and the ideal of stakeholder-centred accountability; (4) the future of sustainability assurance. Finally, it draws conclusions from these discussions.

6.2 Empirical findings

This section draws upon the work of Owen et al. (2009:17-23), who present an overview of the perspectives of representatives of FTSE100 companies on emerging issues in sustainability assurance exercises in the United Kingdom.

6.2.1 *Why commission sustainability assurance?*

There are similarities between the views expressed by corporate managers in this study and those described by Jones and Solomon (2010). In this research, the justification given by the corporate managers in favour of commissioning sustainability assurance services is based on the perception that there is an added value flowing from these exercises.

From an internal perspective, the commission of sustainability assurance services realizes benefits for the companies. As one interviewee [C4] noted, sustainability assurance is there to satisfy an internal need in the company. Another interviewee [C6] gave a particular perspective, noting that: *"I think that there are areas where the very act of having assurance makes people internally take the whole process more seriously"*. Internal benefits, it was suggested, generally arise in two ways. First, as assurance providers themselves have noted (Edgley et al., 2010), recommendations offered by providers lead to improvements to information systems and management process, with the management report arising from the assurance process being particularly valued in this context.

Second, the present findings seem to be consistent with Jones and Solomon (2010), who found that a further benefit of sustainability assurance lies in the production of better reports, as assurance providers have claimed (Edgley et al., 2010). However, in this research, although interviewees emphasized that assurance providers do not decide the content of the report, it appears that the reporting exercise is a product of a partnership between management and the assurance provider. This alliance is very demanding, as some interviewees stated:

> *And they'll say 'we really think you've got to make the following changes', and I'll look at it and say 'I think you're right actually, we've over-rated this', or, 'I've been told this by someone; if you're telling me that that's not the case then we need to change it, I need to get back to that person', and that's very useful, or 'well if that's best practice we'll do that'. And in other areas they say 'we don't like what you've done here', to which I might say 'okay, but this is the approach we're taking, this is how we're going to do it'. [C2]*

> *We've been challenged much more on materiality and how we've identified what goes in the report, much more on whether or not the right information is going in there, so it's much more about the process and it's much more of a partnership throughout the reporting cycle than we had in the past. [C3]*

> *I'm telling you, they push us very hard. You'll see in our reporting that we've widened it from just purely the social and environmental issues, to health and safety, employee issues, training, etc. You know, they said 'you're not including health and safety, you're not including other things' and we take note; we take their advice and we work hard to always push ourselves that little bit harder. [C7]*

An additional perspective was offered by one interviewee [C8] whose company used a panel of experts approach. For him, one of the major benefits emanating from this assurance approach was the improvement in their company performance. Similarly, another interviewee [C5] stated that assurance providers draw attention to performance matters that can be improved.

External benefits to the companies, in the view of most interviewees in this research, focus on building trust with the stakeholders and, as Jones and Solomon (2010) found, enhancing credibility and corporate reputation. However, these interviewees were more convinced that sustainability assurance enhances the credibility of reports than were corporate managers interviewed by Jones and Solomon (2010). It has also been argued by assurance providers that sustainability assurance assists companies seeking to improve their image with external constituencies (Edgley et al., 2010). This point of view was particularly perceptible in two interviewees [C3, C8] whose companies faced serious credibility issues. For example, interviewee [C3] emphasized that:

> *For us, it's the way any business is, I don't think it's responsible to publish information that you don't know is correct. But secondly, for us it's very much, 'you might not trust [name of the company] as a business, but you can trust the process'. So we have very rigorous processes around the way that we report, the way the stakeholder dialogue is carried out, everything's assured, so that you might not trust us, but you can trust our process, which is very, very important to us.*

Similarly, interviewee [C8] noted that the credibility of the business increased significantly with the use of the panel of experts approach.

An additional view was provided by interviewee [C6], who stated that sustainability assurance helps to manage pressures from key activist groups:

> *The reason we went from just doing environment, which has been done for a while, to doing the access to medicine section as well [was because] I was a little bit concerned that over the years we would come under more and more pressure to do assurance, such that we'd suddenly have to embark on assurance of our whole report, and we wouldn't have a clue how to do it. And we chose that section of the report because it's probably the biggest responsibility issue for us in terms of activism and pressure, and it's the area that we do the most proactive communications in. So it's the area where we're most at risk if we get something wrong. So I felt if we were going to do assurance that was the most useful area to do it on.*

Another interviewee emphasized that it was crucial to put into the public domain quality information on behalf of the directors and the board. She went on to note that:

> *It is an important part of our work and we feel we benefit from doing that. We feel that as a business, reputation-wise, it is good to have that assurance. I think that for any report that goes out now that isn't assured, actually there will always be questions as to…how credible it is. [C7]*

For these interviewees, it was clear that sustainability assurance provides external benefits to the companies. However, a couple of interviewees [C4, C6] who were to some extent supportive of sustainability assurance expressed some reservations. For example, interviewee [C4] spoke about doubts among the company's senior executives as to the added value of this exercise, and argued that assurance providers (particularly accountancy firms) could do more to demonstrate the value of their work.

Conversely, interviewee [C6] stated that:

> *My sense is that most of the pressure on assurance actually comes from the assurance providers. And they're very good at generating it in a way that it appears that the world wants it, but actually it's them who want the business I think. We haven't been subject to a lot of pressure from, for example, the Socially Responsible Investment community.*

From this comment, it appeared that the real beneficiaries are the community of professional assurance providers. This concurs with Jones and Solomon's (2010:29) claim that there was a negative perception generally on the part of companies, which believe that assurance providers "benefit excessively from companies' needs for verification, in all areas".

For this interviewee, the assurance process operates essentially as an insurance policy. She went on to note that:

> *I suppose now we can't stop it because that would look very odd. But I don't want to do even more of it. So we're in a bit of a funny place with it really. [C6]*

In a similar vein, interviewee [C9], whose company had abandoned the assurance process a few years ago, provided a sceptical view. This interviewee stated emphatically that sustainability assurance did not add any value to her company. For her, the lack of assurance was not an impediment to engaging in meaningful dialogue with stakeholders:

> *I think we need to get some confidence in what we are doing. I find that people are latching onto things without really thinking about it - is it really the right thing for you, in your organisation? I think it's important to different stakeholders, it's important to weigh it up against materiality and the resources we have. Where can you have the most impact? My lack of assurance for my document has not yet been a barrier to having very good quality conversations with people and very important stakeholders. [C9]*

Indeed, for this interviewee, the lack of assurance was not an issue. It appeared that in this case, the company strategy focused on delivering value to stakeholders by other means rather than on commissioning assurance services. The view of this interviewee was that companies may engage in sustainability assurance either because they inherited it without seriously considering its added value for the business, or because they want to follow a fashionable trend. Nevertheless, this interviewee intimated that she was considering formalizing the stakeholder engagement within her organisation, in the form of a stakeholder panel of evaluation.

6.2.2 Choice of assurance providers and approaches

According to the view of one interviewee, it appears that assurance providers need to prove the value of their work to the companies:

> *We asked two key questions: how can you add more value to our business through the assurance process, and how can you provide more reassurance to our stakeholders as a result of the process? [C3]*

In fact, this interviewee noted similarities in the assurance procedures of accountancy firms and certification bodies:

> *Most people came back with relatively similar [procedures]. We didn't get any of the smaller boutiques to tender, it was all big four accountancies or certification firms that came to us, but they all had very similar procedures in mind. [C3]*

If accountancy firms and certification bodies have similar procedures, the advantages of each must lie in other factors, such as the cost of the assurance provision. Nevertheless, one interviewee remarked that the provider offering the most competitive price would not always be the best option:

We had one which was more than a standard certification body, which was chosen as an unusual one. And their price was so cheap we thought they'd misunderstood the brief and so we knocked them out. So we were left with three of the big four in the little pool. [C1]

For this interviewee, it was the issue of independence, combined with other factors such as the capacity for global coverage and high level of resources (in terms of skills, knowledge, and finance) which determine the selection of an assurance provider, rather than their assurance model. She also pointed out that another factor was whether or not they use a global assurance standard:

We also wanted to make sure that the [assurance] standard applies equally across Africa, South America, Australia, etc. And we still felt that the need for rigour was there. So we stayed with a big four firm.[80] [C1]

Conversely, other interviewees perceived differences among assurance providers' approaches that were fundamental to the choice of provider.

For example, interviewee [C6] said that she chose a certification body over an accountancy firm after considering the quality of their assurance statement, together with their capacity to provide assurance in key areas. She claimed that:

We felt we'd spend an enormous amount of time teaching them [an accountancy firm] about [areas to be addressed during the assurance exercise] and we wouldn't get as good value as we could do from one of the other providers. [C6]

---

80 This assurance provider used the ISAE3000 standard and the GRI standard.

She said that another advantage of certification bodies lies in the flexibility of the assurance engagement:

> *But our view was that it was not bespoke enough for us, it was fitting us into a pre-defined plan that they [two accountancy firms] had, and there wasn't the flexibility that we wanted. [C6]*

Nevertheless, the majority of the interviewees in this sample employed the services of an accountancy firm as assurance provider. One interviewee, [C2], said that accountancy firms have the advantage of higher professional standing over other types of assurance providers. He went on to note that:

> *But more importantly than that, it ensures a rigour in our processes… I'm an ex chartered accountant so I understand how reporting needs to work and that you can't make unsubstantiated statements in these things. These guys help me with that. [C2]*

In a similar vein, another interviewee, [C1], argued that the use of an accountancy firm, given the traditions they have in conducting financial assurance, provides credibility to the managers. For interviewee [C4], the use of an accountancy firm guaranteed synergy with the financial assurance:

> *Ernst and Young are also our financial assurance providers, so it made more sense to just have the same people that know the organisation extremely well, [because] they could also draw from some of the findings from the financial team and the audit team, and do a much more in-depth look into the organisation.*

Two interviewees claimed that the advantage of the accountancy firms' assurance approach lies in their assessment of internal information systems [C7], and in the provision of “hardcore” verification of information given in the external report [C10]. However, in both these cases, an additional form of direct stakeholder input was provided in order to add a more strategic and critical dimension to the assurance process. Indeed, notwithstanding a clear consensus on the part of those interviewees hiring accountancy firms that their assurance process “adds value” to reporting, and to the business in general, certain problematic areas were acknowledged.

For example, for interviewees [C10] and [C3], one concern was that there is a belief among stakeholders that accountancy firms lack the integrity, or the experience, to conduct assurance work. For interviewee [C3] a more fundamental issue was that a statement produced by an accountancy firm could be automatically un-reassuring. Intriguingly, despite the awareness of this drawback, her company went from hiring a certification body to hiring an accountancy firm that was able to provide a more accessible and meaningful statement to the reader. Another reason for change, she said, was that the new assurance provider brought new insights to the assurance process. However, this interviewee suggested the possibility of setting up a stakeholder panel to complement the formal assurance provision by offering strategic commentary on key issues faced by the company, or on the sustainability report itself.

Nevertheless, another interviewee [C1], whose company has used an accountancy firm for many years, expressed some frustration with the nature of the assurance statement itself:

> *I think most of us have found some measure of value from the big four type approach. Many get very frustrated with it, because the assurance statements are written in such a way that ... they are protecting themselves first, there are all these double negatives and that kind of thing.*

Similar reservations over accountancy firm assurance statements were expressed by interviewee [C8]. For him, statements from accountancy firms were unintelligible, unhelpful, or both. He was sceptical as to the recent moves on the part of accountancy firms, such as described by interviewee [C3] above, to provide more detailed information on the scope of the assignment and procedures employed:

> *I think that is a step in the right direction. It's a bit strange frankly, because you'll then tell people all the things you did without actually drawing any single conclusion from that activity: 'And so we went off into the deepest, darkest areas of the company, we did all this really exciting stuff but we can't tell you what we found.' And in a way, that's almost worse.*

A more fundamental question as to what accountancy firms have to offer was raised by an interviewee who argued that the assurance approach they provided was particularly useful only during certain stages of what she called the "maturity cycle in assurance":

> *I think they [the accountancy firms] are incredibly useful at early stages of the maturity cycle. Whether that value continues as you move up the cycle will be worth seeing. [C1]*

Indeed, interviewee [C8] argued that when his assurance process was sufficiently mature, the assurance providers - two accountancy firms - could no longer provide what he needed.

According to him, they were not ready to adopt a more stakeholder centred assurance approach based on the AA1000AS principles, as they lacked the skills, or people with knowledge, and were restricted by professional requirements and liability issues:

> *There is an element in all of this of 'if I have the hammer everything looks like a nail'. In other words, if you've got a longstanding 100-year-plus professional model of how you check data to do assurance, or count beans ...inevitably when you come to do something new, that 100-year model is going to affect and in some respects limit what it is you're able to do in that new world. Obviously it helps, it provides the rigour and the quality and a whole bunch of things that are beneficial, but you quickly hit up against some pretty fundamental limitations of using that particular hammer on something that's actually not a nail but a screw. [C8]*

For him, once the company is confident with its own internal assurance systems, *"it is time to move on to the next level".* Then, he had decided to dispense with the services of these accountancy firms in favour of employing a panel of experts.

Intriguingly, despite the perceived limitations of the accountancy approach, as was also noted in chapter two, the use of accountancy firms to conduct the assurance provision in the largest companies is becoming increasingly prevalent (see chapter five).

If we now turn to examine the views on specialized consultants, interviewee [C9] pointed out that among the specialized consultants, some tend to form a group with diverse expert professionals who can give inputs in different areas, whilst others are small boutiques which focus on specific areas of knowledge. It appears that as a result of this skill, specialized consultancy firms perform well in reviewing how appropriate the data is, as another interviewee [C7] stated. This interviewee [C7] explained that her company used a specialized consultancy firm together with an accountancy firm, as complementary approaches. A further point, noted by interviewee [C3], was that the assurance fees for the services provided by small boutiques are considerably less than those of the other assurance providers.

Jones and Solomon (2010) found that, from the perspective of corporate managers, sustainability assurance should be performed by financial auditors. This was the case even for those interviewees using specialized consultants as assurance providers. However, for the interviewees in this research study, this was certainly not the case. For these interviewees, the choice of assurance provider lies in how effectively they can prove an aggregate value for their services.

6.2.3 Sustainability assurance standards

Among five interviewees who said that their companies were using the ISAE3000 standard, two, [C2] and [C3], emphasized that it was the assurance provider - an accountancy firm - who suggested its implementation. This influence on the adoption of the ISAE3000 standard was expected, considering that accountancy firms are mandated to follow that standard "as part of their professional responsibilities if they conduct assurance" (Jones & Solomon, 2010: 21). Interviewees perceived limitations in the assurance approach promoted by the ISAE3000 standard. For example, one interviewee argued that this standard focuses only on data assurance:

> *We certainly found AA1000AS a more useful framework than the framework our accountants came to us with [ISAE3000 standard], because again, it's moving from 'is the data right?' to 'is this the right data?' and I think that's a very healthy development. [C8]*

Seven interviewees indicated that their companies were using the AA1000 assurance standard. The main reasons for adopting this assurance standard were that it had been proposed by the assurance provider [C7, C6], it is the most recognized standard that facilitates conversations between individuals from the corporate social responsibility group and senior managers [C4], and it provides external certification [C5].

Supporting views for the AA1000AS principles were also expressed, albeit that the benefits were described as providing "*a consistent and measurable* *standard*" [C5], as being a "*really good tool for an assurance provider to use*" [C4], and as making "*the reports better documents and more relevant for stakeholders*" [C10], rather than it being a means of involving stakeholders more directly in the assurance process.

Intriguingly, for interviewee [C1], whose company opted to use the ISAE3000 standard, the use of AA1000AS was a redundancy as her company was conducting extensive stakeholder engagements at different levels of the organisation.

However, regardless of the type of assurance standard used, there was general agreement on the desirability of achieving more stakeholder inclusion, albeit that there were fundamental discrepancies among views on how to achieve this. For example, whilst two interviewees suggested that the stakeholder engagements should take place at other levels of the organisation [C1], or under the reporting framework only [C9], other interviewees were supportive of stakeholder engagement during the assurance exercise. Although the idea of implementing stakeholder panels as part of the assurance process attracted the support of the majority of the interviewees, they also expressed reservations on the practicalities of such implementations. Less support (from only two interviewees [C3, C4]) was expressed for the idea advocated by interviewee [C10] of giving a voice to experts in key issues reported in the sustainability report. The issue of stakeholder inclusion will be discussed in more detail later in this chapter in section 6.1.6.

6.2.4 Constraints on the assurance exercise

There was a consensus that assurance must provide value for money. One interviewee expressed this idea in the following terms:

> *Well, we've changed the approach this year and it's already costing us significantly more money than it did in the past, but we think we're getting better service for that, so we can justify it. [C3]*

Cost is the overriding factor to be considered when agreeing the scope and level of any assurance engagement. The cost of assurance must come from the overall corporate social responsibility division budget, and in some cases this budget is not very large. Interviewees complained that the commission of sustainability assurance services affects the budget for other important areas:

> *We only have this much pie: do we put 50% of it towards assurance or do we put 10% towards it, so that we can put 90% towards actually doing things? And that's not to say that assurance isn't doing things, but it does come out of that overall pot. [C5]*
>
> *If we assured everything down to the level we would like to I think the cost would be astronomical, and not necessarily reflective of the value we would get from it. [C3]*
>
> *It's a catch-22 again, so of course we have the assurance, everything's negative, and then if we want something positive it would mean that our fees would be increased by, I don't know, maybe 1,000% or 2,000%? So you say, 'well, am I going to ask my line management to give me 2,000% more of my budget in order to get a positive, given that we already have so much assurance going around in the company?' That is an issue with the standard, and Ernst and Young always back themselves up by saying 'Well, that's what ISAE3000 allows us to do' and so forth. [C4]*

One interviewee went further, to suggest that the commission of this type of assurance services diminish company returns, and expressed a fear that the whole process was getting out of control:

> *I'm not sceptical about the value of assurance but I think it has in some sense gone far too far and it now needs to be grounded in reality, because there are plenty of companies that are spending much, much more on assurance than we spend on our entire reporting process. [C6]*

For this interviewee, [C6], it was clear that companies would increasingly move to restricting the scope of the assurance by adopting a more selective, "bite-sized" chunk approach - as favoured by her organisation - on sensitive issues, for which there is a perceived need to establish a greater degree of trust among strategic stakeholders.

Although this was a minority point of view, for the majority of the interviewees it was nevertheless clear that cost is a factor influencing the level of the assurance engagement. This restriction was particularly evident when the ISAE3000 standard was used. Limited levels over reasonable levels were the rule, as one interviewee indicated:

> *But whilst you have got that [ISAE3000] you are never going to get beyond limited assurance because of the cost factor. It is as simple as that. [C4]*

Albeit that two interviewees said they did not have financial restrictions on the assurance provision, they noted that higher levels of assurance are not justified in all cases. One stated:

We've considered looking at a higher level of review over greenhouse gas emissions. But they'd need to visit maybe 40% of our assets in order to do that, which may be worth doing, but we don't see the value that we would get from that for covering all of our assets. I'm not sure it would be value for money. [C2]

Interestingly, a different perspective was provided by one interviewee, [C10], who argued that by implementing strong internal reporting processes, the level of assurance could be upgraded gradually without incurring excessive cost:

I don't think budget is such a key thing, because our understanding is that if you have good processes of good working, so the auditors can jump in at the beginning of the process, they don't have to do a lot of checks because the processes are good anyway, so they can see what you are doing ... and rather than them checking everything they perform procedures based on that process. So if you're organized and you have a good materiality process and a good drafting process and a good process to show transparency across the life of the document until its publication, you can get reasonable assurance at a very low cost, which is what we do.

Even the assurance provision conducted by panels of experts was viewed by two interviewees [C1, C8] as a costly exercise. One stated:

If you factor in several hours of the CEO, exposure to the heads of all the major businesses, etc, it's not an inconsiderable cost, it's just a slightly more hidden cost in the sense that they're not paying out major amounts of money. [C1]

Jones and Solomon (2010) found that according to corporate managers, one impediment to the adoption of - or continuing with - assurance was the increased cost in terms of time and money. Notwithstanding their concern with the cost of assurance, a clear majority of the interviewees participating in this study regarded the exercise as being worthwhile from a company perspective and were apparently committed, at least in the short term, to commissioning some form of external assurance provision.

6.2.5 Does the internal audit division have a role?

The majority of the interviewees clearly perceived a role for the internal audit division. Most envisaged that the internal audit function could work in cooperation with the external assurance provider, rather than replace them. Two interviewees [C5, C1] said that this process was taking place already in their companies, whilst others noted that it was very much work in progress. As one interviewee stated:

> *In an ideal world, [name of company] [would have] very strong processes of internal control in place and then Ernst and Young [would] come and test those processes and draw a conclusion from that. It is something that we are working on, it is more for the medium term and we are not there yet. [C4]*

Another interviewee said that assurance providers advocate for the engagement of the internal audit function in sustainability assurance:

> *One of the criticisms that we've had, both from the assurance providers and from some of our own staff, is that we should be using an internal assurance process primarily, that the external assurors should come in as a sort of oversight around internal assurance. [C1]*

For these interviewees, it was clear that the internal audit function can play a key role in developing and testing processes and information systems, and therefore assist the work of the assurance providers.

However, another interviewee argued that such a move implies the commitment of financial resources: *We've discussed it and they just haven't got the resources to commit to what we need. [C3]*

A couple of interviewees [C2, C10] did not perceive a role for the internal audit division. Certainly, they could not envisage that the internal audit group might potentially take the role of the assurance provider:

> *We don't use internal audit to check the report, we use our legal team to do that, we have a corporate responsibility and legal team here, and they go through it and do a similar substantiation exercise to [name of a big four firm] to go through each statement and say 'can we verify that statement?[C2]*

> *If we want to audit some specific issues we use internal audit, but the assurance process is coordinated by corporate responsibility. The assurors meet all the issue owners at global level, and then we select a range of markets in order to perform audits in the market. [C10]*

A different perspective was provided by the interviewee [C8] whose company had replaced the assurance provided by accountancy firms with a panel of experts, and by the interviewee [C9] whose company had decided not to commission external assurance. The high degree of confidence in the work of the internal audit function might perhaps have influenced the replacement or abandonment of the external assurance. One interviewee noted:

> *Don't forget, at the point when we changed it was our ninth report; we'd had eight years to work with the accountants and to work internally to tighten up our internal audit processes and iron out a lot of the issues that everybody has when*

> *they start. We'd been through that loop for eight years and now it was time for us to move on to the next level. [C8]*

Jones and Solomon (2010:26) found that from the perspective of some corporate managers, the role of internal audit is adequate, making sustainability assurance unnecessary. However, this point of view was explicitly shared by only one of the interviewees in this research study. Clearly, a well implemented and developed internal audit function could facilitate the work of external assurance providers. It also appeared that this would limit the verification work required of the external assurance providers.

6.2.6 The stakeholder dimension

Are stakeholders interested?

A majority of the interviewees felt that stakeholders are not interested in the information conveyed in the assurance statements. They were of the opinion that stakeholders do not read the assurance statements, and are satisfied with the simple presence of them in the report. Two interviewees stated:

> *I've never been asked by anybody very much about the assurance statement. I think if we didn't have it in, people would say 'oh, you don't have assurance', but I don't think they read them ... I don't think they pay huge amounts of attention to them. [C1]*

> *No, we've got it and that's very good and I think we would be criticized if we didn't do it. But it's one of those things that's just housekeeping for us; they expect us to have it and we do it. [C3]*

For these interviewees [C1, C3], it appeared that an assurance statement in a corporate sustainability report adds value to that report for the stakeholders. This benefit was also perceived by another interviewee [C4], who said that her investors perceived benefits from the exercise. However, this interviewee also suggested that the question of whether or not the assurance statement adds value to the report is one worthy of being tested with stakeholders.

A sceptical view was provided by two interviewees, who argued:

> *From the external point of view it should give the stakeholders the reassurance that we are talking about the right issues, but sometimes there is some cynicism from the stakeholders, perhaps some cynicism about the value of assurance… the assurance process does not reassure them, doesn't provide value for the stakeholders. Some of them think that, just having this page from Deloitte does not mean anything. [C10]*
>
> *Yes, if you're paying [the big four firm] a lot of money, they're going to say, you know, 'you're all big bad business together'. [C3]*

The perceptions expressed by these interviewees give the impression of a sustainability assurance exercise from which stakeholders are in large part disconnected. This view concurs with claims by the assurance providers that there is either ignorance or lack of interest on the part of stakeholders concerning sustainability assurance matters (Edgley et al., 2010:551).

Is there a role for the stakeholders in sustainability assurance?

Interviewees were asked to provide their views about how to increase the relevance of sustainability assurance to stakeholders. Two suggestions were made as to possible ways in which the views of stakeholders could be more integrated into the assurance process. First, interviewees were asked about the possibility of offering stakeholders a voice in the appointment of the assurance provider (see Adams & Evans, 2004), and second, they were asked about the feasibility of addressing assurance statements to stakeholders rather than to the company itself, as is usual current practice.

Assurance providers have indicated that stakeholders are not involved in the choice of provider (Edgley et al., 2010:542). In this study, companies provided reasons for this. For example, four interviewees were dismissive about the idea of stakeholders selecting the assurance provider:

> *I can't see how that would work. How do you pick one or two stakeholders who would be representative to make that decision? [C4]*
>
> *No, no, the companies pay for it, so the companies should [make the decision]. [C5]*
>
> *I don't know how realistic it is to start involving stakeholders in the selection of your provider. Because there are a whole load of other things to take into account, like how you get on with them, and can you let them loose in the organisation without them upsetting people, and how much is it going to cost? Because the other thing is, the big four firms are very expensive, so I wouldn't particularly want to ... And what happens if you involve an external stakeholder in the selection and they want one question and you want another?[C6]*

In contrast, another interviewee [C7] did not see any reason why stakeholders, and particularly stakeholder panels, could not have a voice in the selection of the assurance provider. However, she went on to propose a better role for the stakeholders:

> *I don't see any reason why it can't be part of the discussion, particularly in the stakeholder panel, as to the credibility of the results of the auditors. [C7]*

When discussing the issue of the addressee constituency in the assurance statements, the predominant view was that the statements must be addressed to internal constituencies, as it is the company that commissions the assurance exercise.

A couple of interviewees explained that in the cases where accountancy firms conducted the assurance provision, they would have problems with addressing their statements to external constituencies due to the formal contractual situation. One interviewee pointed out:

> *I think this [situation] needs to evolve to a place where we are in the middle. A little bit here, a little bit for management and a little bit for stakeholders. At the moment it just focuses on the management, and we are hoping that that delivers trust and credibility. [C4]*

Another interviewee spoke about this issue in frank and dismissive terms:

> *Oh this really winds me up. Who cares [to whom the statement is addressed]? At the moment it's to the board, right; fine, the statement's there. We could change it to say 'to stakeholders', you're not going to change the assurance, it's not going to change what it means. I think this is something that somebody (laughs) has come*

up with and, there are more important things that could really fundamentally change the way you do things, but the way it comes across is that all you need to do as a corporate reporter is change who it's actually directed at. Whereas our CSR Board, a subcommittee of the main board, have asked us to write a report to society. That assurance statement is geared to assure those stakeholders, that's what the report's about. [C3]

Nevertheless, in general interviewees were aware of the contradiction in preparing the reports for the stakeholders, whilst addressing the assurance statements to the company itself. One interviewee explained that even if she would like to address the statement to stakeholders, she would find internal resistance:

I think the problem for the senior executives is they only think of assurance as an internal process. So really the assurance is for them and maybe the board and therefore the shareholders. They don't think about assurance for a wider group of stakeholders, they don't see the wider aspects of it. [C4]

The views of these interviewees evidences that there is little support for the promotion of more direct stakeholder participation by having assurance statements addressed to the stakeholders. It appears that there is little support for the normative position of researchers in the field (see Adams & Evans, 2004), who advocate for the involvement of stakeholders in the selection of the scope or the assurance provider.

Involvement of stakeholders' views

The findings in chapter five of this study reveal that companies were using different degrees of stakeholder inclusion in their sustainability assurance exercises, from not including the views of stakeholders at all, to integrating the views of stakeholders in the formal assurance exercise, to using a panel of evaluation in the form of a panel of experts or stakeholder panel.

Two interviewees whose companies were not including the views of stakeholders directly in the assurance exercise expressed their opinions as to the reasons for that exclusion. One interviewee, [C2], argued that his assurance provider - an accountancy firm - had never suggested the direct inclusion of stakeholder views in the exercise. For him, such direct stakeholder inclusion was unnecessary. The other interviewee [C1] argued that her company conducted a very sophisticated stakeholder engagement at different company levels, and therefore the direct inclusion of stakeholder views in the assurance exercise was not essential. However, she expressed support towards the idea of including stakeholders' opinions in assurance in general.

In the cases where stakeholder views were included to some extent in the assurance exercise, it appeared that there was a desire to see stakeholders more involved in the assurance process itself:

> *I would like to see stakeholders involved a bit more… I am very conscious that us having Ernst and Young or any big four as our assurance provider is automatically un-reassuring for some of our stakeholders. And I think that by having a level of stakeholder assurance in there we will be able to provide more assurance to the wider group. [C3]*

For this interviewee [C3], the motivation was there, despite some resistance on the part of their assurance provider.

The idea of implementing panels of evaluation in the form of stakeholder panels to complement the formal assurance process received the support of another two interviewees [C1, C7], albeit with slightly different focus. For interviewee [C1], the role of the stakeholder panel would be to: *"[supplement] what we do, but more on a front end. I would treat that more as an upfront issue than an end of report issue*". For the interviewee [C7] whose company implemented a stakeholder panel, the role of the panel was to provide an assurance statement.

Another interviewee [C5], whose company had been using the stakeholder panel in addition to a formal assurance exercise conducted by a certification body, also spoke about the benefits of such an approach:

> *What the assurance does is it does look at your systems, it looks at internal processes, which, yes, we could say we know them, but it's always good to get an external perspective. I always think that there's value for different people to look at it because they'll see it with different eyes … and they do highlight process and performance things that can be improved. What our panel does, which our auditors couldn't, is to give us a forward looking statement on what our challenges are and what they would like to see us do in the future. And it hasn't got the constraints that assurance has … it's not done within a formal framework. They're able to be more freethinking and more challenging in some ways, from an intellectual perspective and from a perspective of where sustainable development is moving towards. So for me, both of those two things working together is what gives us our real value.*

Nevertheless, some reservations were expressed by a couple of interviewees who were aware of the practical difficulties in the implementation and operation of stakeholder panels. For example, interviewee [C2] spoke about the international and heterogeneous nature of the company's activities, whilst another [C4] pointed out the impossibility of setting stakeholder representativeness at company level, which would have widespread credibility with stakeholders:

> *Again, think about the monster that [name of company] is: 101,000 employees over 100 countries around the world. On which basis could we choose which stakeholders to choose to provide which assurance where? I have gone through this debate year after year the same way that we have gone through the debate around, 'well should we have a panel?' But it is very difficult and that's why we leave it at a profits level, because at a product and a country level, where the audits are taking place people there know what's going to assure them at a better level. Whereas at a group level I would be really sceptical if someone told me 'this stakeholder is representative': representative of what to whom?*

This interviewee suggested that stakeholder panels of evaluation were an idea to satisfy the "professional assurance industry" and corporate social responsibility (CSR) experts. She went on to stress that this idea could be considered useful at intellectual level, however:

> *It doesn't provide a lot of value for stakeholders. I sincerely believe that. It feels like stakeholder engagement for stakeholder engagement's sake. And that's not useful; it doesn't add value for stakeholders or the company. Therefore, it's not going to be sustainable; that is the honest truth. [C4]*

For her, a better idea would be to adopt "micro" panels at project and local level, rather than setting panels at company level and for the reporting process.

For another interviewee, the idea of implementing stakeholder panels sounded, and looked, "cumbersome" [C6]. Indeed, the decision to adopt stakeholders' panels of evaluation must be taken only after serious consideration; as one interviewee stated:

> *I keep saying, 'You can't set up a panel and then ignore everything they say; you have to be willing to change and perhaps do things that you're initially not comfortable with. Otherwise it will lose all credibility'. So I'm really trying to make sure that the business is ready for it and knows what's involved because it could be a huge disaster if we set something up and then the business goes 'actually, I'm not listening to you'. Which I don't think they would do, but you've got to manage people's expectations haven't you? [C3]*

A different perspective on the inclusion of stakeholder views in the assurance exercise was provided by interviewee [C10], who perceived a need to respond to the negative and suspicious stance adopted by some stakeholders towards the independence of the external assurance exercise:

> *Stakeholders like NGOs or campaigners think that we are paying the assurors and mainly they are writing what we want them to write. And this is something that we need to address.*

For this interviewee, the solution to this issue was to ask credible independent experts on specific environmental and social impacts to offer their critical commentary in the published report, in addition to the formal assurance exercise conducted by an accountancy firm:

> *In the, let's say, hardcore assurance from Deloitte, the benefit is that the report is of a higher quality because the claims are double set, we are balanced, so there are not only positive issues. So that's the main value of the external assurance, in terms of giving critical stakeholders a voice, to give an opinion on the issue on which they are experts. This gives the reassurance that we are not hiding anything. It gives a*

voice to the stakeholders, so the rest of the stakeholders can see what is our version, and what is their version. [C10]

This interviewee explained that this approach of using credible independent experts has an advantage over the stakeholder panel approach:

We don't mix things here, and miss who is the real stakeholder. We just look at what are the most material issues and then we ask subject matter credible experts on those issues to provide comment. [C10]

For the majority of the interviewees the major concern was how to increase the involvement of stakeholders, whilst keeping the formal assurance provision. Nonetheless, this was not the case for interviewee [C8], whose company had discontinued a deep-rooted formal data assurance provision conducted by two accountancy firms, and replaced it with a panel of experts. For him, this change was a natural development in the assurance provision, moving from a concern with the assurance of the accuracy of data reported, to:

Having a broader conversation with experts in the field about what is actually the right data, the right topics, the right information, [and] are we handling it the right way?

He went on to argue that there are benefits for both companies and stakeholders:

So they're pre-reading the report and working in focus groups and in that sense, they're representative of a lot of readers we're trying to reach. It was incredibly *powerful to have them go through [the report] and get their reactions to this particular phrasing or this way of handling a particular section ahead of our readers. And that level of nuance and that level of understanding of where our readers are coming from, we certainly didn't get from our accountants. I don't know whether we would have been able to get that from a professional assurance provider.*

He noted that stakeholder reaction had been positive:

Every year we do an extensive reader survey of what people think, and this is one area that we test quite closely. And it's clear that the credibility of our reporting and our reputation as a company has risen as a result of the shift.

According to him, as was said earlier, the perceived benefits were not restricted to the report per se, as this type of assurance provision facilitates other, more important, processes:

Pretty quickly you are also talking about performance and very quickly after that you are talking about ways to improve your performance and these people with their expertise can help you.

It is somewhat surprising that companies, whose current sustainability assurance practices manifest a lack of direct stakeholder participation, expressed a desire to bring about more active involvement from stakeholders in sustainability assurance. Intriguingly, assurance providers (accountants and consultants) also believe that stakeholders should be involved in sustainability assurance (Edgley et al., 2010:542). The question is whether this desire will be realized in the future.

Significantly, views of companies' respondents in this study show that there is very little consensus as to how this stakeholder involvement might be achieved. For this sample of interviewees, formalizing stakeholder involvement by operating some form of panel of evaluation appears to present a more attractive option, but even here there is no agreement as to how best to proceed. Some of the corporate respondents drew attention to the practical difficulties inherent in bringing together a truly representative stakeholder panel. This view complements the opinion of assurance providers, who have claimed that one problem of engaging stakeholders in assurance relates to the dissimilarity of the stakeholder groups (Edgley et al., 2010).

6.2.7 The future of sustainability assurance

A previous study describes three possible future scenarios in sustainability assurance (Zadek et al., 2004:73-77): (1) grey scenario: assurance focusing on historical data accuracy; (2) gold scenario: legislation in place, with stakeholder engagement, examination of management systems and focus on organisational performance; (3) black scenario: a huge diversification of assurance approaches, an internal company tool lacking rigour. By contrast, in this research study, interviewees envisaged two main possible scenarios for the future of sustainability assurance.

In scenario one, which was not envisaged by Zadek et al. (2004), companies will either restrict the level and scope of assurance exercises, or abandon assurance. In scenario two, the tendency will be for more companies to engage in sustainability assurance exercises. The latter scenario shares a few of the characteristics of the grey, black and gold scenarios envisaged by Zadek et al. (2004); that is, interviewees said that there would be a focus on data verification, stakeholder engagement - albeit that interviewees did not talk about being in the framework of a regulatory environment - and a diversification of assurance models.

6.2.7.1 Scenario one

A couple of interviewees [C4, C6] predicted that companies will not engage in assurance, or will abandon assurance or, as interviewee [C4] said, will place restrictions on its scope: *"I feel you're going to see a lot more of the big companies pushing back and reducing the scope of their assurance because of the excruciating costs."* Another interviewee lamented this possibility, and spoke about a possible solution: *"I think there'll be a lot more boutique providers as well but I think that perhaps does keep costs down and more people will be able to enter into the [assurance process]."* [C3]. Notwithstanding these points of view, as was stated earlier in this chapter, a majority of the interviewees in this research study were apparently committed to continuing to commission a form of external assurance provision. As interviewee [C3] argued: *"It will be irresponsible not to assure."*

6.2.7.2 Scenario two

In this scenario, interviewees suggested that sustainability assurance would have the following features:

More stakeholder inclusion

A majority of the interviewees said that the tendency will be for greater stakeholder engagement (see also Zadek et al., 2006). One interviewee, [C3], said the engagement will be within the formal traditional of assurance provision. Conversely, interviewees [C7], [C4] and [C10] noted that it would be through experts' panels of evaluation and stakeholder panels.

Synergy between financial and sustainability assurance

A couple of interviewees [C2, C4] said that the trend will be to find a closer alignment between financial and sustainability assurance:

> *I think inevitably sustainability issues are becoming more and more mainstream. So I don't see why there would not be a synergy in the types of financial assurance and sustainability assurance coming through at some point as well. [C4]*

Then, interviewee C2 envisaged that the assurance process will be more technical.

Diversification of assurance models

Two interviewees spoke about a trend for companies to re-evaluate their existing assurance exercises, and to shift to new and different approaches (see also Zadek et al., 2006). One interviewee stated:

> *Once you've learnt and really got things under your belt, then you'll feel like you can experiment a bit. So I think you're going to get companies doing different things. I think many will start [assurance], I think you're going to get different models like the statements coming along. I think there's going to be a period of divergence, and of challenge and pushback, people saying 'what value are we getting for it; we've been doing this for a number of years now, can we live without it? Can we do something different?' [C5]*

A continuing role for data verification

Two interviewees [C3, C1] emphasized that there will always be a role for data verification. This role was linked to what two interviewees [C1, C8] termed "maturity cycle" in the assurance process, as mentioned earlier in this chapter. The idea of a sustainability assurance process in the early stages of maturity was also mentioned by several other interviewees, who expressed great uncertainty as to how the assurance process might evolve in the future. Two interviewees [C5, C8] noted that during the development of the assurance process, companies could explore very different approaches to what they had been doing.

In this assurance cycle, interviewee [C1] said, the role for data verification will be more significant for companies that are starting reporting and assurance exercises. During the later stages of the assurance cycle, one possibility might be that a well developed internal audit function takes on the role of data verification, as was explained by interviewee [C8], and that a panel of evaluation takes on the role of external assurance. However, interviewee [C1] argued that even in this case, external formal assurance is fundamental, in the sense that:

> *If somebody is really trying to hide something, a stakeholder panel is going to have as much difficulty, if not more, than a group of auditors who, for most companies, carry a sense of authority, where [company management] would be nervous of trying to pull the wool over the eyes of a KPMG or PWC or whatever.*

Concerns about assuring data were influential in leading most of the interviewees to reject the approach adopted by the interviewee [C8] whose company had replaced formal assurance with an experts' panel of evaluation.

In sum, the views of these representatives of companies indicate that there is great uncertainty as to how assurance practice will develop in future.

6.2.8 Summary of findings

First, it was clear that the driving force behind sustainability assurance is internal. Findings in this research suggest that sustainability assurance must provide value for money. The key benefits accruing from assurance exercises were generally considered to be improvements in information and reporting systems (and reports), and in management process, and a re-assurance about the integrity and credibility of data released into the public domain (see Jones & Solomon, 2010; Edgley et al., 2010). Findings in this study confirm that an additional benefit is the enhancement of corporate reputation (see Jones & Solomon, 2010). The results also show that sustainability assurance is used as an instrument to build trust with the stakeholders. Another key benefit is improvement of performance. There was an impression that most of the pressure for commissioning sustainability assurance services comes from assurance providers. These findings are consistent with those of other studies and suggest that other real beneficiaries are the community of professional assurance providers (see Jones & Solomon, 2010).

Findings in this study suggest that there are perceived differences between the AA1000 and the ISAE3000 assurance standards. For the interviewees in this research, the ISAE3000 standard focuses on data assurance. Respondents expressed support for the AA1000 assurance standard; however, they did not appreciate it as a means to directly involve stakeholders in the assurance process.

Results in this research show that assurance providers are selected based on their capacity for global coverage, high level of resources, and cost-effective price for the assurance service. Findings reveal that interviewees perceived differences among different types of assurance providers and approaches, and selected their services based on the proven value of their work, in contrast to earlier findings suggesting that companies believe that sustainability assurance should be performed by financial auditors (see Jones & Solomon, 2010). In this research, interviewees believed that accountancy firms have advantages over other assurance providers in terms of professional standing and global reach, and data verification work. However, one weakness of the assurance provided by accountancy firms is the assurance statement. A few interviewees also believed that specialized consultancy firms and certification bodies have the advantage of deep knowledge in specific areas, and perform well in reviewing how appropriate the data is.

The study reveals that a more substantial input from the internal audit function might assist the work of external verification; however, few interviewees seemed likely to follow the example of one interviewee and discontinue the assurance exercise entirely, or to support the view that the role of internal assurance is adequate, hence making external assurance unnecessary (see Jones & Solomon, 2010). Results in this research show that a greater use of internal audit might eventually provide a means of upgrading from limited assurance to reasonable assurance.

Findings also reveal that cost considerations are influencing the development of sustainability assurance practices. For this reason, it appeared that there was little possibility of change from limited towards reasonable assurance. However, there was no support for Jones and Solomon's (2010) suggestion that cost was an impediment to the adoption of or continuing with assurance; indeed, a clear majority of the participants in this study were committed - at least in the short term - to commissioning some form of external assurance provision.

Second, this research confirms that there is a disconnection between stakeholders and the assurance process (see Edgley et al., 2010). In this study, a majority of the interviewees acknowledged that stakeholders do not read assurance statements, and expressed a desire to bring about their active involvement. This latter view concurs with the opinion of assurance providers that stakeholders should be involved in sustainability assurance (see Edgley et al., 2010). However, findings in this study reveal very little consensus as to how to achieve a more stakeholder inclusive assurance process. For example, there was no support for the idea of stakeholders selecting and appointing the assurance provider, or for that of addressing the assurance statements to the stakeholders. The general view was that as the company commissions the assurance provision, it is only natural that the statement is addressed to the same constituency. Most of the interviewees supported the idea of formalizing stakeholder inclusion in the form of panels of evaluation; however, there was no consensus on how to proceed here. A few interviewees argued that there are practical difficulties in implementing stakeholder panels, a view shared by assurance providers (see Edgley et al., 2010). Few interviewees argued in favour of using independent external experts, either as a panel or to provide comment within the report, rather than engaging direct stakeholder representation.

Third, there is a great uncertainty as to how assurance practice will develop in future. Findings in this research suggest two possible scenarios. In one, sustainability assurance would continue to evolve, with diverse assurance approaches and more direct stakeholder inclusivity (see also Zadek et al., 2006). However, it appeared that interviewees envisaged these developments under a voluntary regime rather than under a regulatory environment. It also appeared that there is a role for data verification, and a synergy between financial and sustainability assurance. In the other scenario, sustainability assurance would wither and disappear. One interviewee suggested that assurance has “gone too far now” and needs to be grounded in reality.

6.3 DISCUSSION AND THEORETICAL INTERPRETATIONS

In this section, Michael Power's theory together with key strands of stakeholder and legitimacy theories are used to analyze the practice of sustainability assurance in the United Kingdom.

Michael Power (1994b:47) argues that at programmatic level, audit is understood as symbolizing ideals of efficiency and quality, governance, transparency and accountability. In terms of efficiency and quality, the audit process is linked to the production of better management systems of control and better reports, and to reporting systems and process, and the effectiveness of those systems[81] (Power, 1994b; 1996). In terms of governance, the audit process is related to the improvement of organisational performance and activities, and to ensuring accountability of management to stakeholders (Power, 1997/1999). Power contends that the audit system imports and exports legitimacy (2003a). In terms of transparency, the audit process is facilitated, and accountability is enhanced, when companies create environments to allow the provision of information concerning existing conditions, decisions and actions[82] (Power, 1994b). Power (1994b) claims that audits have the ability to enhance transparency of organisational actions. In terms of accountability, Power (1994b) advocates for a form of audit whereby diverse stakeholders can assert their claims as principals. He claims that audits

[81] Power's argument is complemented by the work of Soltani (2007).
[82] Power's argument is complemented by the work of Soltani (2007).

“are thought to shift power; from professionals to the public, from experts to stakeholders” (Power, 1994b:23).

However, Power (1997/1999) also provides serious critiques on the actual state of auditing practices. He raises concerns in that, in reality, audits serve the institutional need to deliver comfort in society, rather than providing critiques and a base for real change. Power (1994b; 1997/1999) argues that audits are a new form of image management, and that the auditor usually trades cost and audit quality. Power (1994b; 1997/1999) makes the criticism that audit arrangements discourage dialogue both inside and outside organisations, and that there is a preference for the “downward” accountability model in which accountability is discharged by demonstrating the existence of management systems of control rather than by demonstrating good performance in economic, social, and environmental practices on the ground. For this reason, Power (1997/1999:127) claims that audit has become “a dead end in the chain of accountability ”[83].

The empirical data described in the previous section will be analyzed by examining these Power’s arguments and criticisms. That is, it will be examined whether sustainability assurance practices in the UK are in accord with the normative view of Power concerning what audit means

[83] Power bases this argument on the work of Day and Klein 1987

and its purpose in society, and whether they manifest the issues and concerns raised by him.

The analysis also uses key strands of stakeholder and legitimacy theories. These theories are particularly useful when considering the normative arguments made by Power concerning governance, legitimacy, accountability and audits.

First, both perspectives of stakeholder theory are used to analyze companies' motivations behind the commissioning of sustainability assurance and the adoptions of certain assurance practices are examined (but see also Belal and Owen, 2007). One argument subject to analysis is the managerial branch of stakeholder theory, which states that in order to guarantee the survival of the organisation, management need to adopt strategies to deal with their powerful stakeholders (Deegan & Unerman, 2006/2008). A second argument subject to analysis is the normative branch of stakeholder theory, which argues that organisations have the duty to respond to the needs of their stakeholders regardless of their power and influence (see also Medawar, 1976).

Second, key strands of legitimacy theory are used to analyze the use of sustainability assurance in legitimation strategies (but see also Belal and Owen, 2007). Lindblom (2010: 57-60) identifies four organisational' strategies to obtain or maintain legitimacy by the disclosure of information in sustainability reports. In this study, the empirical data will be analyzed to determine whether or not the practice of sustainability assurance can be used by an organization to implement the following legitimation strategies (Lindblom, 2010: 57-60): (1) to educate and inform society about real changes in performance, hence, closing the legitimacy gap; (2) to change the perceptions of society concerning the performance of the organisation, without changing organizations' actions; (3) to manipulate perceptions by changing the discussion from the issues of concern; (4) to change society expectations by showing that they are unreasonable.

6.3.1 Sustainability assurance and the ideals of efficiency and quality

In general, respondents argued that companies receive benefits through the commission of sustainability assurance services. This opinion is consistent with the perception of auditing as symbolizing the ideal of efficiency. That is, through the provision of this type of assurance, respondents gained comfort (Power, 1997/1999) that their management process and information systems operate efficiently. In the view of these respondents, even in cases where the service provided was of limited nature, this type of assurance provision influences the development of higher quality reporting systems. It has been argued that one of the measures adopted by auditors to reduce the gap caused by inadequate organisational performance is their input to reporting systems to improve the quality of those systems (see Soltani, 2007: 32). It seems possible that in the case of sustainability assurance, providers resort to this measure in order to halt the expectation gap. An implication of this finding is the possibility that an evolution of reporting systems is needed in order to legitimize sustainability assurance practices with external constituencies (see Power, 2003a).

Indeed, respondents argued that assurance providers also influence the quality of the reports. Some respondents revealed that the production of higher quality reports is the result of negotiations (Power, 1996) between the assurance provider and the companies within the assurance process. In this process of co-production of the report and the assurance (Power, 1996:290), respondents claimed that assurance providers challenge and criticize the content of the reports, and encourage companies to address the issues and concerns raised. It seems that the provision of critiques on the reports might be an additional measure by the assurance providers to control the expectation gap in the practice of sustainability assurance. In the view of the respondents, it was clear that the inclusion of particular information in the report is agreed within the assurance process; nevertheless, these interviewees believed that it is companies that decide on the final content of the reports, hence controlling the information that is finally assured (but see Ball et al., 2000). It appears that managerial control is needed, as it is during this stage of building the assurance environment that "impression management[84] and management are tightly coupled through the assurance process" (Power, 1996:303). One issue to emerge from these findings is that there appears to be a conflict between assurance providers' need to legitimize their assurance practices with the external world though measures to ensure the quality of the information reported, its relevancy and completeness, and companies' need to legitimize their practices with external constituencies through forms of impression management.

We now turn to the issue of internal control processes. According to Soltani (2007:309), these processes are designed to achieve goals concerning the reliability of reporting and accountability, operational efficiency and compliance with laws, regulations and policies, among others. As Power (2007b:43) states, internal management control process provides a base to make organisations "accountable, auditable and inspectable". In this context it is expected that internal auditors, in their function of evaluating and assessing the quality of internal control performance over time (Soltani, 2007), could play a role in the provision of external sustainability assurance. The majority of respondents envisaged, like Power (1997/1999; 2007b), that the internal audit function could work in partnership with external assurance providers, and gave the impression that they intended to reach a balance between

[84] Impression management is "a broad phenomenon in which we try to influence the perceptions and behaviours of others by controlling the information they receive" (Rosenfeld, Giacalone, & Riordan, 1995:7).

internal and external arrangements for assurance. It seems possible that a more substantial input from the internal audit function might serve to diminish the importance of, or even take over the role of, external sustainability assurance in the future (Power, 1997/1999). It is also probable that a more proactive role of the internal audit function could have an impact by reducing the assurance fees (Power, 2007a). However, at the time the research was conducted, few respondents seemed likely to follow the example of interviewee [C8], who had successfully substituted the provision of external assurance for internal auditing, whilst implementing a form of panel of evaluation to provide strategic commentary on critical issues.

In the view of the majority of respondents, upgrading to reasonable levels of assurance was not possible, because of cost. This perception supports Power's (1997/1999) claim that sustainability assurance is a practice bounded by economic constraints. It appears that the commission of sustainability assurance services is considered under the cost-benefit analysis (Power, 1997/1999), as a majority of respondents argued that sustainability assurance must provide value for money. It does seem that assurance exercises conducted with limited levels of assurance provide an added value. However, the question is: value to whom? As in the case of environmental auditing (see Power, 1991), companies - rather than society - undertake the role of principals; therefore they assume the assurance cost until the point at which they perceive that they are gaining major benefits. Albeit that the views of companies' respondents gave the impression that there is a benefit for the users of the sustainability reports, one is likely to conclude that sustainability assurance is far from providing real benefits for society. In fact, in the view of one respondent, another real beneficiary is the community of professional assurance providers.

6.3.2 Sustainability assurance and the ideal of governance

In general terms, a majority of the respondents did not refer to sustainability assurance as a means whereby companies shape and enhance their performance (Power, 1994b:8), and therefore ensure accountability to stakeholders. These respondents did not view auditing as symbolizing the ideal of governance. This finding concurs with our earlier observations, which showed that the assurance procedures which indicate clearly the evaluation of organisational performance were not main priorities in the practice of sustainability assurance in the FTSE100 companies (see chapter five, section 5.5). Only one respondent, [C8], clearly stated that corporate performance is improved through the practice of sustainability assurance[85]. Intriguingly, the assurance exercise in his company was conducted by a panel of external experts. This respondent explained that within the conversations with the panel of

[85] Although interviewee C5 also considers that assurance providers draw attention to performance matters that can be improved; this issue in analyzed in the context of company [C8].

experts, the company's needs and point of view were understood, and strategies were provided to improve their performance.

Indeed, this oil company [C8] claims that it is accountable to their stakeholders (see Lawrence, 2002). In 2007, the work of the external panel of experts focused on reviewing and commenting on the company report, and on offering observations on the company performance. On the environmental side, the main issue commented by the panel was related to the impact of climate change on the business and on the future of the planet, and to how the company will develop renewable energy business to ensure sustainability of the business. Moreover, the panel report (for years 2005, 2006, and 2007) also referred to concerns raised by INGOs related to environmental degradation and human rights violations in Nigeria and Russia[86]. Although the problem in Nigeria had been documented since 1995 (see Lawrence, 2002), it still persisted in 2007. In fact, the panel report (2006) referred to the possibility that this company was not able to meet the target of ending an environmental problem in Nigeria because of continuing conflict in the region and lack of access to funding. Indeed, while the panel of experts asked in 2007 how and when the issues in Nigeria would be solved, it appears that the problems still remain, as Amnesty International reported in 2009 on the continuing deterioration of human rights and the environment in this country. This raises doubts as to the responsiveness of this organisation, and the

[86] Only assurance statements (2005, 2006) refer to this issue in Russia.

credibility of the assurance process itself, as the social and environmental performance of the company in Nigeria remains questionable.

It would be possible to claim, from the perspective provided by the normative branch of stakeholder theory, that this company's [C8] adoption of the panel of experts is a response to the need to ensure accountability to stakeholders by the external examination of its social and environmental performance (Power, 1994b). The company has been transparent by acknowledging the social and environmental issues it faces. Intriguingly, the panel report does not refer to the social and environmental impacts exposed by NGOs in geographical regions other than Nigeria and Russia. Hence, the assurance process seems to be aiming at informing powerful stakeholders such as social activist groups in the environmental and human rights areas. It is also unclear how the people in Nigeria and Russia are being informed of the main activities and impacts of this organisation. Therefore, the commissioning of sustainability assurance services is not driven entirely by a genuine desire to be accountable, and transparent, to all relevant stakeholders. Moreover, from the panel of experts' statements it could be inferred that the major concern for this company has been to ensure the sustainability of the business rather than to respond to the environmental degradation and social problems that result from its business activities and to ensure appropriate redress. Clearly, working in countries where there is social conflict represents a major challenge for companies, especially if their activities exacerbate social and environmental problems; however, it is evident that the economic returns of its activities compensate this issue, and motivate the company to continue their operations in these regions. Hence, it is clear that economic performance has taken priority over social and environmental performance. It is also evident that this company has attempted to manage relationships with powerful stakeholders through sustainability assurance in order to preserve its economic interests. In short, doubts arise about the desire to be accountable to all stakeholders via sustainability assurance.

Moreover, leaders of this company have admitted that their reputation is an important commercial asset (Lawrence, 2002:197). According to Lawrence (2002:196), through the process of stakeholder engagement this company has sought to improve its corporate reputation, to earn its licence to operate and to win approval from society. In fact, the respondent from this company admitted that the credibility of the business increased significantly with the adoption of the panel of experts[87]. In other words, the practice of sustainability assurance is used to legitimize its activities and operations. This is consistent with Lindblom's (2010) suggestion that organisations create strategies to secure legitimacy. It appears that the strategy of this company has been to educate and inform society about its real performance in order to reduce the expectation gap (Lindblom, 2010), as the panel of experts

[87] This company has evaluated the impact of adopting a panel of credible experts on the credibility of their report and their reputation via an extensive reader survey.

acknowledged concerns raised by INGOs and indicated the impossibility of this company solving its issues efficiently. Further, it appears that an additional strategy was to focus mainly on evaluating issues of climate change, and in this way to distract attention away from critical issues of concern (Lindblom, 2010) that are recurrent problems in Nigeria. Most of the interviewees narrated a similar experience, whereby sustainability assurance serves the purpose of enhancing credibility and corporate reputation. In other words, it serves the ultimate purpose of securing legitimacy with external constituencies (Power, 2003a), without guaranteeing redress to society.

Swift (2001) argues that corporate performance is close knit with corporate reputation. That is, "performance is about the achievement of the success of the business coupled with societal expectations that an organisation will act in a socially responsible manner" (Swift, 2001:22). However, for some types of business it would be challenging to meet societal expectations and therefore to improve their social performance, as their social impacts are difficult - if not impossible - to mitigate. This is the case of company [C3], whose business, the production of tobacco, lacks a good reputation in society[88]. Swift (2001:22), reporting Hosmer (1995:386), explains that reputation is the result of trustworthy behaviour, and that trust is earned on the basis of trustworthy behaviour. For her, "trust is based upon corporate reputation, dialogue and

[88] Tobacco is an agricultural product which contains an addictive substance commonly used as a recreational drug.

experience" (21). In this sense, she claims that stakeholder engagement and egalitarian dialogue between companies and their stakeholders are critical to build trust. Further, according to Power (1997/1999), the idea of audits sustains the idea of trust in society. Hence, sustainability assurance practices with a stakeholder-centred approach aiming to build egalitarian dialogue would serve this purpose of building trust in society.

It would be possible to claim that the company C3 is building trust in society through sustainability assurance. The respondent from company [C3] admitted that through sustainability assurance her company is restoring trust with stakeholders: "*you might not trust us but you can trust our [reporting and assurance] process, which is very, very important to us*". Through the assurance process, the stakeholder sessions[89] - rather than organisational performance - are examined using a stakeholder-centred approach based on the AA1000AS, and including the opinion of stakeholders (albeit indirectly). This approach reveals that stakeholder concerns are not at the centre of the assurance practice (see Dando & Swift, 2003). Now, this perspective evidences a fundamental problem. In reality, in the case of this company, sustainability assurance displaces the problem of trust rather than solving it (Power, 1994b; 2007b). It seems that society must trust their practice of sustainability assurance, and perhaps the integrity of the assurance providers conducting the assurance exercise, as it is difficult to trust the company itself because the nature of their business is highly

[89] Stakeholder sessions held in London.

questionable. Moreover, the company is restoring legitimacy through sustainability assurance (Power, 2003a) by educating and informing society of its real activities and impacts, and is in this way reducing the expectations of society (Lindblom, 2010). It would be possible to claim that this company uses the practice of sustainability assurance as a tool to manage stakeholders' expectations, and its organisational image, rather than as an instrument to operationalize accountability to their stakeholders.

The question of whether corporate performance in social and environmental issues is enhanced via the practice of sustainability assurance, hence ensuring accountability to stakeholders, is clearly noticeable in the case of the company from the pharmaceutical sector. This company [C6] has reported information on the issue of access to medicines in poor nations, and conducted dialogues with stakeholders to discuss their main concerns. Further, in 2007, the assurance of the information related to this issue was conducted using a stakeholder centred approach, as it was based on the AA1000AS, and included the direct opinion of stakeholders. In the view of the assurance provider, the company was performing well in managing this issue. It appears that this company has been responsive (see Dando & Swift, 2003), as in 2009 one of its leaders promised to reduce its drug prices on all medicines in selected developing countries to no more than 25% of prices in developed countries (subject to manufacturing costs), and to invest 20% of expected profits in selected developing countries to expand health care systems[90]. Outwardly then, it would appear that sustainability assurance has served its purpose of improving the social performance of this company and discharging accountability to stakeholders (Power, 1997/1999).

However, this respondent admitted that through the practice of sustainability assurance her company [C6] could manage pressures from key activist groups concerning the critical issue of access to medicines in poor nations. In other words, the practice of sustainability assurance was used to manage the company's relationships with powerful stakeholders. Therefore, it might be that the motives behind the commissioning of sustainability assurance were unrelated to the need to be accountable to all relevant stakeholders. Further, the answerability and responsiveness of the company on this issue could also be questioned, as in 2009 the INGO HealthGap raised concerns, specifically that "the discounted prices are still far too expensive for governments or poor consumers in developing countries to pay, and that the lower prices might be used as a company strategy to oppose the lawful issuance of compulsory licenses to medicines for chronic diseases". It seems that this company had responded to stakeholder demands and concerns on their own terms. In short, it appears that there is managerial opportunism to promote the

[90] This information is available on company C6 website.

company's economic best interest (Swift, 2001:18)[91]. That is, the company prioritizes economic performance over social performance.

In sum, one is likely to discern that the practice of sustainability assurance corresponds to a managerial strategy designed to gain or expand legitimacy in some cases, or to repair lost legitimacy in others (Lindblom, 2010). This situation evidences a high degree of managerial control over the assurance process itself. Power (1997/1999) claims that in society, the model of "downward" accountability prevails. Here, it is clear that these companies have discharged "downward" accountability, as their strategy has been to promote an image that they are committed to accountability by commissioning an assurance service which, in the majority of cases, does not lead to substantive change in their social and environmental performance. Hence, sustainability assurance does not encourage responsiveness, and therefore does not encourage true accountability (see Mulgan, 2000).

A further issue to examine is whether the practice of sustainability assurance is being used as a greenwashing practice to repair corporate reputations and shape public image or corporate accountability. Laufer (2003:255) claims that the term greenwashing reflects an apprehension that some corporations use strategies to appear as leaders in issues of

[91] Opportunism is "defined as self-interest seeking with guile" (Williamson, 1975; Williamson, 1985, cited in Swift, 2001:17)

concerns for society, when in practice, they are using legitimation strategies to manage their reputation with society at large.

It appears that this is the case with company [C8] which, according to its assurance statements, is leading a fight against climate change, albeit that it has been impossible for them to reduce gas flaring in Nigeria (one of the most significant sources of greenhouse emissions). It seems that in this company the practice of sustainability assurance is used to give a facade of leadership in the sustainability area (Laufer, 2003). It might also be possible that the endorsement some of these companies show towards assurance standards such as the AA1000 might correspond to a strategy of securing reputational advantage (Laufer, 2003). However, with a small sample size, caution must be applied, as the findings might not be transferable to the rest of the FTSE100 companies.

6.3.3 Sustainability assurance and the ideal of stakeholder-centred accountability

In general terms, there was awareness among respondents that stakeholders are detached from the sustainability assurance process. For example, they acknowledged that stakeholders do not read assurance statements. Intriguingly, the majority of respondents expressed a desire to bring about their more active involvement (see Power, 1994b). Hence, one is likely to conclude that the aim of the business is to transfer control and power to their stakeholders (see Cummings, 2001). However, a more detailed analysis of the data reveals a different predominant aim in current sustainability assurance practices.

There was little consensus among respondents on how to bring stakeholders within the practice of sustainability assurance. Most of the respondents did not support the normative view of Adams and Evans (2004) that it is necessary to involve stakeholders in appointing the assurance provider. What is really surprising is that they were aware of the contradiction of preparing sustainability reports for stakeholders, whilst addressing assurance statements to the company itself. However, they did not support the idea of addressing assurance statements to the stakeholders. Even company [C8], which has been recognized as a leader in the process of stakeholder engagement (Lawrence, 2002), was unable to support this idea. It seems that companies in the UK are heavily influenced by the stockholder approach (Kaler, 2002). In other words, in terms of corporate governance, those running companies in the UK must not only report to shareholders but must also be answerable to them (Kaler, 2002). The views of these respondents reveal that companies have decided to be accountable on their own terms, through the voluntary commission of sustainability assurance, and by being answerable only to themselves or their shareholders. In short, they engage in a form of "soft accountability" (Gray et al., 1997), so-called because stakeholders do not have real power to hold companies to account (see Swift, 2001 and

Cumming, 2001). Further, in the words of Power, it is a form of "downward" accountability, where assurance becomes a "dead end in the chain of accountability" (Day and Klein, 1987 cited in Power, 1997/1999:127). Moreover, one respondent explained that accountancy firms are a major obstacle to achieve true accountability (see Swift, 2001) to stakeholders. A possible explanation for this might lie in the "insurance role" that financial auditors play in financial assurance, whereby "users of financial statements regard the audit firm as a potential source of financial recovery for any subsequent investments losses" (Soltani, 2007: 53-54). In the same way, assurance providers are protecting themselves from being sued by stakeholders.

Notwithstanding the above, most of the respondents supported Power's (1994b) view that through sustainability assurance the voices of stakeholders could be represented and heard. However, they did not state that their voices could be heard as a mechanism that is part of the corporate governance structure of the companies. In general, respondents were supportive towards diverse forms of the panel of evaluation. For example, a few respondents stated that they found the idea of stakeholder panel an interesting option. For them, the stakeholder panel represented a form of dialogue whereby stakeholders could provide an input as to what issues to report on, bring their view on the companies' challenges and discuss issues they consider relevant, and provide a view on the sustainability report. Nevertheless, the respondent from company [C4] considered this idea of stakeholder inclusion through stakeholder panel to be unsustainable. This respondent advocated setting panels of evaluation at project and local level, with local stakeholders, rather than at company level. However, this is not assurance per se, as such exercises do not evaluate environmental and social performance at company level. Other respondents, [C8, C10], were in favour of including experts rather than stakeholders in the panel of evaluation. For them, the critique and expertise of certain individuals on critical sustainability issues could provide more benefits for their companies.

Now, the question here is, what is the nature of the stakeholder inclusion that companies support? None of the respondents referred to any form of panel of evaluation as a means to give control or delegate power to stakeholders (see also Cumming, 2001). In short, all the forms of panel of evaluation represent a "soft form" of accountability whereby transparency is encouraged and critiques are stimulated, but without empowering stakeholders to influence and produce substantive change (Power, 1994b:27). Hence, the strategy of these companies has been to give a facade of the displacement of power from companies to stakeholders (Power, 2007b). As argued by Power (2000), in this way the public is persuaded that something has been done by someone. One is likely to discern that this perception of a panel of evaluation corresponds more to a strategic response to manage stakeholder expectations (Power, 2007b), rather than a true form of stakeholder-centred accountability.

6.3.4 The future of sustainability assurance

In this section, it will be discussed the future prospects of the practice of sustainability assurance in the UK from the perspective of companies' representatives.

There is great uncertainty as to how the practice of sustainability assurance will develop in the future (see section 6.1.7). What is clear is that none of the respondents articulated the view that the practice of sustainability assurance in the UK should be regulated. This constitutes an essential problem since, according to Zadek et al. (2004:81), regulatory requirements are fundamental to support the development of the practice of sustainability assurance. Indeed, the legal accountability mechanism is confined to the part of the law which dictates enforcement procedures (Mulgan, 2000:564). Without this law enforcement, it is not possible to hold companies accountable. A further problem is that without institutional rights of access to sustainability information, as is currently the case in the UK, there is no possibility that in the near future stakeholders could use sustainability assurance to hold corporations to account.

For most of the respondents, the future of the practice of sustainability assurance will continue to be driven by the needs of companies to enhance the credibility of reports and to improve management and reporting systems, rather than by society's need to see an improvement in the environmental and social performance of companies. In these circumstances, it seems probable that the added value from the assurance exercises will continue to be mainly for companies. Although some respondents claimed that there will be more stakeholder inclusion in reporting and sustainability assurance practices in the future, there is a great deal of uncertainty as to how this can be brought about. These respondents propose introducing panels of evaluation in the form of stakeholder panels or panels of credible experts. There are two main problems here. First, given the difficulty in identifying suitable stakeholders representing diverse interests, it is questionable whether true stakeholder inclusivity can realistically be achieved. Second, it remains in doubt as to whether truly independent assurance can be achieved by a panel of experts (or individual experts); here the main concern is to establish clear rules whereby they could act on behalf of the interests of society, superseding the interest of the companies.

A few respondents claimed that there is a need to develop a synergy between financial and sustainability assurance. If that were to happen, the accountancy profession would be favoured, as a number of interviewees noted they have the skills needed to perform data verification work. Indeed, most of the respondents perceived differences in the assurance approach adopted by different providers (Power, 1991). They perceived specialized consultancy firms and certification bodies as having deep knowledge in specific areas, and providing assurance on the appropriateness of the data. Some respondents were in favour of using different assurance approaches to complement each other. However, if future sustainability assurance emphasizes data verification, as some respondents advocated, this could mean that accountancy firms will take a larger slice of the assurance market in the UK. Power (2000) points out that the position of accountants in the economic and political life of the UK has been a decisive factor in the rise of auditing. If this is the case, accountants might have a leading role and strong influence in the future development of sustainability assurance practices in the UK. However, the future of accountants as assurance providers will only be resolved when there is an answer to the question posed by one respondent: Will the value they provide at the early stages of the maturity cycle continue as the company moves through the cycle? For the majority of respondents, it is clear that assurance providers must prove the value of their work. In this sense, it appears that the recent trend of using the AA1000 assurance standard in tandem with the ISAE3000 is a response from the accountancy profession to provide assurance services with more added value.

Finally, there is also a possibility that sustainability assurance will fade out in the future. Some respondents argue that because of the high fees attached to sustainability assurance services, the practice is unsustainable unless limited assurance exercises become the rule. Another cynical voice, the respondent from company [C6], argued that sustainability assurance has "gone too far now" and needs to be grounded in reality. However, the most interesting perspective came from the respondent from company [C9], which discontinued external assurance services some years ago. In her view, high assurance fees are not an impediment to commissioning sustainability assurance services. She claimed that the real issue is that, where internal audit systems operate correctly, assurance practices do not provide added value to the companies. She argued that a more valuable process is the engagement of stakeholders at different levels of the organisation. This perception supports Power's (1994b:44) view that "the internalization of stakeholders at different levels of the organisation may be information efficient to the extent that formal [assurance] would become redundant".

6.4 Conclusion

The description and analysis of the views of corporate managers can be summarized in three key points:

(1)Companies are the drivers for commissioning sustainability assurance services.

(2)Sustainability assurance is a means whereby companies manage expectations of powerful stakeholder groups.

(3)Sustainability assurance fails to enhance stakeholder-centred accountability.

First, in a shareholder oriented country like the UK, the sustainability assurance agenda appears to be driven by companies. The real driving force of sustainability assurance is internal rather than external. The main factors driving the commission of sustainability assurance are: (1) the need to enhance trust, and credibility of reports and of company process (Power, 1996; 2007b), and to build corporate reputation; (2) the need to build, expand, or restore legitimacy with external constituencies (Power, 2003a); (3) a desire to improve internal management systems, and reporting systems (Power, 1994b; 1996). Moreover, it is clear that the need to improve performance in environmental and social matters, and to be accountable to stakeholders, has been neglected (see Power, 1997/1999). In short, in reality, sustainability assurance provides major benefits mainly for companies. These findings evidence a high degree of managerial control over the assurance process itself (see also Ball et al., 2000; O'Dwyer & Owen, 2005; Jones & Solomon, 2010; Edgley et al., 2010).

Second, there is evidence that companies use the practice of sustainability assurance to manage expectations of powerful stakeholder groups in order to serve their economic interests, hence providing support for the managerial branch of stakeholder theory. The strategy of these companies has been to listen to the issues raised by social and environmental activist groups, and then to refer to these concerns within the assurance process, without clearly indicating strategies for solutions. In most cases, solutions presented by companies mainly serve their economic interests and secure the sustainable development of the business. In short, there is a high degree of stakeholder management through the practice of sustainability assurance (see also O'Dwyer & Owen, 2005; Edgley et al., 2010). In these conditions, the assurance process does not promote substantive change, and probably only aims at bringing enquiries to an end (Power, 1997/1999).

Third, the core meaning of accountability requires that companies justify their decisions and accept responsibility for these choices and their results (Soltani, 2007), and offer redress. However, the absence of regulatory enforcement with regard to social and environmental matters[92] evidences the need to promote direct civic dialogue within the practice of sustainability assurance (Power, 1994b). None of the respondents in this study argued for giving control or delegating power to stakeholders through the practice of sustainability assurance (see also Cumming, 2001). In these circumstances, stakeholders are unable to demand substantive change. Hence, it is clear that these companies have discharged "downward" accountability (Power, 1997/1999), as their strategy has been to promote an image that they are committed to accountability by commissioning an assurance process which, in the

[92] Soltani (2007:79) claims that although the current system of accountability places strong emphasis on financial statements and associated elements, in order to determine the performance of companies it is necessary to consider other factors, such as social and environmental matters.

majority of cases, does not lead to substantive change in their social and environmental performance.

Next chapter will examine the views of representatives of stakeholders groups.

7 CHAPTER SEVEN: STAKEHOLDERS' PERSPECTIVES ON SUSTAINABILITY ASSURANCE

This chapter has two aims:

(1) To illustrate the views of representatives of stakeholder groups on emerging issues in sustainability assurance exercises in the United Kingdom;

(2) To discuss and interpret the interview results across several emerging issues using the lens of Michael Power's theory and stakeholder theory.

7.1 INTRODUCTION

Stakeholders are a critical constituency of sustainability assurance exercises; however, findings from chapter five show that direct participation of stakeholders in sustainability assurance in the UK remains minimal. Moreover, results from chapter six evidence that stakeholders are detached from the practice of sustainability assurance. Far too little attention has been paid in previous research to stakeholders and their views on the phenomenon of sustainability assurance. This chapter reports the empirical results of semi-structured interviews with representatives of stakeholder groups. It explores stakeholders' perspectives on the sustainability assurance phenomenon, based on their responses to questions in the interview schedule (see appendix 3). The chapter includes a discussion and interpretation of the empirical results across several emerging issues, using the lens of Michael Power's theory and stakeholder theory as conceptualized in chapter 3 (section 3. 3).

This chapter is structured as follows: First, it presents empirical results in the form of (1) an examination of views on the added value of sustainability assurance exercises, (2) an analysis of concerns regarding current sustainability assurance practices, (3) interviewees' views on the role of stakeholders in the assurance process, (4) their views on the future direction for sustainability assurance, and (5) a summary of empirical findings. Second, it presents a discussion and analysis of the empirical results by examining the following aspects: (1) sustainability assurance and the expectation gap, (2) sustainability assurance and the ideal of stakeholder-centred accountability, and (3) the future of sustainability assurance. Finally, it draws conclusions from the discussions.

7.2 EMPIRICAL FINDINGS

This section draws upon the work of Owen et al. (2009:23-28), who present an overview of the perspectives of representatives of stakeholder groups on emerging issues in sustainability assurance exercises in the United Kingdom.

7.2.1 Does sustainability assurance add value?

As interviewees came from a diverse range of civil society sectors, it was not surprising that they evidenced very mixed views on whether or not sustainability assurance adds value. Whilst INGO sector representatives believed that sustainability assurance is a useful exercise, and were generally supportive towards it, the trade union official and three representatives of the investment community adopted an essentially negative stance.

The perception of the INGO sector representatives was that sustainability assurance adds value, both for users of the reports, and for the company itself:

> *I think the purpose of assurance is to, primarily from an external perspective, help the external stakeholders to know that the report is transparent, covers issues it needs to cover, is accurate. I think there's also an equal weight of importance for the internal stakeholders, the management of the company, to be able to know that what they're doing is acceptable or is right or good enough. I think assurance in a sustainability report can be a very useful way for a company or an organisation as a whole to get some kind of feedback and assurance about its activities, not just how it reports on those activities. [S6]*

The majority of these interviewees echoed the views of the company representatives, stating that sustainability assurance adds credibility to the reporting process:

> *It provides the person who is interested in the company, whether it is the consumer or the watchdog or the shareholder, [with] reassurance and confidence that what the company is actually saying is true and is the case and is the facts. [S7]*

I think it gives you some sense that the company is serious about the issue and is dealing with it seriously. [S5]

[It reassures] the users of sustainability reports about the contents and veracity of these reports, that they are reasonably complete, fairly presented, and accurate where there are figures and so on. [S4]

They also believed that, in the long term, sustainability assurance improves reporting practices:

I think that assurance statements over a period of years result in better, and ultimately different, sustainability reports. In other words, if you know that no one is ever going to check what you write in your report, by the time you're a few years down the line, your report might look quite different to how it would look if you know somebody is going to be checking up and reporting on whether it's being done properly. [S4]

Two interviewees [S4, S5] also noted that sustainability assurance might play a role in improving companies' performance:

In the short term, these assurance statements provide some additional assurance to the readers, and in the process of doing that, they should provide some feedback to the company about how they can improve. [S4]

The whole purpose of assurance is to make a company change and progress year on year. [S5]

A totally contrary view was offered by representatives of the investment sector, together with the trade union official. They adopted a negative attitude towards sustainability assurance.

Representatives from the investment sector argued that sustainability assurance was irrelevant in the context of their own investment decision-making needs; however, they acknowledged that sustainability assurance might be useful for other stakeholder groups:

> *Do we look at assurance statements? The answer is not really. Do we have a huge interest in them? Not really. The main reason is that the issues are not that important from an investment point of view. Those issues that are important you would generally find appearing in the annual report where they will be audited and signed off by the auditor. [S1]*

> *Frankly, on the sustainability side we don't [look at assurance statements]; it's not really an issue that we've paid much attention to. Our view, essentially, is that what we want companies to do is to have as free a hand as possible to report about the issues they're facing without having too much oversight by advisors in whatever form, whether they be the lawyers or the auditing firms. [S2]*

> *I would say it's potentially a small bonus point if there is an assurance statement there, but it's certainly not a negative point if it's not. If assurance is there company management obviously want people to understand that they are taking it seriously, that they are happy for external verification, that they have sought quality assurance on the information that they've put in the report, that they wish for a level of credibility with that assurance and they're keen for transparency. But that doesn't necessarily mean that what they're saying is of use to us in our role as SRI analyst. [S3]*

For these interviewees the main reason behind this negative stance was that, in their view, the work of institutional investors is superior to what sustainability assurance practices produce. They stated that institutional investors are in the privileged position of enjoying easy access to senior corporate executives, so that published corporate sustainability reports represent only a starting point for discussion:

> *Clearly, if there's an issue of concern we would hope it's been covered to some extent in the report; we can then build from that understanding of where the issues are to take the discussion forward. It is a very helpful foundation to have some information so that we can have a more productive conversation. But the disclosures will never substitute for that conversation, because the value and interest definitely comes from the discussion that we can have. [S2]*

Furthermore, these direct discussions between investors and companies gave rise to a situation in which investors perceived that they were doing assurance themselves:

> *I'm not sure that we see a significant role for an assurance process because, in a sense, we're doing assurance ourselves. [S2]*
>
> *Ultimately, you want to interrogate that data; we can just phone up, we say: 'Look, can you get the person who covers this area or is responsible for it? [We want you to] come and talk to us and explain what you're doing and explain your strategy.' [S1]*

As interviewee [S3] argued, her job as institutional investor exceeds the work of assurance providers as it leads to an evaluation of financial performance and the influence of social and environmental issues on it:

> *We're looking at silent content and saying: 'What isn't there, and how does this influence the company's financial performance? Is it impacting on sales? Is it impacting on asset value?' So in our analysis, we just go way beyond what assurance looks for.*

The position adopted by the investment community representatives was that sustainability assurance does not add value in the context of their own work needs.

In a similar vein, the trade union official adopted a very critical position towards the added value of current sustainability assurance practices. For him:

> *I'm not so sure that assurance means anything, in the sense that there is no guarantee as to what it means. If I see a letter in a sustainability report from a*

large company related to an accountancy firm or some other large kind of CSR enterprise, this means nothing to me. [S8]

In sum, it is clear that there is a difference of opinion as to whether or not sustainability assurance adds value. It would be fair to state here that no one expressed categorical approval of current sustainability assurance practices. It is significant that representatives from the investment community evidenced a negative stance as, according to two interviewees from the INGO sector [S5, S6], this is the stakeholder group which could potentially have a leading role in the development of assurance and sustainability reporting.

7.2.2 Stakeholders' concerns regarding sustainability assurance practices

All the interviewees were aware of problems in current sustainability assurance practices.

Albeit that the views of INGO representatives revealed a supportive position towards sustainability assurance, their opinion also manifested scepticism. For example, interviewee [S7] argued that whereas sustainability assurance provides meaning to the reporting process, quality of reporting influences the quality of assurance:

However, if reports don't have clear, useful information in them from the start, and the way they're structured isn't useful, then to some extent it doesn't matter how good the assurance is, it's irrelevant. So they're both dependent on each other.

For her, a more important challenge was to provide assurance on real time information:

> *I think with the whole assurance process, by the time the information is produced, it's often irrelevant. The data is 18 months old and it only gives the information that people on the ground already knew, not the information that they need. So in terms of serving the information needs and transparency needs of communities, I'm not convinced that assurance serves their primary interest in the most effective way. [S7]*

She also argued that there was a need for sustainability assurance to focus on examining companies' policies in action and the associated impacts, rather than the policies on paper:

> *Often some of the assessments I've seen have been based on the company's policies, but not necessarily [on] the company's practices. I think often companies' environmental and human rights policies are very good but they're not being practiced on the ground. I think this is the main challenge, that assurance obviously needs to happen on the ground, to see policies in action, not just what's written on paper. [S7]*

This was a view that attracted fairly general support from representatives of the INGO sector. As another interviewee put it:

> *The whole assurance process isn't just to do with producing a report at the end of the year. It's how an organisation conducts its activities through the year and how it plans and finds out what issues are relevant to it. I think it's more than reporting. [S6]*

Intriguingly, INGO sector representatives also manifested more radical views as to the value of reporting and the associated sustainability assurance exercise (see also Zadek et al., 2006).

For example, interviewee [S5] commented that: "*I think there's quite a high degree of cynicism around corporate responsibility reports and a general feeling that it's become an industry of itself*". She went on to note that:

> *I think probably the state of assurance has improved because there's been a lot of focus on it, a lot of thinking gone into it. My perception is that we've got to reach a balance in terms of how much you put into that and how much you put into the companies actually doing things to improve their overall responsibility.*

Similarly, interviewee [S6] noted that: *"I don't actually believe that many people read these reports"*. However, for him, a more fundamental problem lies in the way sustainability reporting has developed, which in his opinion follows the financial model too closely and therefore represents a missed opportunity for engaging stakeholder interests. He also pointed out that (see also Zadek et al., 2006):

> *The trouble is there's too much emphasis on what I call number crunching assurance at the moment. Whereas I think, the really important part about the assurance is whether or not the organisation is covering the right issues in its reporting, and I don't believe that assurance is really doing that. [S6]*

For another interviewee, the problem was much deeper, in that assurance providers were:

> *…trying to give assurance on a report which is almost certainly not doing what it says on the tin, in terms of really reporting on sustainability. [S4]*

Further, this interviewee [S4] expressed concerns, in common with the views of company representatives, on the quality of the assurance statements produced by assurance providers:

> *Now, of course I understand the problem. The problem is liability and the big accounting firms being accountable and being sued because of statements in the report. And this has resulted in very bland reporting by these accountants who are reporting to management or something and then the smaller guys will produce more general reports because they think 'well, if we're sued we'll go bust and no one's going to bother because we haven't got much money'. I recognize the problem but I wish we could find some way through it.*

Similarly, interviewees from the investment sector expressed more fundamental reservations over current sustainability reporting and associated assurance practices. For example, interviewee [S2] noted that sustainability reporting attempts to satisfy too many different stakeholder interests; he called for fewer sustainability reports to be produced and for companies to decide on the relevant issues to be integrated into mainstream reporting through business reviews published within the financial statement:

> *We would rather see fewer sustainability reports, and the relevant aspects of that integrated into business reviews. Our position on the business review has always been that it needs to be communication directly from the board to the shareholders. Clearly, if you've got issues in the business review, you have the auditor's oversight of the business review.*

For this interviewee, such integration would lead to sustainability assurance becoming a *"natural part of the normal auditing role"*.

A different perspective was offered by interviewee [S1], who emphasized the need for more reporting and associated assurance, focusing on data assurance rather than on the narratives:

I mean, trying to compare company performance even on things like gas emissions is very difficult because of [the] lack of clarity around what companies report. Companies have an interest in presenting [the information] in a way that best suits their purpose; therefore, it is more difficult for the assurors on data to get it right. As investors, we're interested in data points, not in the narratives. The problem is that the data points in the main aren't good.

For this interviewee, this issue gave rise to a further concern:

Data assurance requires technical skills that I think the big four accountants probably don't have. Most of the big consultants in this area are general service providers focusing on auditing and reporting. Actually, very few of them have people whom I consider credible or competent in relation to data analysis and even data uncertainty. [S1]

Interestingly, similar concerns over the credibility of those currently providing assurance services were expressed by the trade union official (see also Zadek et al., 2006):

I don't think assurance providers are providing anything that is universally recognized; I don't think that there is an agreement as to what the rules of assurance should be. Now, I realize that assurance providers say, 'Oh yes, we have this thing here and this thing there', but I don't think that they're entirely credible ....it's not the same thing as financial reporting at this stage, there is nobody that I would consider legitimate to set these rules.... I realize there are several bodies that do set rules but I don't think that they're entirely credible. So you have a sort of upstart industry that is looking for credibility but I don't think that it has it right because of the nature of what they're doing, which is in the environmental and social areas. There are forms of expertise that they don't have... and they want to say 'well yes, we're experts in this' and in fact they're not. And so I think that there's a problem there and I don't see it being solved right away. [S8]

He gave as an example the area of labour, in which he doubted assurance providers were able to provide a meaningful attestation:

There is a lot of reason, at least in the labour area, to doubt the ability of assurance providers to attest to anything. To the extent that they have addressed these issues, I don't think they have the competency and they've demonstrated that.... so I'm not *particularly impressed by that. I wouldn't want to say for environmental subjects or consumer issues or something like that, I wouldn't feel very comfortable. But with the labour area, I think that you can challenge the competency of assurance providers. [S8]*

His views extended to the added value of assurance statements:

Some of the companies offering assurance services say in the statements: 'Yes, but this doesn't mean anything'. It says so in the statement itself. I think that it's misleading. Assurance statements are supposed to inspire confidence. But I'm not sure they inspire confidence at all. [S8]

His critiques also addressed more fundamental issues of current sustainability assurance practices. First, he argued that sustainability assurance does not lead to changes in company practices, making specific reference to his experiences with supply chain auditing:

Even after close to 15 years of this supply chain code of conduct, there hasn't been a significant impact in most of the industries, like textile and garment, athletic footwear, toys, basic agriculture. There hasn't been a lot of change in working conditions. There's a recognition that the system of professional auditors is not working. There's a very large industry of professional workplace auditors that go in and report; there's a lot of evidence that the auditors aren't discovering the conditions. The companies falsify the records, the workers are coached, the professional auditing companies are themselves falsifying their audits and don't make a lot of effort to get at the truth. So it's not a system that works, and it's a widespread system, and there's lots of companies, lots of money, lots of activity, and almost no credibility. [S8]

Second, he questioned the institutional legitimacy of the assurance process itself. He expressed reservations over the legitimacy of the institutions setting the sustainability assurance standards and rules:

I think that if you do standard setting you have to base it on certain kinds of criteria. If you're talking about one kind of standard, the answer is going to be expertise, and if you talk about other kinds of standards it's going to be *representation, meaning that [in the first case] you just need to get the people with the specialized knowledge in the room, and in other cases you have to make sure the interests are adequately and fairly represented. And, I think it's more the representative issue than it is the expertise issue. I don't think that AccountAbility has that ... they have mainly the people who want to make money from this stuff. I don't think they have the process right either. [S8]*

He also argued that particular interests, mainly from the accounting profession, influence the development of reporting and associated assurance practices:

I'm very worried that too much of this is being funded by the accounting industry, in the sense of organisations like AccountAbility, a lot of conferences, a lot of books. And the debate might be loaded; it's not a genuine debate because the questions are all going in a certain way, they pre-suppose certain things. I would be much more interested in some discussions amongst stakeholders as to what it would take to increase the credibility of these reports, where we didn't have to automatically think that it was professional assurance sellers that were going to increase the credibility. [S8]

He critiqued the role of the assurance provider as "go-between" or "mediating institution" between the report preparers and report users:

And the thing that bothers me is that the go-between says, 'we've looked at this and it's alright, we want you to know it's alright'. Well, maybe that becomes a way of making things less transparent ... and I don't think these assurance providers are sufficiently independent that they're in a position to perform that kind of role where they could say 'don't worry, we've looked and the facts are true'. [S8]

In sum, it is clear that the INGO representatives supported assurance as a component of the overall sustainability reporting package; however, they expressed important doubts over the usefulness of reporting (see also Zadek et al., 2006). It is also clear that the investment representatives adopted a negative stance towards sustainability assurance, probably as a result of their reservations over current assurance practices. The trade union official had a sceptical perspective, and provided a very detailed critique of current assurance exercises.

7.2.3 Towards a more stakeholder-centric assurance practice

In contrast to the views of the companies' representatives, the majority of stakeholder interviewees - all four INGO representatives, the trade union official and one of the investors [S3] - expressed a desire to see sustainability assurance statements addressed to the stakeholders rather than to the company management. One investor representative noted:

> *I think it should be addressed to the stakeholder rather than the company management; stakeholders would want to see statements addressed to them, yes. [S3]*

An interviewee from the INGO sector put it in forthright terms:

> *Sustainability reports are addressed to society, in fact some of them are even called reports to society; I mean, these reports are absolutely for the public, they are not for the directors. If they're just for the directors, why make them public? These reports are for the public space, and all the people who are interested in them and want to know whether they are reliable. Therefore, I believe that the assurance statement should be addressed to the readers of the report, whoever they are. Sustainability reporting really is for society at large, not just managers or directors of the company. So, I think that is an issue. [S4]*

The trade union official argued that this was an essential element of sustainability assurance practice:

> *Yes, it should be to the stakeholders, it should be to the readers of the report. I think, though, that there's probably a liability issue there and that's why it has*

developed in a different way. But I think the purpose of assurance should not be to assure the management that they've prepared their report correctly; it should be to the readers to say that the report has been prepared correctly. So yes, it should be to the users of the report, for whatever purpose they're using it for. [S8]

Whilst interviewees acknowledged the concerns that assurance providers have with contractual and liability issues, there was a clear belief that something needs to be done. As one interviewee claimed:

I think this is a hangover from the accounting profession, where the auditor's statement or the financial statement is addressed to the company. And lots of legal battles have taken place to ensure that it stays that way, which may work for the financial side of things, but for sustainability it definitely doesn't ... it's trying to take one model that works in one area and to [apply it in] another area. I do think that the assurance statement should be addressed to wider stakeholders. [S6]

Nevertheless, one interviewee from the INGO sector identified a major obstacle to bringing about this desired change:

It's very difficult, because it's almost as if this whole assurance issue is the product of a much broader and fundamental problem with company law and how corporations function generally. To say that the assurance should be addressed to stakeholders seems to go in the opposite direction to all other obligations that a company has and how a company is formulated in law. And the [name of a coalition of INGOs] believes that, of course, the assurance statements, and the reporting of a company's activities should all be focused on stakeholders, not just the company itself. But that's not how company law has been developed, and it's not the direction it's going. [S7]

In contrast with their support for the principle that assurance statements should be addressed to the stakeholders, most of these interviewees manifested little interest in the idea of stakeholders appointing assurance providers or determining the scope of the assurance exercise. The reasons for this negative stance were resource constraints (in terms of time and finance), and the fact that stakeholders lack knowledge of the particular attributes of different assurance providers, and the full range of key sustainability issues facing companies.

As one interviewee pointed out:

> *I think it would be good practice to get feedback from stakeholders: Did they find it helpful and credible? Did they have any views on it? I mean, stakeholders could say whether they liked it or approved of the sustainability report and whether they were happy with the work and report of the assurance provider. But I don't think a lot of the stakeholders would have much confidence in selecting the assurance provider… we all know in practice the directors select that. [S4]*[93]

This interviewee also argued that stakeholder engagement militates against the need for standardization of the assurance practice:

> *It seems to me the bigger question about strategy is, how do we move towards more standardization? I think that militates, unfortunately perhaps, against too much bespoke involvement of stakeholders in the design of the engagement. Otherwise, for every company that's got this engagement between its stakeholders and the assurance providers, it [the assurance process] ends up completely different and there's no comparability from one to another. [S4]*

These interviewees were opposed to direct stakeholder participation in crucial steps of the assurance exercise such as the appointment of the assurance provider or the definition of the scope of the assurance exercise. However, there was consensus between the trade union official and the representatives of the INGO sector on the need for enhanced stakeholder involvement within the assurance process (see also Zadek et

[93] A similar opinion regarding this issue was expressed by the representative of company C7.

al., 2006:44). This view was expressed in a forthright manner by one of the INGO representatives:

> *I think that reporting and assurance should be devised for the stakeholder, by the stakeholder, and therefore all stakeholders should provide the leadership direction and development of reporting and assurance standards. There's no point in doing a report and audit without stakeholders, because that's your target audience, that's who's providing you with your data and that's who the data is for. So I don't see any way round that. [S7]*

Many of the interviewees expressed interest in the establishment of panels of evaluation. However, there were different views as to how such panels could be constituted, and the functions they might perform.

For example, two representatives of the investment community [S1, S2] favoured the model of panel of experts. For them, this kind of panel could provide views and commentary on strategic key issues facing the companies, whilst operating independently from any associated external assurance process:

> *That's the interesting model, and it leads to questions about the disconnect between what the company is, or isn't, saying, and the strategic issues being raised by the experts. [S1]*
>
> *Any sort of external input and thinking on these big and fairly intangible, hard-to-pin-down issues, is a good thing because no one person has all the right answers. [S2]*

However, one of these interviewees [S1], together with one representative from the INGO sector, acknowledged that the panel of experts approach is not equivalent to a form of methodical assurance:

> *I mean, it's more like a commentary rather than an assurance out every year. [S1]*

> *They have some serious critiques to make. And I think that's an interesting insight. I think though it's more a commentary on the report than an assurance statement. It provides some assurance generally but not very systematically. [S4]*

Conversely, the majority of the INGO sector interviewees viewed panels of stakeholders as a mechanism to facilitate stakeholder inclusion in sustainability assurance exercises. Interviewee [S4] noted that there were advantages in following these stakeholder-centred approaches in assurance:

> *I think it often makes the reports clearly accessible and indeed some companies do actually do that. [S4]*

Most of the interviewees from the INGO sector argued that the engagement of stakeholders representing civil society is a fundamental aspect to be considered at every step of sustainability assurance. As interviewee [S7] noted: *"Stakeholder engagement is a number one priority; [it must be] a theme running through all the necessary steps for effective assurance"*. For her, "*civil society groups have an essential role to play in panels [of evaluation]*". The need to include the views of stakeholders by using panels of evaluation throughout the whole assurance process was highlighted by interviewee [S6]:

> *And I think stakeholder panels are a way ... not for somebody to come along at the end of the process and put a stamp on the reporting, saying, 'yes that's fine', but to be involved during the year in helping the organisation to understand and to test the issues that are relevant.*

Indeed, one interviewee, who was a member of a stakeholder panel, expressed frustration about being involved only at the end of the reporting process:

> *When you come into the assurance process as a [member of a] stakeholder panel, the company usually brings you in at the point when they have a draft of the report already. So, you don't know what's incomplete because you've not followed the complete activity throughout the whole year. [S5]*

She went on to suggest that:

> *If you're a stakeholder, if you're going to be on a stakeholder panel, I think the company needs to bring you in quite early on in its journey in that it's that year of reporting where you gain an understanding of the company and the way it really deals with issues. So that by the time you get to the report, and assuring the report, you can actually talk materially about whether you think the report reflects what the company have done over the year. [S5]*

These interviewees viewed stakeholder panels as an integral part of the assurance process. Nevertheless, most of the interviewees were aware of the practical difficulties in ensuring that panels fully represent critical stakeholder interests:

> *But stakeholder is obviously a very general term, and if you want to break it down into its constituent parts then it gets complicated, then it gets difficult. Who are the stakeholders and who do you give more attention to than others? [S7]*

For interviewee [S7] the key challenge was to deal with the diverse nature of stakeholders' interests:

> *In terms of stakeholder engagement, it's essential that stakeholders are effective elements, and that they are appropriate stakeholders. How you identify who are effective and appropriate stakeholders I would imagine is a significant challenge for business and for assurance purposes generally.*

Indeed, this was an issue that interviewee [S5], who was a member of one of these stakeholder panels, had addressed to the company that selected her:

> *I raised this issue right at the beginning. I said 'I don't feel comfortable representing the whole of civil society on this process. My particular knowledge and my organisation's knowledge is of labour issues, so I cannot feel that I can give you insights on the climate change issue as an environmental NGO would give you.'*

For her, it was important that stakeholders are selected according to their understanding of key issues, so that they could *"A, ask the right questions, and B, see whether the company has really progressed".*

An additional problem, this interviewee [S5] argued, was the risk that companies would look to "big brand" INGOs for panel members and that small local groups, particularly in developing countries, would be ignored.

The problem of resource constraints was noted by the trade union official and by several interviewees from the INGO sector. Interviewee [S7] pointed out:

> *Most INGOs don't want to be doing assurance, you know. We don't have enough money or resources or capacity to be assuring that companies are doing what they say they're doing; there need to be proper procedures in place within companies internally, and independent bodies who are paid to do that, like a lot of good assurance companies do.*

The trade union official claimed that *"I would be more inclined to think the stakeholder panel might be better at this stage"*; however, he argued that resource constraints create a situation in which the model of stakeholder panel will become unsustainable:

> *I don't think that stakeholder panels are going to be sustainable in the sense that if you have a very large number of companies issuing sustainability reports, there won't be enough stakeholders to go around to fulfil stakeholder panels and to do other kinds of stakeholder involvement. It's just not going to be possible. [S8]*

This issue of stakeholder fatigue was also raised by interviewee [S6], who stressed that:

> *All INGOs have a mission to fulfil. They are working pretty hard to fulfil that mission, and time spent doing other things which may not be directly obviously relevant to the core mission, if you don't have time you just don't do that. So it may be that.... people don't see this [the assurance process] as being deeply relevant to their activities.*

For interviewee [S5], resources constraints lead inevitably to a situation in which the assurance process has to be driven by the companies.

> *I mean, if you think that a company spends a good 12 months writing its report for the next year, I don't think NGOs have that kind of resource. And I think the process still needs to be driven by the company.*

Interviewees also spoke about the problem of compromising independence. For example, interviewees [S6] and [S7] argued that:

> *[One has to be careful about] not getting compromised, or co-opted, because organisations which are very much campaigning ones [might see] getting involved with an organisation they might be campaigning against as compromising their independence, and so might not want to get involved. [S6]*

You see, most civil society groups who, I think, want to force [name of a company] to do better, would be completely cynical about getting involved in any kind of stakeholder panel. You have to have a certain amount of sympathy for [name of a company] in order to take part in a panel. I guess that's just one of the many challenges with them. [S7]

In the case that most prominent and radical civil society groups would avoid involvement in stakeholder panels, the whole sustainability assurance exercise would be at risk of losing credibility. The trade union official noted:

You have the problem of running out of genuine stakeholders. Not all of the NGOs are credible, some are and some aren't; but, you're going to run out of the credible ones very quickly. And then the companies will buy in their own NGOs, because they will support NGOs in order to enable them to perform this role. [S8]

In these conditions, stakeholder panels would be unable to operate as authentic independent voices. Worryingly, he went on to suggest:

I think that this is somewhat of a problem already in some of the stakeholder panels, and I think that if this practice were to expand a lot it would become a lot worse. I mean, it's not a good system at the end of the day. [S8]

Indeed, the issue of managerial control over stakeholder groups was also raised by interviewee [S5], who claimed that she had faced it as a member of a stakeholder panel:

It felt like they didn't [take account of] our thinking; they just said: 'this is what you're supposed to look at, here's something you should need to think about, these are some of the questions that you might want to ask when you decide on writing your own statement'.

In sum, interviewees expressed diverse views on how stakeholders could contribute to the assurance process. For representatives from the investment community, the panel of experts was the best option, whilst the trade union official, together with representatives from INGOs, favoured stakeholder representation via stakeholder panels.

7.2.4 Towards a more relevant sustainability assurance practice

Views on how sustainability assurance will evolve in the future were also quite diverse.

Interviewees from the investment sector argued that in order to develop assurance practice, an improvement in quantitative data assurance would be essential; they also suggested that a closer alignment between sustainability assurance and financial auditing would be desirable. However, only one interviewee [S1] envisaged a role for the internal audit function in the assurance process:

> *It's not necessarily that all of this data assurance has to be done by external third parties; it's also that you do monitoring and measuring of the business anyway. The issue is, how do you build assurance into that process? Because, then, the external assuror can come in and check your process and just maybe have to do less checking.*

Another interviewee [S3] argued that there is a need for standardization (see also Zadek et al., 2006):

If assurance is to grow, it has to become standardized. It would save us a lot of problems in some ways; we'd be able to compare across companies, across their CSR programmes. A lot of the preliminary work which we do would be done for us; that initial work of assessing the CSR report would be done.

The same interviewee stressed the need for the assurance exercise to focus on examining companies' performance:

I would value more having someone else go in and say 'yes, this methodology is consistent with last year's, the previous year's and the year before', and somebody evaluating that performance data are consistent and based on the same assumptions. [S3]

These interviewees evidenced little support for stakeholder-centred assurance approaches such as that promoted by the AA1000AS. Attitudes ranged from direct hostility to indifference. For example, interviewee [S2] said that the AA1000AS was redundant and did not help users of information. He went on to note that:

I do worry that there has been this build up of a big governance structure around all of this without anybody asking: Does this really help the consumers of this information? Because in practice I really can't see how it does.

Interviewee [S1] added:

Does the AA1000AS assurance approach give us any more or less confidence in reporting? The answer is no. From our investment perspective, it isn't relevant. But it does not mean that a company shouldn't do it.

The overall view of these interviewees regarding the AA1000AS is best captured by the following statement:

I think the AA1000AS approach is an interesting approach and in principle, accountability is a great thing. But in reality, I question whether the consultation approaches really do create any sense of accountability to stakeholders. I think, in reality, a small proportion of stakeholders are actually consulted and that the result from that consultation may not be hugely representative and may not be very useful. I question whether the company is really accountable to the information that it gets back and really acts on that information. So, for me personally, as an SRI analyst, the integrity of the data is more important than whether or not a company have gone out and done a stakeholder consultation. [S3]

In contrast with the views of representatives of the investment community, interviewees from the INGO sector noted that the key challenge to develop sustainability assurance practice is to promote stakeholder-centred assurance exercises with added value. Interviewee [S5] commented:

Is it really going to add value to a report? It can't just be for the sake of stakeholder engagement. If you're going to make reporting valuable, it is going to: A, mark the company's progress for the next year: you've got to actually say 'okay, this is where we got up to in 2008, we know that these were the challenges so this is what we're going to do in 2009; B, that it gives a real insight into how the company has dealt with its responsibilities. Then, there's a value, and therefore progress on the part of the assurance process.

Two interviewees [S5, S6], in common with some of the company representatives, noted that sustainability assurance goes through a cycle of maturity, and emphasized that companies are at the initial stage of this cycle:

I would put it at the teenager stage; it's not yet assurance, so you still need a certain amount of manoeuvre. [S5]

I think that it's an evolution process, so you need these steps [data assurance] to happen before you can do the other stuff [focusing on the right issues, and performance], but I think too much effort is now being focused on this sort of stuff [data verification]. [S6]

For interviewee [S6], in order to gain added value it would be necessary to move to another stage of the assurance maturity cycle, where the emphasis would be on evaluating whether the report covered key issues.

Interviewees referred to the AA1000AS in generally favourable terms; however, the views expressed were not enthusiastic:

> *I think they're fine, but ... They probably do their best in terms of being able to match quite a subjective area with technical standards. [S5]*

This interviewee went on to note that:

> *I think you still need more room to be able to say, well really these standards are what we need in order to move the company forward in their activities. [S5]*

In contrast with the apathetic attitude adopted by representatives from the investment community, one INGO sector interviewee [S4] evidenced a desire to adopt a more proactive position in the development of sustainability assurance practice:

> *One of the possible ways of [improving assurance practice] is for those who read reports to start feeding back, both positively and negatively, to say: 'we really like this' or 'we don't like that', getting demand for this from sufficient places, with sufficient sort of clout, that people think, 'okay, everyone seems to be bothered by that, we'd better do something about it and get ourselves really geared up for next year'.*

It is clear that the views expressed by representatives of the INGO sector differed from those provided by the investment community. However, views among interviewees from the INGOs also differed. For example, the views of interviewees [S6] and [S7] on the fundamental question of whether or not regulation is needed to improve reporting and assurance practice were diametrically opposed:

> *I think, ultimately, sustainability reporting assurance is going to be best served by best practice rather than legislation or mandating what people do. So I think as good practice evolves, then, ideally this would be seen to be useful to companies as well as the stakeholders and therefore companies will follow those routes because they are simpler, cheaper, more effective. [S6]*

> *A key way which is essential to move the debate forward is making reporting mandatory for large and medium-sized companies, and for the government to ensure that there are clear boundaries in place and areas in which companies should report, and that there's a common procedure for reporting so that the information that companies provide is comparable. And along with this mandatory nature of the reporting that companies must adhere to, these reports must be independently audited through effective assurance procedures. [S7]*

Although the issue of regulation was not directly mentioned by the other two INGO interviewees, one [S4] stated that:

> *There's a macro level change in terms of the whole governance thing; we're back to company law and the Companies Act and the duty of the directors. We might have had the OFR [Operating and Financial Review], which would have provided a very useful statutorily based standard framework for some aspects of reporting. This could have been quite helpful in helping everybody to move forward and stimulate some of the leaders to go a bit further ahead. So, I think that's disappointing.*

Indeed, for three INGO interviewees, a central point to develop the future of sustainability reporting and associated assurance practices was the need for corporate governance reforms. One interviewee [S7] put it in the following terms:

> *In terms of corporate governance, yes, fundamental corporate governance reform is needed to ensure a more effective place for corporations generally in serving the*

interests of society instead of society serving the interests of the company, which is kind of a bizarre state which we seem to be in now..... In current law there's a real lack of accountability of company to the stakeholder; directors' duties are primarily in the interests of the company.

This point of view concurs with the perception of the trade union official, who argued that:

I think most of the demand for it is really oriented towards the interest in the company's success and longevity, and not the interest in society's sustainable development. [S8]

For him, a more fundamental problem is that stakeholders who place reliance on assurance have no genuine form of redress for any damage suffered:

I don't think there's any genuine redress. If you're an investor you might have a redress against the financial report because it was misleading in some way ... and you might actually have a legal basis to make a claim that you were wrongly informed. That really doesn't exist in the case of non-financial reporting, and you can even see in some of the assurance statements that some of the companies offering assurance in the statements say 'yes, but this doesn't mean anything and it says so in the statement itself'. [S8]

This interviewee then echoed the view of interviewee [S7] about the need for fundamental reform in corporate governance to empower stakeholders in the assurance process. However, for him a key question was:

If the governments get involved in one way or the other at the EU or international level, are they going to get involved to protect investors? Are they going to get involved ... in a sort of police function? [S8]

The essential point being made by this interviewee was that sustainability assurance offers only a technical solution to what is essentially a political problem:

> *I think the solutions to those problems are more political. Ultimately, you can't substitute for the role of government. And here there's sort of a technical solution to what in effect is a political problem. The government isn't doing its job and there's no real solution to that, there's no real substitute for that. At one point, you have to get to the root of the problem; it's not going to be 'well we've operated in countries where the government is not working and we've done this and that ...' Well, yes, but the labour stuff isn't working, the private solution to labour practices isn't working, and that I can speak with some authority on. I can't really talk to you about environmental auditing, but the labour stuff is not working ... and I think that at the end of the day this requires other ways of solving these problems, they're not going to be solved by companies hiring professional enterprises. [S8]*

Notwithstanding his sceptical point of view, he offered practical solutions:

> *There has to be a sort of narrowing down of what is meant by assurance. And there should be recognition that certain kinds of subjects can't be done by assurance providers, it involves the verification of information through other means. I think the first step is you have to narrow down the issue and then you have to set up the rules and the liabilities. [S8]*

He then emphasized:

> *I think there should be a discussion amongst the large stakeholders as to what assurance should be, without the accounting industry present. And that might be a way forward. [S8]*

In sum, interviewees evidenced different opinions on how best to proceed to further develop sustainability assurance practices. For representatives of the investment community, it was essential to narrow down assurance services to examination of quantitative data, to achieve standardization, and to focus on companies' performance (see also Zadek et al., 2006); they were not keen on the AA1000AS assurance approach. Conversely, INGO representatives argued for the development of stakeholder-centred assurance approaches (see Zadek et al., 2006); however, they were not enthusiastic about the AA1000AS assurance approach. On the need to regulate reporting and assurance practices there were two different positions: one INGO interviewee advocated for assurance to be voluntary, whilst one INGO interviewee and the trade union official perceived a need for regulation and corporate reforms to empower stakeholders.

From this discussion, the overall impression is one of great uncertainty as to how sustainability assurance will develop in the future.

7.2.5 Summary of findings

The discussion in the previous section can be summarized in six key points:

First, a majority of company respondents argued that stakeholders are detached from sustainability assurance exercises (see section 6.1.6) (see also Edgley et al., 2010). However, findings in this study suggest that there are stakeholder groups that are aware of the existence of sustainability assurance exercises (but see also Zadek et al., 2006). Results in this research reveal that representatives of stakeholders groups manifest different attitudes towards these exercises. There is a diversity of opinion as to whether or not sustainability assurance adds value. For example, only representatives from the INGO sector were broadly supportive of sustainability assurance exercises, although conscious of their limitations. Conversely, representatives from the investment sector adopted a negative stance towards sustainability assurance[94], as they firmly believed that it was irrelevant to their work needs. A more critical approach was adopted by the trade union official, who dismissed current sustainability assurance practices as adding nothing of value.

Second, findings in this research are consistent with those of other studies and suggest that stakeholders have different assurance needs (see Edgley et al., 2010; see also Zadek et al., 2006). For example, the main concern of representatives of the investment sector was that sustainability assurance should serve their information needs. Investors spoke about the need for assurance to examine the integrity of data, and expressed a desire for a closer alignment with financial reporting and audit provision[95]. Albeit that the INGO groups participating in this research have different orientations and philosophical positions, and represent different political, social and environmental needs, they agreed that assurance should focus on examining companies' activities and policies in action. A very different perspective was provided by the trade union official, who argued that current sustainability assurance practices do not satisfy workers' needs.

[94] An important aspect of the analysis considering that this group could have significant influence on the development of sustainability reporting and associated assurance practice if they so desired.
[95] The latter desire was also expressed by two corporate respondents.

Third, only the representatives of INGOs clearly indicated that assurance adds value to companies and the users of the reports. In common with companies' respondents they expressed the view that the role of sustainability assurance goes beyond simply adding credibility to reports, since according to them it also enhances reporting practices (see also Jones & Solomon, 2010; Edgley et al., 2010). In contrast to the findings of Kuruppu and Milne (2010), it is significant that respondents from INGOs with different orientations clearly stated that sustainability assurance adds credibility to the information released (see also Zadek et. al, 2006), and that corporate reputation is enhanced. However, only two respondents from this group argued that sustainability assurance might play a role in the improvement of corporate environmental and social performance (but see also Zadek et. al, 2006).

Fourth, findings in this research show that representatives of stakeholder groups are aware of problems in current sustainability assurance practices. For example, INGO respondents raised fundamental questions concerning the cynicism around reporting and assurance (see also Zadek et al., 2006), and the fact that assurance practices are conducted on reports that do not do what they say (reporting on sustainability issues). They raised concerns on assurance that closely follows the financial assurance model (see also Zadek et al., 2006), and on the quality of the assurance statements. Another issue, investor respondents argued, was that current assurance practices focus on the narratives, and try to satisfy too many stakeholder interests. Further, the trade union official expressed fundamental reservations regarding the practical competencies of assurance providers (see also Zadek et. al, 2006) and the institutional legitimacy of the assurance industry itself. The first of these concerns was also expressed by one of the investor respondents.

Fifth, the results in this study indicate that, in contrast to the views of companies' representatives, the majority of respondents from stakeholder groups believe that assurance statements must be addressed to the stakeholders. One respondent from the INGO sector pointed out that the issue of to whom to address the assurance statement is indicative of a much more fundamental problem related to UK company law. Moreover, the current study found that there were diverse opinions on the role of stakeholders in the sustainability assurance practice. For example, the trade union official, and respondents from the INGO sector, expressed a desire for more stakeholder involvement (see also Zadek et al., 2006). Respondents from the INGO sector called for representatives of civil society groups to participate in panels of evaluation. These respondents expressed a desire to see more stakeholder engagement through the assurance process, albeit that they did not support Adam and Evans' (2004) argument that stakeholders have a role in selecting the assurance providers and defining the scope of the engagement. Notwithstanding their support in principle for stakeholder panels, the INGO representatives, like the corporate respondents, were aware of the practical difficulties of operationalizing this stakeholder inclusion. They expressed concerns as to the practicalities of gathering panel members who could truly represent the interests of critical stakeholders, the possibility that big brand international nongovernmental organisations could dominate these panels, and the prospect that belonging to such panels might compromise the independence of those involved. They referred not only to resources constraints, but also to the problem of “stakeholder fatigue” as main obstacles to achieving “true” stakeholder participation via panels of evaluation. Further, the trade union official expressed concerns related to managerial control over stakeholder panels and the issue of stakeholders not being able to act as independent critical voices. Conversely, representatives of the investment community did not support direct stakeholder inclusion within external sustainability assurance exercises; however, they were in favour of including the views of experts in panels of evaluation operating independently of any external assurance process. Nevertheless, one of these respondents and one respondent from the INGO sector were conscious that this independent panel of stakeholders approach is not equivalent to a systematic form of assurance.

Finally, respondents manifested different views as to the future direction of sustainability assurance. Respondents from the investment community argued that there is a need to improve quantitative data assurance, to implement standardization and to focus on companies’ performance.

Conversely, respondents from the INGO sector claimed that there is a need to develop stakeholder-centred assurance exercises with added value. Among the respondents from the INGO sector there were two opposite positions on the issues of regulation of sustainability reporting and assurance, and reforms in corporate governance. One interviewee argued for sustainability reporting and assurance to be voluntary. Conversely, another representative of the INGO sector, and the trade union official, argued in favour of regulation, and claimed that corporate reforms were essential in order to move away from the current situation in which companies serve their own interests. For them, there is a need for companies to fulfil the needs and interests of wider society.

7.3 Discussion and theoretical interpretations

This section comprises an interpretation and analysis of the responses of the different stakeholder groups described above. The analysis uses the lens of Michael Power's theory as conceptualized in chapter 3. One of Power's (1997/1999) main concerns with regard to current auditing practices is related to the expectation gap; that is, the debate resulting from different beliefs about the auditor's duties and responsibilities, and the messages conveyed by the auditing statements (Soltani, 2007). For Power (1997/1999:30), in reality, it is difficult to know what audits are for, or what audits produce, or whether audits fail. Power (1994b) contends that there is a problem of perception, a difference between how auditors see themselves and how the public see them. One of Power's

(1997/1999) main theses relies on the need for the audit practice to facilitate civic dialogue, with the goal of "upward" accountability or the achievement of "true" accountability[96]. Power (1994b) argues for a model of corporate governance in which audits play a role, where the views of stakeholders are heard and whereby they are empowered. Power (2007b:139) contends that in order to be legitimate representatives of society and credible dialogue partners, stakeholders have shifted their strategy from one of confrontation to one that promotes two-way communication[97]. These theoretical arguments and criticisms will be used to examine the expectations of different stakeholder groups concerning the practice of sustainability assurance, and to find out whether their views are in agreement with the ideas of Power.

The analysis also uses the lens of stakeholder theory (but see Belal and Owen, 2007). Advocators of the normative branch of stakeholder theory claim that organisations need to be accountable to their stakeholders (see Medawar, 1976). Conversely, the managerial branch of stakeholder theory argues for an effective management of the organisational (powerful) stakeholders with the goal of guaranteeing the survival of the organisation (Deegan & Unerman, 2006/2008). Using both theoretical arguments, we will examine whether different stakeholder groups expect that sustainability assurance can achieve accountability to all stakeholders, or whether they support the managerial model, which

[96] Power bases this argument on the work of Day and Klein.
[97] Power bases this argument on the work of Friedman and Miles, and Larkin.

maintains that organisational strategies are mainly for the benefit of organisations.

7.3.1 Sustainability assurance and the expectation gap

Stakeholders have different assurance needs (see Edgley et al., 2010; see also Zadek et al., 2006). In this research, the views of respondents reveal two general types of expectation towards the practice of sustainability assurance.

First, respondents from the INGO sector expected that the practice of sustainability assurance should focus on examining actual corporate actions rather than simply the niceties of reporting. Bliss (2002:252) claims that most NGOs campaigns aim at influencing and changing corporate behaviour to satisfy the needs and demands of citizens. These respondents believed that through sustainability assurance, companies could actually change their practices and therefore improve their social and environmental performance (see also Zadek et al., 2006). Their view supports Power's (1994b:8) claim that sustainability assurance has the potential to influence organisational performance, modifying it and developing it in critical ways.

Conversely, the trade union official adopted a critical stance, arguing that current sustainability assurance practices mean nothing. Having closely followed the development of audit practices concerning the supply chain code of conduct in China over 15 years, he had come to the conclusion that "the system of professional auditors is not working", since workers there still face serious problems concerning their labour conditions. He claimed that there is widespread fraud among companies, and that auditors are being accused of professional misconduct[98]. For him, it is highly probable that the situation with sustainability assurance is very similar. Nonetheless, one could infer that the view of this respondent accords with the position of the INGO respondents in that (in theory) through sustainability assurance companies should change their practices for the benefit of society (in this case labour conditions).

A very different stance was adopted by respondents from the investment group. They argued for an assurance practice that satisfies their information needs by examining the integrity of the data to ensure effective management of intangible assets and to evaluate the risk associated with social and environmental issues (see also Zadek et al., 2004; and Zadek et al., 2006). It is significant that this group expressed little support towards the AA1000AS, and stated a desire for a less stakeholder-centred assurance practice. In other words, for the investment group, sustainability assurance should facilitate the financial

[98] The issue of professional misconduct among auditors has not been analyzed in detail by Power.

evaluation of the company and associated performance, by providing reliable information on environmental and social issues that could affect this financial performance.

In short, whilst the INGO sector representatives and the trade union official advocated for an assurance practice that would serve the interests of society, the investment group were in favour of an assurance practice in which the main audience were capital providers. For the latter group, financial performance was fundamental, and superseded social and environmental performance[99]. The analysis of Zadek et al. (2004) shows that in the view of practitioners, standard setters and the research community, one of the main audiences for sustainability assurance, apart from companies, is the investment community. If the investment sector were to take a more proactive position towards the development of assurance practice, and considering that they are in a good position to steer the agenda among leaders in the sustainability assurance field, it is highly probable that stakeholder-centred sustainability assurance practices would fade out and eventually disappear.

[99] There exists a difficulty in finding a balance among financial, social and environmental performance. However, there is a need for greater emphasis on social and environmental performance in current organisational practices (see also Gray, Bebbington and Gray, 2010).

Now the question is whether there exists a gap between these stakeholder expectations and what auditors can and should reasonably be expected to do.

In chapter six, it was clear that companies decide on the scope and level of the assurance exercise, the type of assurance provider and assurance approach, whether stakeholders should be involved in the exercise, and the type of stakeholder engagement within the assurance practice (see also Ball et al., 2000; O'Dwyer & Owen, 2005; Jones &Solomon, 2010; Edgley et al., 2010). This high level of managerial control influences the type of assurance that providers deliver (see also Power, 1997/1999). This represents a major challenge for assurance providers, because unless the business takes into account the need to improve social and environmental performance for the benefit of society and the environment, the providers are prevented from providing a service according to the expectations manifested by representatives of INGOs and the trade union official. It seems possible that social and environmental performance could be enhanced through sustainability assurance, as one of the company respondents claimed. However, it appears that the main problem is the high cost in assurance fees to achieve these expectations. From the perspective of the INGO respondents, sustainability assurance needs to be driven by companies and therefore the cost must be assumed by them. However, the fact that companies favour a voluntary approach raises concerns as to the willingness of businesses to commission a type of sustainability assurance service that incentivizes substantive change in society (see Power, 1997/1999). In short, there is a gap between what sustainability assurance can deliver in reality, and what the representatives of INGOs and the trade union official expect of it (Power, 1997/1999; 1994b; 2000).

Moreover, in chapter six, companies' respondents argued that stakeholders receive benefits in the form of credible information for their user needs. This perspective echoes the claims of assurance providers that sustainability assurance provides benefits mainly for companies but also for stakeholders (see Edgley et al., 2010). However, since companies (and assurance providers) are reluctant to specify the intended external audience for the assurance exercise, it is unclear what stakeholder needs they are referring to. Given the relevance of the investment sector for companies, one would expect the assurance exercise to meet the needs of this stakeholder group. However, representatives of the investment sector clearly stated that the type of information assured in these exercises is unhelpful in the context of their work needs. These respondents argued that companies should assure social and environmental quantitative data. However, it seems that this expectation would be difficult to fulfil in the near future given the lack of an agreed framework for quantitative indicators in reporting (the GRI reporting framework is still under development), and the recognized problem concerning the diversity and subjectivity of economic, environmental and social indicators (FEE, 2002:

43). An additional problem for one of these respondents was that in reality, the practice of assurance is unreliable, because the exercise is conducted by assurance providers (particularly accountancy firms) who lack technical knowledge in social and environmental matters (but see also Zadek et al., 2006). In short, the views of these respondents evidence great uncertainty as to whether assurance providers could in future offer assurance services with added value for the investment sector.

Power (1994b) claims that most users of assurance opinions ignore problems affecting the practice of sustainability assurance. However, in this research, it appeared that the trade union official and respondents from the INGO sector were aware of major problems, since they spoke about the cynicism regarding companies' honesty and transparency; concerns related to the practical competencies of assurance providers, the quality of their work and assurance statements; the need to provide real time assurance, and the institutional legitimacy of the assurance industry itself[100]. These respondents also saw as problematic that reporting and assurance practices are heavily influenced by the financial model, and raised concerns regarding the detachment of citizens from sustainability assurance. Conversely, for representatives of the investment sector a major problem was that reporting and assurance practices try to satisfy too many stakeholder interests, without focusing on data assurance. The fact that most of the representatives of stakeholders are aware of these

[100] Intriguingly, two company respondents were also aware of the cynicism of stakeholders towards the work of assurance providers.

problems represents a major challenge for assurance providers. However, the views of these respondents evidence that the real problem here lies in the conflicting expectations of the investment group and the INGO group. It is unclear how assurance providers will deal with this issue in the future.

Power (1997/1999) argued that a common tactic on the part of assurance providers to reduce the expectation gap has been to provide very little information on the work conducted and conclusions reached in the assurance statement. It appears that this tactic has been used in the sustainability assurance practice. Despite recent moves on the part of assurance providers to address public concerns by providing more structured information on the work conducted (see also Al-Hamadeen, 2007), respondents from companies (see section 6.1.2) and stakeholder groups expressed doubts as to the usefulness of the information conveyed in the assurance statement. In essence, as Power (1997/1999) has argued, assurance statements are unable to provide the basis for an open dialogue with companies.

Moreover, there is a problem of differing perceptions, between how assurance providers see themselves and how the public see them (Power, 1994b). Assurance providers have claimed that they see themselves as "the voice of stakeholders" (Edgley et al., 2010:554). However, the trade union official critiqued this role of go-between or mediating institution between companies and stakeholders. He pointed out that there is no certainty as to the independence of assurance providers, and therefore the assurance provided could be questioned. For him, this situation makes the assurance process less transparent. In essence, his view concurs with Power's (1994b, 1997/1999) argument that an assurance process based on the subjective opinion of assurance providers along the lines of "don't worry, we have looked and the facts are true" [S8], is problematic, as it can make organisations more obscure for external constituencies who are unable to understand the technicalities of the work conducted.

7.3.2 Sustainability assurance and the ideal of stakeholder-centred accountability

In essence, the views of the INGO respondents and of the trade union official reflect the normative perspective of stakeholder theory. However, whilst the views of INGO representatives were optimistic, the trade union official manifested disappointment.

Representatives of the INGO sector believed that the practice of sustainability assurance could enhance the transparency of organisations by providing credible reported information (see also Zadek et al., 2006) and improved sustainability reporting practices. Their views concur with Power (1996) in that sustainability assurance goes beyond simply adding credibility to reports. Moreover, INGO respondents argued that the main audience for sustainability assurance should be the companies' stakeholders. For one INGO sector respondent, it was clear that there is a problem with UK corporate governance arrangements, which prevent a significant stakeholder inclusion in the practice of sustainability assurance. However, it is worth noting that none of these respondents clearly articulated the view that stakeholder-centred sustainability assurance exercises are an instrument capable of holding organisations to account (see O'Dwyer, 2005).

Albeit that the view of the trade union official appeared highly sceptical and critical, his tone of voice revealed more disillusionment that the potential of sustainability assurance to solve critical social and environmental issues was not being met. Indeed, he argued for an assurance practice in which the main audience would be stakeholders, where the voices of stakeholders could be heard, and which would lead to substantive change in companies' actual practices, supporting the view of Power (1997/1999). In his view, the solution to the problems faced by sustainability assurance practice is political. In essence, it appears that his view concurs with the normative position of theorists who advocate the stakeholder-accountability approach towards social and environmental accounting and auditing practices (see Brown & Fraser, 2006). However, he expressed discomfort with the influence of particular interests in the practice of sustainability assurance, and questioned the legitimacy of institutions setting the rules. This suggests that an important issue for future research will be to examine the accountability of institutions such as AccountAbility and the GRI.

In short, respondents from the INGO sector, and the trade union official, believed that accountability should be discharged to all relevant stakeholder groups in a democratic environment.

Moreover, neither the trade union official nor any of the INGO sector respondents argued, as the Social Audit Ltd did in the 1970s (see Humphrey and Owen, 2000), for civil society groups to conduct social audits rather than relying on the assurance exercise conducted by assurance providers. Intriguingly, the trade union official was the only respondent to argue for the right of stakeholders to receive redress from companies concerning the social and environmental impacts of their activities.

In general, the trade union official and respondents from the INGO sector did not notice that one means by which to counteract the high level of managerial control over the practice of sustainability assurance is the active participation of stakeholders, for example in determining the scope of the assurance exercise. However, it was evident that their views support Power's (1994b) argument that stakeholders should be empowered within the practice of sustainability assurance. They argued for stakeholder representation in the form of panels of evaluation. It might be, as Power (2007b) has claimed, that the engagement of stakeholders is a symptom of erosion of trust in traditional authorities and in their capability to counter corporate power.

An important question here, these respondents argued, was to which representatives of civil society companies would be able to give power. For these respondents it was crucial that representatives of stakeholders must be credible, knowledgeable, and independent. This perception supports Power's (2007b:139) assertion that stakeholder groups must also constitute themselves as legitimate representatives of society and as convincing dialogue partners[101]. However, in the long term, this will mean constraints on the number of legitimate stakeholders able to participate in the exercise, and in these conditions there is a risk of stakeholder fatigue. The problem is exacerbated by the probability that INGO groups with an agenda of collaboration with business might be the only stakeholder groups willing to participate in these exercises (see Bliss, 2002). However, the main obstacle for this process lies in the high cost for companies.

The view of these respondents also evidences a considerable amount of uncertainty as to the impact of giving power to stakeholders through sustainability assurance. For example, it might be that the influence of

[101] Power bases this argument on the work of Larkin.

stakeholders would be neutralized by managerial control over stakeholder groups participating in the exercise. Moreover, the need to include a broad range of stakeholder interests might conflict with the real objectives of the organisations, and therefore they will gain little from the exercise (see Ribstein, 2005). Furthermore, shareholders might face a problem of stakeholder opportunism (see Ribstein, 2005). Conversely, in general, the views of the investment group support the managerial model of stakeholder theory. They saw sustainability assurance as an instrument whereby shareholder value could be enhanced. Most of these respondents expressed discomfort with the idea of including the views of diverse stakeholders within the practice of sustainability assurance, and preferred the involvement of experts. It was clear that they favoured the importance of one powerful group, shareholders, above all other stakeholders, and viewed sustainability assurance as a natural part of a system that discharges accountability mainly to shareholders, and which benefits organisations.

7.3.3 The future of sustainability assurance

In this section, it will be discussed the future development of assurance practice in the UK from the perspective of stakeholders.

The views of the stakeholder respondents confirm that there is a great deal of uncertainty as to how the practice of sustainability assurance will develop in the future. It seems that there are two main positions on this issue. One supports the business case for sustainability assurance; that is, sustainability assurance should mainly serve the interests of business and of shareholders (see Brown & Fraser, 2006). In essence, respondents from the investment sector argued that the practice of sustainability assurance should work under the umbrella of financial auditing, on the grounds that it should be highly technical and performance oriented. This would facilitate the standardization of practice. One respondent envisaged a role for the internal audit function in the development of this type of assurance. Proponents of this view were reluctant towards the inclusion of stakeholder opinion in the practice of sustainability assurance. Another position favours the stakeholder-centred accountability approach (or the normative perception of stakeholder theory). The trade union official and respondents from the INGO sector argued for an assurance practice in which the voices of stakeholders could be heard, and for a focus on examining key issues with the goal of producing social change. Albeit that one of these respondents acknowledged that the inclusion of stakeholder opinion hinders the standardization of practice, he, together with the rest of these respondents, expressed a desire to adopt a more proactive position to develop sustainability assurance.

The most striking result to emerge from the data is that within the INGO sector there are two opposite positions concerning future regulation of sustainability assurance. One explanation for this might be that different

INGO groups have different styles of campaigning to achieve their goals. An in-depth analysis of 40 years of campaigns by NGOs (Bliss, 2002:252) revealed two main approaches to influencing corporate change. Initially, NGOs used four types of pressure campaigns: enforce the rules; change the rules; adopt my values; change the economics. However, during the 1980s they began to explore collaborative ways of working. As Power (2007b:139) argues, stakeholders have shifted their strategy from one of confrontation to one of dialogue[102]. Views expressed by INGO sector respondents evidence these different approaches to influencing corporate change. For example, respondent [S7] is affiliated with an INGO that uses a "change the rules" campaign to modify rules governing corporate behaviour (see Bliss, 2002). For this respondent, and for the trade union official, a political solution was needed to the issues related to sustainability assurance. In other words, they advocated for regulation of corporate sustainability reports, and associate and assurance practice, and for reforms to existing corporate laws and corporate governance structures. Conversely, respondent [S6] belongs to an INGO that uses a collaborative campaign to influence corporate behaviour (see Bliss, 2002), and acts as technical consultants to companies on sustainability reporting and associated assurance. This finding corroborates Power's (2007b) argument that stakeholder groups that hold other organisations to account have became more business-like in their operations, adopting the same risk management ideas and expressions as the organisations they seek to engage and criticize. Therefore, they operate to different rules,

[102] Power bases this argument on the work of Friedman and Miles.

where partnerships, rather than adversarial campaigns, are paramount. Hence, this respondent [S6] advocated for a voluntary approach to sustainability assurance. However, under the current political climate in the UK, dominated by conservative parties, there is no possibility of corporate governance reforms designed to empower stakeholders, or of the introduction of mandatory reporting and assurance. Therefore, collaborative campaigns by credible INGOs could be fundamental to develop strategies in the field which could benefit society at large.

7.4 CONCLUSION

The description and analysis of the views of representatives of stakeholders can be summarized in three key points:

(1)There is a huge expectation gap in the practice of sustainability assurance;

(2)A great deal of uncertainty prevails concerning the impact of giving power to stakeholders through the practice of sustainability assurance;

(3)Civil society groups have a fundamental role to play in achieving stakeholder accountability.

First, there are differences between what sustainability assurance can deliver in reality, and what representatives of different stakeholder groups expect (Power, 1994b; 1997/1999). Representatives of the INGO sector, and the trade union official, argued that sustainability assurance should catalyze social change through the improvement of social and environmental organisational performance (see also Zadek et al., 2006). However, there are major impediments here related to the business case orientation that dominates among organisations, together with the additional high cost to companies. Conversely, representatives of the investment sector claimed that they need assurance on social and environmental quantitative data. The major constraint here is the difficulty in developing reliable quantifiable indicators, especially in the social area. There is also a problem of differing perceptions between how assurance providers see themselves, as representatives of stakeholders, and how one sector of stakeholders sees them. According to the trade union official, "this mediation role [of assurance providers] between companies and stakeholders" makes the assurance process less transparent (Power, 1994b; 1997/1999). In short, there is a huge expectation gap in the practice of sustainability assurance (see also Kamp-Roelands, 2002).

Second, in the case that sustainability assurance were to become more stakeholder-centred in the future, there is no certainty that this would benefit society. This is because the impact of the inclusion of stakeholder opinion in sustainability assurance practice might be neutralized by companies exercising a great deal of control. Moreover, the need to include a broad range of stakeholder interests might conflict with organisations' real objectives, and therefore they would gain little from the exercise (see Ribstein, 2005). There might also be a problem for shareholders of stakeholder opportunism (see Ribstein, 2005). Further, there are issues concerning which representatives of civil society companies should empower. There was a consensus that these representatives must be legitimate. Considering that there are few credible and knowledgeable stakeholders capable of participating in these exercises, there is a possibility of stakeholder fatigue. Another major problem is that one sector of the stakeholder groups would exclude themselves from participating on the grounds of conflict of interest, which could affect the credibility of the exercises. Conversely, the proposition from the investment sector of engaging experts rather than stakeholders is aimed mainly at benefiting capital providers (with companies also indirectly benefiting).

Third, in the UK, civil society groups have a fundamental role to play in the further development of sustainability assurance practice. For example, taking a long-term perspective, civil society groups that aim to modify the rules governing corporate behaviour are important to move forward the public policy agenda to a stage where there exists legislation on the right of access to information on companies' social and environmental impacts. This would be a first step towards mandatory assurance on sustainability information. Moreover, given that such legislation is unlikely to be forthcoming in the UK in the near future, credible civil society groups that aim to influence corporate behaviour through collaborative work with companies are fundamental to strengthening a voluntary agenda in the field of sustainability assurance that would benefit the common good.

The findings and analysis of the views of companies and stakeholder respondents have evidenced public policy issues for consideration. These public policy implications will be explored further in the next, concluding, chapter.

8 CHAPTER EIGHT: SUMMARY AND CONCLUSION

This chapter has three aims:

(1)To present main conclusions with regard to the empirical findings and theoretical considerations of the research;

(2)To illustrate key policy implications emerging from the research;

(3)To discuss the limitations of the study and make recommendations for further research.

8.1 INTRODUCTION

This chapter presents the conclusions drawn from the preceding chapters; it also discusses how the findings contribute to academic knowledge and their public policy implications. The chapter comprises six sections. The first section outlines main conclusions from the empirical findings of chapters five, six and seven; the second brings together the main conceptual conclusions from chapters six and seven; the third identifies major policy implications of the study; the fourth section summarizes the major contributions to knowledge; the fifth identifies strengths and limitations of the research; finally, the sixth section suggests possible further research in the field.

8.2 SUMMARY OF RESEARCH FINDINGS

This thesis has investigated the practice of sustainability assurance from the perspectives of companies and stakeholders. The study responds to the need to investigate emerging issues in the practice of sustainability assurance in the United Kingdom. These issues were determined during the quantitative phase of the research through an analysis of the trends in sustainability assurance practice in the FTSE100 companies from 2001 to 2007. The issues were subsequently investigated during the qualitative phase of the research by examining them through the perspectives of representatives of selected FTSE100 companies and stakeholder groups. Therefore, this is an empirical explanatory follow-up study following a mixed-methods research design consisting of a sequential analysis, from a quantitative phase to a qualitative phase (QUAN to QUAL). The research began with general research questions (see chapter two, conclusion), which were used to generate the research objective for the quantitative phase of the research (see chapter five, introduction), and provided the framework to develop specific objectives for the qualitative phase (see chapter five, conclusion). This section provides answers to these research objectives.

The results of the quantitative phase of the investigation indicate the emergence of significant issues and trends in the practice of sustainability assurance between 2001 and 2007. Between 2004 and 2007 there was a slow progress in the commission of sustainability assurance services in the FTSE100 companies (see also KPMG, 2005, 2008). Moreover, while these companies had traditionally opted for the consultancy approach (see Al-Hamadeen, 2007), from 2006 there was a trend toward using the accountancy approach. It is significant that during this period, the FTSE100 companies committed to the use of assurance standards to guide the assurance practice, and after 2005 there was an inclination to use the AA1000AS in tandem with the ISAE3000 assurance standard. Albeit that these companies showed a preference for the AA1000AS (Al-Hamadeen, 2007), it is somewhat surprising that this was not leading towards direct stakeholder participation in the assurance practice (but see also O'Dwyer and Owen, 2005). The companies opted to commission engagements with limited level of assurance; therefore, most assurance procedures concerned substantive tests (see Manetti & Becatti, 2009). An additional finding here was that some assurance procedures rely on the internal audit function.

Further research was done to investigate issues concerning the emerging trends identified during the quantitative phase of the study. First, representatives of FTSE100 companies provided their views on the reasons driving the commission of the assurance service, the preference for a given assurance approach, the assurance standards adopted, and the factors influencing restrictions on the level of assurance, together with their opinion on the role of the internal audit division in the assurance process, and the inclusion of stakeholders' views in the assurance exercise. They also stated their views on the future of sustainability assurance. Second, representatives of stakeholder groups articulated their opinions on the practice of sustainability assurance, together with suggestions to promote greater stakeholder accountability.

Findings of the qualitative phase of this study suggest that companies' reasons for commissioning sustainability assurance services are mainly associated with the creation of value. That is, through sustainability assurance companies strengthen their management, reporting systems and reports, and are able to release reliable information into the public domain (see also Jones & Solomon, 2010; Edgley et al., 2010). Enhanced reputation (see Jones & Solomon, 2010), trust-building and the improvement of social and environmental performance are additional gains. Findings also suggest that company respondents appreciated differences between the accountancy and consultancy approaches (but see also O'Dwyer and Owen, 2005), and selected the assurance provider according to their capability to provide an assurance service with added value. Respondents also expressed support toward the AA1000AS, albeit that they did not view this standard as a means to enhance their accountability to stakeholders. The findings also suggest that the assurance practice is heavily influenced by cost restrictions, which determine the level of assurance commissioned. It appears that in the future, the internal audit function could play a role in upgrading the assurance from limited to reasonable levels. Company respondents were aware of a lack of interest among the majority of stakeholders towards the assurance practice (see also Edgley et al., 2010), and expressed a genuine desire to see more stakeholder involvement, in the form of a stakeholder panel or through the service of external experts, either as a panel or providing individual comment in the report. Respondents drew attention to the practical difficulties inherent in arriving at a representative panel (see also Edgley et al., 2010). Another major finding was that there is great uncertainty as to how the practice of sustainability assurance will develop in the future, whilst it appears that respondents were in favour of a voluntarist approach.

Findings of the qualitative phase of this study also show a clear dichotomy in the views of stakeholders' representatives towards sustainability assurance. In general, their perspectives evidenced that different stakeholders have different needs from assurance (see Edgley et al., 2010; see also Zadek et al., 2006). Whilst the trade union official and respondents from the investment sector adopted a negative stance towards the added value of sustainability assurance, representatives of the INGO sector argued that sustainability assurance results in a win-win situation for companies and stakeholders. They echoed the views of companies that assurance improves reporting practices, adds credibility to reports, and enhances corporate reputation (see Jones & Solomon, 2010; Edgley et al., 2010) and social and environmental performance (see Zadek et al., 2006). All respondents were aware of the limitations of the sustainability assurance practice. Representatives of the investment sector expressed concerns as to the practice trying to satisfy too many stakeholder interests. Representatives of the INGO sector were worried about the assurance on reports that do not provide clear information on sustainability issues (see also Zadek et al., 2006). The trade union official expressed deep reservations over both the practical competencies of assurance providers - a view shared by one investor respondent - (see also Zadek et al., 2006), and the overall institutional legitimacy of the sustainability assurance industry. Similar differences of opinion were manifested toward the participation of stakeholder in the assurance exercise. Whilst the trade union official and representatives of the INGO sector expressed a desire to see more stakeholder involvement (see also Zadek et al., 2006), representatives of the investment sector were reluctant to support this inclusion, albeit that they were in favour of including the views of experts in the form of a panel operating independently of the assurance process. Representatives of the INGO sector were supportive of stakeholder engagement within the assurance process through the implementation of stakeholder panels. Nonetheless, the INGO respondents and the trade union official, like the corporate respondents, were conscious of problems associated with the operationalization of stakeholder panels, and expressed concerns that membership of such panels might compromise the independence of stakeholder organisations, and that resources constraints would give rise to "stakeholder fatigue" if the panels were to become widespread. The views expressed by the stakeholder respondents also evidenced that it is unclear what the future development of the practice of sustainability assurance will be.

One of the more significant findings to emerge from this study is that there was substantial disagreement between company respondents and the majority of the respondents from stakeholder groups as to whether the main audience for sustainability assurance should be external. Companies' respondents argued that as the company commissions the assurance service, is natural that the assurance statement is addressed to the same readership. The main argument of the stakeholder groups was that as sustainability reporting is addressed to society at large, it should follow that the accompanying assurance statement should be addressed to society. Similarly, it appears that corporate respondents, together with one INGO respondent, favoured a voluntarist approach in the practice of sustainability assurance, whilst one INGO representative, together with the trade union official, argued for regulation, and claimed that corporate reforms were essential to move forward the situation whereby sustainability assurance serves the interests of society.

The main conclusion drawn from the empirical findings of this study is that the real driving force behind sustainability assurance is internal. Nonetheless, there is some evidence of awareness and interest among stakeholder groups, particularly the INGO sector, which represents a broad range of stakeholder needs (see also Zadek et al., 2006). The practice of sustainability assurance is heavily constrained by organisations, and influenced by cost considerations (Jones & Solomon, 2010; see also Park & Brorson, 2005). Hence, sustainability assurance services must provide value for money, with the major beneficiaries being organisations and assurance providers. There seems little possibility that the service will evolve to provide reasonable levels of assurance. Given that accountancy firms have gained an increased share of the assurance market in recent years, it appears that there is little probability that published assurance conclusions will move from the current situation in which they are designed to protect the assurance provider (see also O'Dwyer & Owen, 2005).

8.3 RESEARCH CONCLUSIONS

The core theoretical argument of this research study is based on key arguments of Michael Power's theory concerning the role of audit in society, together with key strands of stakeholder and legitimacy theories, as discussed in chapter 3.

First, the perspectives of companies' respondents were analyzed through the normative argument of Power (1994b:47), whereby audit is understood as symbolizing ideals of efficiency and quality, governance, transparency and accountability. The examination also included an analysis of Power's (1997/1999) main criticisms concerning the failure of auditing practices to provide a base for substantive change. Power (1996; 2003a) contends that the system of audit exports legitimacy. Hence, strands of legitimacy theory were used to examine this argument in more detail. Power (1994b) advocates for a form of audit in which the voices of stakeholders can be heard. Therefore, strands of stakeholder theory were used to examine assurance practices related to the inclusion of stakeholders' views, and companies' motivations behind the commission of sustainability assurance services.

Second, the views of stakeholder respondents were examined in the light of one of Power's (1994b, 1997/1999) major concerns, viz, the issue of an expectation gap in auditing. The analysis also examined Power's (1997/1999) argument concerning the role of audit in facilitating civic dialogue between organisations and their stakeholders to achieve "upward" accountability. Hence, an important aspect of the analysis was to examine whether stakeholder groups expect that through sustainability assurance, accountability to all stakeholders can be achieved. Therefore, strands of stakeholder theory were used to examine this issue.

The results of this study evidence that although still of limited level, sustainability assurance services promote improvements to efficiency and quality of management and reporting systems (Power, 1994b, 1996). This development is necessary to counter the expectation gap, and suggests that the input by the assurance process is needed to legitimate the practice with external constituencies (see Power, 2003a). Moreover, through negotiations between assurance providers and companies, within the sustainability assurance process the quality of the report is enhanced (Power, 1996). In this manner, within the assurance process organisations create and control their social image (Power, 1996). Further, the strengthening of the internal management control processes, and the job of internal auditors, are fundamental to making organisations "accountable, auditable, and inspectable" (Power, 2007b:43). It seems possible that in future, the internal audit function might take the role currently fulfilled by external sustainability assurance provision (Power, 1997/1999). The evidence from this study suggests that sustainability assurance is a practice restrained by economic pressures (Power, 1997/1999). Assurance services are undertaken to a point at which organisations perceive a win-win situation for themselves and their stakeholders. Nonetheless, the major benefits are for the organisations and assurance providers.

Power (1994b:8) has emphasized the role of auditing in governance through the shaping of organisational performance to ensure accountability. However, this study found that assurance procedures in the FTSE100 companies that clearly indicated the evaluation of organisational performance were limited. The results suggest that the companies were concerned primarily with economic, rather than social or environmental performance. In general, therefore, it seems that the key motivation behind the commission of sustainability assurance services was to secure legitimacy with external constituencies (Power, 2003a), and to be accountable to powerful stakeholder groups. For Power (1994b:23), audits have the capability to enhance transparency of organisational actions to individuals who have an interest in the impacts of those actions. Nonetheless, companies discharged transparency only to powerful stakeholder groups.

Power (1997/1999) claims that audit sustains the idea of trust in society. However, it seems that the unbalanced power between companies and stakeholders has an effect here. The problem is that as a result of managerial control, there is a displacement of trust. This is evident in cases where society considers an organisation's activities illegitimate. Hence, through sustainability assurance, organisations displace the focus of trust to the company process itself (see Power, 1997/1999, 2007b). In these cases, the commission of sustainability assurance services is used as a tool to manage organisational image (Power, 1994b, 1997/1999, 1996).

For Power (1997/1999), audits should enable responsiveness and substantive change. The evidence from this study suggests that companies respond mainly to the demands of powerful stakeholder groups, on their own terms. There are also indications that there is no genuine redress to society at large. The results of this research support the idea that as a result of the high level of managerial control over the process (see also O'Dwyer & Owen, 2005; Jones & Solomon, 2010), sustainability assurance has lost its aim of making organisations fully responsive to all stakeholders, and therefore, it is not possible to achieve substantive change in the areas of social and environmental organisational performance. There are signs that organisations are using sustainability assurance as "greenwashing".

One of Power's (1994b:23) main theses is that audits are "thought to shift power; from professionals to the public, from experts to stakeholders". Findings in this study indicate that companies do not wish to transfer power to stakeholders through sustainability assurance. The evidence from this study suggests that, as a result of the influence of the stockholder approach in corporate governance systems in the UK, sustainability assurance aims mainly to provide answerability and responsiveness to companies' shareholders. This critical issue is evident in the reluctance to address the assurance statements to society at large (see also O'Dwyer & Owen, 2005). It appears that the position of accountancy firms, whereby they protect themselves from being sued by stakeholders, is a major obstacle to moving forward to the achievement of "upward" accountability (Power, 1997/1999).

Power (1994b; but see also Power, 1991) argues for a model of audit in which the voices of stakeholders can be heard as principals. In this study, representatives of companies proposed engaging stakeholders through a panel of evaluation, either a stakeholder panel or a panel of experts. Hence, transparency and critique are supported, but this form of "transparency alone does not empower" (Power, 1994b:27); nor does it encourage real change. In this manner, companies appear to give power to stakeholders (Power, 2007b); their strategy is to persuade the public that something has been done by someone (Power, 2000).

Turning now to the discussion of stakeholder perceptions, results from this research suggest that there is a huge expectation gap between what sustainability assurance could deliver in practice, and the expectations of different stakeholder groups towards the outcome of the exercise (Power, 1994b, 1997/1999). One of the more significant findings is that there are conflicting views between representatives of civil society groups and the investment sector. Whilst the trade union official, and representatives of the INGO sector, argued for an assurance practice focused on changing actual organisational social and environmental performance (see also Zadek et al., 2006), and which serves the interest of society at large, the investment group favoured a practice focused on assuring quantitative data, and serving mainly the economic interests of shareholders and companies. The results of this study reveal no clear indication from the companies of any intention to assume the elevated cost of commissioning a performance-oriented assurance practice which could promote organisational change. Hence, it appears that there is little possibility that the expectation gap will be reduced. Moreover, results in this research indicate a great deal of uncertainty as to whether the practice of sustainability assurance could address the assurance needs of the investment sector, mainly as a result of the difficulty of quantifying indicators in social matters.

Results of this research suggest that stakeholder groups are aware of the realities and problems of sustainability assurance practice, contrary to Power's (1994b) claim that users of assurance opinions ignore them. The findings of this study suggest that despite recent moves on the part of assurance providers to address public concerns by providing more structured information on the work conducted (see also Al-Hamadeen, 2007), there are general doubts as to the usefulness of the information conveyed in the assurance statement. Findings show that there is a difference between what assurance providers think of themselves, and what a sector of the stakeholder groups think of them (Power, 1994b). First, representatives of the investment group, together with the trade union official, raised concerns on the quality of the providers' work (see also Zadek et al., 2006). Second, the trade union official questioned the role of assurance providers as mediators between companies and stakeholders. This view concurs with Power's (1994b, 1997/1999) argument that the mediating role of auditors, and the subjectivity of the assurance provided, affect organisational transparency.

This study found that in general stakeholder groups from the INGO sector, together with the trade union official, supported the view that through sustainability assurance accountability must be discharged to all stakeholder groups. However, nobody stated clearly that through sustainability assurance it is possible to hold organisations to account (see O'Dwyer, 2005). Results in this research suggest a lack of awareness that the active participation of stakeholders in selecting the assurance provider or defining the scope of the exercise would counter managerial control over the practice (see Adams & Evans, 2004). Nonetheless, in general, it seems that representatives of stakeholder groups supported stakeholder empowerment within the practice of sustainability assurance (Power, 1994b, 1997/1999). They were conscious of the need to have legitimate stakeholder representatives to conduct a convincing dialogue (Power, 2007b), and aware of the practical difficulties in engaging stakeholders in the practice. From the evidence of this study, it is unclear what will be the future consequences of giving power to stakeholder groups. There exists the possibility of high managerial control over the engagement, the issue of conflict with the real objectives and survival of the organisations, which means that benefits for society are not realistically achievable (see Ribstein, 2005), and potential problems of stakeholder opportunism (see Ribstein, 2005). Conversely, the investment group favoured an assurance practice which mainly benefits companies, and discharges accountability to one powerful group, shareholders, and to the companies.

The overall conclusion drawn from this study is that companies viewed sustainability assurance as a managerial tool for creating value for the organisation, and as a toolkit whereby organisational legitimacy is built or repaired, and corporate reputation is enhanced. In the current climate of voluntarism, the risk of using sustainability assurance as greenwashing is high. For companies, sustainability assurance should serve the interest of the organisation and their shareholders over all other stakeholders. Through the assurance process, organisations manage and control key powerful stakeholder groups (see also O'Dwyer & Owen, 2005). This view is supported by one key stakeholder group, the investment community. Therefore, the role of other stakeholder groups representing other civil society needs is fundamental to ensure that through sustainability assurance accountability is discharged to society at large.

8.4 POLICY IMPLICATIONS

The findings of this study have a number of important implications for future sustainability assurance practice. First, the results presented in chapter five suggest that there is no significant evidence that the voluntary adoption of the AA1000AS is leading to direct stakeholder participation in the practice of sustainability assurance. Moreover, this standard has failed to achieve its core aims, to be the means whereby organisations are accountable to stakeholders and to promote change in organisations' social and environmental performance. Insufficient external pressure from stakeholder groups to comply with the requirements of this standard, together with a lack of internal motivation as manifested in the responses of companies' representatives, means that the standard serves mainly to meet the organisations' need to enhance their reporting systems and sustainability reports, or to be externally certified, rather than to discharge accountability to stakeholders.

This raises the fundamental question of whether real change to the social and environmental practices of organisations could be accomplished through sustainability assurance in the current climate of voluntarism. Another key question is whether stakeholder inclusion in the practice of sustainability assurance could realistically be achieved in the current system of exclusively shareholder-centred corporate governance structures. The findings suggest several courses of action to ensure an efficient monitoring of the balance of social, environmental and economic performance of organisations, and the consequent achievement of accountability to stakeholders.

First, there is a need for governmental intervention and regulation (see also Zadek et al., 2004) on sustainability reporting and associated sustainability assurance processes in the UK. This implies an important role for stakeholder groups in working towards changes in legislation that regulates corporate behaviour in the UK. This role would focus mainly on their duty to counteract the interest of influencial stakeholder groups such as the investment community, who advocated for an assurance practice that mainly benefits shareholders and companies, and to ensure that the government acts in society's interest by promoting stakeholder-centred sustainability assurance practices rather than protecting the interests of investors and organisations, as the trade union official warned. If the debate is to be moved forward, it will be necessary to develop a better understanding of the appropriate structures of accountability needed to hold corporate power to account, and of their composition in terms of legislatures, statutory authorities, and courts (see also Mulgan, 2000:563). A further study could assess different mechanisms for demanding explanation, applying judgement, and imposing sanctions (see also Mulgan, 2000:566).

Second, there is a need for reforms to existing corporate governance structures (see also O'Dwyer & Owen, 2005) to ensure the participation of stakeholders in organisational decision-making process. The role of sustainability assurance is fundamental to hold organisations to account for their decisions and the impacts of those decisions (see O'Dwyer, 2005).

The theoretical work of Gray et al. (1997), Unerman and Bennett (2004), Thomson and Bebbington (2005), O'Dwyer (2005) and Edgley et al. (2010), together with the findings of this study, may provide the basis to conduct further research to develop a detailed practical specification on the arrangement of stakeholder engagements within the practice of sustainability assurance to ensure their representation and effective influence on changing corporate behaviour (see O'Dwyer, 2005), and the achievement of accountability.

Third, there is a fundamental role for civil society groups working in partnership with companies. Through the influence of these groups, the voluntary practice of sustainability assurance could develop towards a stakeholder-centred approach. Their work will also be critical if the practice is to be standardized, to ensure that different assurance needs are addressed within the practice. However, to counter corporate power it is essential that individuals within these groups become better informed on the role of sustainability assurance and its key features. As O'Dwyer (2005:30) argues, to engage effectively these individuals need to develop specific skills to "argue, understand and develop compromises".

Finally, another important practical implication is the need for a clear form of social organisation around issues of corporate power and the social and environmental impacts that corporations create. In other words, we need a form of structured social regulation (see Zadek, 2007), a network whereby civil society groups could coordinate effective actions to influence social and environmental performance of the business. As the trade union official argued, a clear discussion on issues concerning corporate power, corporate performance and the role of assurance is needed among civil society groups to move forward the agenda to a stage where benefits are mainly for society at large.

8.5 CONTRIBUTIONS TO KNOWLEDGE

The current findings add to a growing body of literature on sustainability assurance in general, and to the understanding of the practice of sustainability assurance in the UK context.

First, this study has responded to the call of Deegan et al. (2006) for an understanding of the assurance practice within individual countries. This is a comprehensive study examining trends from 2001 to 2007 in key features of sustainability assurance practice in the UK. The present study also provides evidence with respect to trends and developments in the participation of stakeholders in the practice in the UK (but see O'Dwyer & Owen, 2005; Al-Hamadeen, 2007; Edgley et al., 2010).

Second, against a background in which the practice of sustainability assurance is undergoing rapid development, the study has responded to the call of Jones and Solomon (2010) for the examination of trends and changes in that practice. This research has contributed to the literature by exploring these emerging issues from the perspective of companies in the UK via semi-structured interviews. Moreover, the present study provides additional evidence with respect to companies' motivations for commissioning sustainability assurance services.

Third, this study has gone some way towards enhancing our understanding of stakeholders' perceptions on issues in the practice of sustainability assurance in the UK. Previous research investigated the phenomenon of sustainability assurance in the UK mainly from the perspective of companies and assurance providers. The participation of stakeholders in the sustainability assurance process is fundamental to ensure stakeholder accountability and organisational transparency. This study has made a modest contribution by exploring the views of stakeholders in order to understand whether or not, through sustainability assurance, organisations could discharge accountability to society at large.

Finally, the current findings add to our understanding of Power's theses concerning the meaning of sustainability assurance, its purpose, benefits in society and problems, from the perspective of organisations and stakeholders. This research provides additional understanding of one of Power's key arguments, that is, the potential of sustainability assurance to empower stakeholders to achieve stakeholder-centred accountability. The findings enhance our understanding of motivations behind the commission of sustainability assurance services via their interpretation through the lens of stakeholder and legitimacy theories.

8.6 STRENGTH AND LIMITATIONS OF THE RESEARCH

The strength of this study lies in the research design, specifically the use of mixed-methods research to provide a better understanding of the issues faced in the practice of sustainability assurance. This research design provided more comprehensive evidence to examine the issues affecting the sustainability assurance practice (see Creswell & Plano-Clark, 2007). The design enabled triangulation, employing quantitative and qualitative data collection techniques and analysis procedures to ensure the validity of the research findings (see Saunders et al., 2007:147). Nonetheless, a number of caveats should be noted.

First, the research approach adopted was inductive. This study focused on finding explanations of emerging issues in the practice of sustainability assurance in the UK through the perspectives of individuals. Hence, empirical results presented in chapters six and seven appertain to the views of specific individuals on the practice of sustainability assurance in the UK. It is acknowledged that the perspectives of these respondents might not reflect the position of their respective organisations. Therefore, it is not feasible to make generalizations about the entire population. Second, results presented in chapter five relate to a specific time period, from 2001 to 2007, in the practice of sustainability assurance in the UK. Therefore, results cannot necessarily be generalized to other time periods. Third, the sample of companies for the analysis presented in chapter five comprised the FTSE100 companies; hence, it missed small and medium size companies in the UK. Further research examining small and medium size companies in the UK might help to establish key features of their assurance practice.

8.7 RECOMMENDATIONS FOR FUTURE RESEARCH

This research has raised many questions in need of further investigation. The most significant are:

- It would be interesting to assess the effects of the influence of the core principles of the AA1000AS on the accountancy assurance approach.

- Future research should concentrate on the investigation of a much wider range of stakeholder opinions on issues raised by this study, and provide pointers towards the development of a more genuinely stakeholder-inclusive assurance process.

- There is scope for further work to investigate the assurance needs of different stakeholder groups through the use of a comprehensive survey, thus generalizing findings (see also Zadek et al., 2006).

- The body of theory known as "new institutionalism" (but see also Smith, Haniffa and Fairbrass, forthcoming) might provide an alternative lens for further investigation of issues concerning the accountability of institutions setting assurance standards. Such a study would examine empirical institutionalism, one of the seven approaches to new institutionalism (Lowndes, 2002: 96); that is, it would investigate different types of institutions setting standards, and analyze their practical impact upon corporate performance and accountability.

- Finally, research in the context of developing countries in general is needed to explore emerging practices of sustainability assurance, and to provide an international perspective on the field of sustainability assurance.

References

ACCA (Association of Chartered Certified Accountants). 2004. ***Towards transparency: Progress on global sustainability reporting***. London: ACCA.

ACCA (Association of Chartered Certified Accountants). 2005. ***ACCA UK Awards for sustainability reporting 2005: Report of the judges***. London: ACCA.

ACCA (Association of Chartered Certified Accountants). 2006. ***ACCA UK Awards for sustainability reporting 2006: Report of the judges***. London: ACCA.

ACCA (Association of Chartered Certified Accountants). 2007. ***ACCA UK Awards for sustainability reporting 2007: Report of the judges***. London: ACCA.

ACCA (Association of Chartered Certified Accountants). 2008. ***ACCA UK Awards for sustainability reporting 2008: Report of the judges***. London: ACCA.

AccountAbility (Institute of Social and Ethical Accountability). 1999. ***AA1000 Framework: Standards, guidelines and professional qualification***. London: AccountAbility.

AccountAbility (Institute of Social and Ethical Accountability). 2003. ***AA1000 Assurance standard***. London: AccountAbility.

AccountAbility (Institute of Social and Ethical Accountability). 2005. ***AA1000AS Stakeholder engagement standard***. London: AccountAbility.

AccountAbility (Institute of Social and Ethical Accountability). 2008a. *AA1000* ***AccountAbility principles standard***. London: AccountAbility.

AccountAbility (Institute of Social and Ethical Accountability). 2008b. ***Assurance standard***. London: AccountAbility.

Adams, C., & Evans, R. 2004. Accountability, completeness, credibility and the audit expectations gap. ***Journal of Corporate Citizenship***, 14: 97-115.

Agle, B., Donaldson, T., Freeman, E., Jensen, M., Mitchell, R., & Wood, D. 2008. Dialogue: Toward superior stakeholder theory. ***Business Ethics Quarterly***, 18(2): 153-190.

Agresti, A. 2007. ***An introduction to categorical data analysis***. Second Edition. Hoboken, NJ: Wiley- Interscience.

Al-Hamadeen, R. 2007. ***Assurance of corporate stand-alone reporting: Evidence from the UK***. Unpublished doctoral dissertation, University of St Andrews, St Andrews.

Andriof, J., & McIntosh, M. (eds) 2001. ***Perspectives on corporate citizenship***. Sheffield: Greenleaf Publishing Limited.

Andriof, J., Waddock, S., Husted, B., & Sutherland, S. (eds) 2002. ***Unfolding stakeholder thinking. Theory, responsibility and engagement***. Sheffield: Greenleaf Publishing limited.

Ball, A., Owen, D., & Gray, R. 2000. External transparency or internal capture? The role of third party statements in adding value to corporate environmental reports. ***Business Strategy and the Environment***, 9(1): 1-23.

Belal, A., & Owen, D. 2007. The View of Corporate Managers on the Current State of, and Future Prospects for Social Reporting in Bangladesh. ***Accounting, Auditing & Accountability Journal***, 20 (3): 472-494.

Bliss, T. 2002. Citizen advocacy groups: Corporate friend or foe? In J. Andriof, S. Waddock, B. Husted, & S. Sutherland (Eds.), ***Unfolding stakeholder thinking. Theory, responsibility and engagement***: 251-265. Sheffield: Greenleaf Publishing Limited.

Boyatzis, R. 1998. ***Transforming qualitative information: Thematic analysis and code development***. Thousand Oaks, California: Sage Publications.

Brown, J., & Fraser, M. 2006. Approaches and perspectives in social and environmental accounting: an overview of the conceptual landscape. ***Business Strategy and the Environment***, 15: 103-117.

Carroll, A., & Buchholtz, A. 2006. ***Business & society: Ethics and stakeholder management***. Sixth Edition. Mason, Ohio: Thompson South-Western.

Chua, W. F. 1986. Radical developments in accounting thought. ***The Accounting Review***, LXI (4): 601-631.

Clarkson, M. 1995. A stakeholder framework for analyzing and evaluating corporate social performance. ***Academy of Management Review***, 20 (1): 92-117.

Collis, J., & Hussey, R. 2003. ***Business Research: A practical guide for undergraduate and postgraduate students***. Second Edition. New York: Palgrave Macmillan.

CorporateRegister.com. 2008. ***Assure view: The CSR assurance statement report***. London: CorporateRegister.com.

Cox, N. 2004. Speaking Stata: Graphing categorical and compositional data. ***The Stata Journal***, 4(2): 190-215.

CPA Australia. 2004. ***Triple bottom line: A study of assurance statements worldwide***. Melbourne: CPA Australia.

Creswell, J. 1994. ***Research design: Qualitative and quantitative approaches***. Thousand Oaks, California: Sage Publications.

Creswell, J. 2003. ***Research design: Qualitative, quantitative, and mixed methods approaches***. Thousand Oaks, California: Sage Publications.

Creswell, J., & Plano-Clark, V. 2007. ***Designing and conducting mixed methods research.*** Thousand Oaks, California: Sage Publications.

Creswell, J., & Plano-Clark, V. (eds) 2008. ***The mixed methods reader***. Thousand Oaks: Sage Publications.

Creswell, J., & Plano-Clark, V. 2011. ***Designing and conducting mixed method research.*** Second Edition. Thousand Oaks: Sage Publications.

Creswell, J., Plano-Clark, V., Gutmann, M., & Hanson, W. 2003. Advanced mixed methods research design. In A. Tashakkori & C. Teddlie (Eds.), ***Handbook of mixed methods research in social and behavioural research***: 209-240. Thousand Oaks: Sage Publications.

Cumming, J. 2001. Engaging stakeholders in corporate accountability programmes: A cross-sectoral analysis of UK and transnational experience. ***Business Ethics: A European Review***, 10(1): 45-52.

Dando, N., & Swift, T. 2003. Transparency and assurance: Minding the credibility gap. ***Journal of Business Ethics***, 44 (2-3): 195-200.

Day, P., & Klein, R. 1987. ***The audit society*: *rituals of verification***. Oxford: Oxford University Press. Ref. Power, M. (1999).

Deegan, C. 2000. ***Financial accounting theory***. New South Wales: McGraw Hill.

Deegan, C. 2002. Introduction: The legitimising effect of social and environmental disclosures - a theoretical foundation. ***Accounting, Auditing and Accountability Journal***, 15(3): 282-311.

Deegan, C., & Unerman, J. 2008. ***Financial accounting theory: European edition***. Maidenhead, Berkshire: McGraw-Hill Education. (Originally published 2006).

Deegan, C., Cooper, B., & Shelly, M. 2006. An investigation of TBL report assurance statements: UK and European evidence. ***Managerial Auditing Journal***, 21(4): 329-371.

Dillard, J. 1991. Accounting as a critical social science. ***Accounting, Auditing and Accountability Journal***, 4(1): 8-28.

Donaldson, T. & Preston, L. 1995. The stakeholder theory of the corporation: Concepts, evidence, and implications. ***Academy of Management Review***, 20(1): 65-91.

Drori, G. 2006. ***Organized uncertainty: Designing a world of risk management***. Oxford: Oxford University Press. Ref. Power, M. (2007).

Edgley, C., Jones, M., & Solomon, J. 2010. Stakeholder inclusivity in social and environmental report assurance. ***Accounting, Auditing and Accountability Journal***, 23(4): 532-557.

FEE (Federation des Experts Comptables Europeens). 2002. ***Providing assurance on sustainability reports***. Brussels: FEE.

FEE (Federation des Experts Comptables Europeens). 2004. ***FEE Call for action: Assurance for sustainability***. Brussels: FEE.

FEE (Federation des Experts Comptables Europeens). 2006. ***Key issues in sustainability assurance: An overview***. Brussels: FEE.

FEE (Federation des Experts Comptables Europeens). 2009. ***Policy statement towards a sustainable economy: The contribution of Assurance***. Brussels: FEE.

Freeman, R. E. 1984. ***Strategic management: A stakeholder approach***. Boston: Pitman Publishing.

Freeman, R., Harrison, J., Wicks, A., Parmar, B., & De Colle, S. 2010. ***Stakeholder theory: the state of the art***. Cambridge: Cambridge University Press.

Freeman, S. 2006. ***Justice and the Social Contract: Essays on Rawlsian political philosophy***. USA: Oxford University Press.

Friedman, A. & Miles, S. 2002. ***Organized uncertainty: Designing a world of risk management***. Oxford: Oxford University Press. Ref. Power, M. (2007).

George, A. 2009. Quantitative and qualitative approaches to content analysis. In K. Krippendorff & M. A. Bock (Eds.), ***The content analysis reader***: 144-155. Thousand Oaks: Sage Publications.

Gray, R. 2001. Thirty years of social accounting, reporting and auditing: what (if anything) have we learnt? ***Business Ethics: A European Review***, 10(1): 9-15.

Gray, R. 2002. The social accounting project and accounting organisations and society: Privileging engagement, imaginings, new accountings and pragmatism over critique? ***Accounting, Organisations and Society***, 27(7): 687–708.

Gray, R., Dey, C., Owen, D., Evans, R., & Zadek, S. 1997. Struggling with the praxis of social accounting: Stakeholders, accountability, audits and procedures. ***Accounting, Auditing and Accountability Journal***, 10(3): 325-364.

Gray, R., Kouhy, R., & Lavers, S. 1995. Methodological themes: Constructing a research database of social and environmental reporting by UK companies. ***Accounting, Auditing and Accountability Journal***, 8(2): 78-101.

Gray, R., Owen, D., & Adams, C. 1996. ***Accounting and accountability: Changes and challenges in corporate social and environmental reporting***. London: Prentice-Hall.

Greene, J., & Caracelli, V. 2003. Making paradigmatic sense of mixed methods practice. In A. Tashakkori & C. Teddlie (Eds.), ***Handbook of mixed methods in social & behavioural research***: 91-110. Thousand Oaks: Sage Publications.

GRI (Global Reporting Initiative). 2002. ***Sustainability reporting guidelines***. Amsterdam : GRI.

GRI (Global Reporting Initiative). 2006. ***Sustainability reporting guidelines***. Amsterdam: GRI.

Hackston, D., & Milne, M. 1996. Some determinants of social and environmental disclosures in New Zealand companies. ***Accounting, Auditing and Accountability Journal***, 9(1): 77-108.

Hall, P. 1989. ***Organized uncertainty: Designing a world of risk management***. Oxford: Oxford University Press. Ref. Power, M. (2007).

Humphrey, C. & Owen, D. 2000. Debating the 'power' of audit. ***International Journal of Auditing***, 4(1): 29-50.

IAASB (International Auditing and Assurance Standards Board). 2004. ***International standard on assurance engagements ISAE 3000: Assurance engagements other than audits or reviews of historical financial information.*** New York: International Federation of Accountants.

IAASB (International Auditing and Assurance Standards Board). 2010. ***Handbook of international quality control auditing, review, other assurance, and related services pronouncements 2010 edition.*** New York: International Federation of Accountants.

Iansen-Rogers, J., & Oelschlaegel, J. 2005. ***Assurance standards briefing: AA1000 Assurance standard and ISAE 3000***. London: AccountAbility and KPMG.

Johnson, B., & Onwuegbuzie, A. 2004. Mixed methods research: A research paradigm whose time has come. ***Educational Researcher***, 33(7):14-26.

Jones, M. & Solomon, J. 2010. Social and environmental report assurance: some interview evidence. ***Accounting Forum***, 34(1): 20-31.

Kaler, J. 2002. Responsibility, accountability and governance. ***Business Ethics: A European Review***, 11(4): 327-334.

Kamp-Roelands, N. 2002. ***Towards a framework for auditing environmental reports***. Unpublished doctoral dissertation, Tilburg University, The Netherlands.

Kohler, U., & Kreuter, F. 2005. ***Data analysis using stata***. Texas: Stata Press.

Kolk, A., & Perego, P. 2010. Determinants of the adoption of sustainability assurance statements: An international investigation. ***Business Strategy and the Environment***, 19(3): 182-198.

Kotonen, U. 2009. Third-party assurance practices of corporate social responsibility reporting: Experiences from large Finnish listed companies. ***The International Journal of Environmental Cultural, Economic & Social Sustainability***, 5(5): 219-235.

KPMG 2005. ***International Survey of Corporate Responsibility Reporting***. Amsterdam: KPMG.

KPMG 2008. ***International Survey of Corporate Sustainability Reporting***. Amsterdam: KPMG.

Krippendorff, K. 2004. ***Content analysis: An introduction to its methodology***. Second Edition. Thousand Oaks, California: Sage Publications.

Krippendorff, K., & Bock, M. (eds) 2009 ***The content analysis reader***. Thousand Oaks: Sage Publications.

Kuruppu, S., & Milne, M. 2010. Dolphin deaths, organisational legitimacy and potential employees' reactions to assured environmental disclosures. ***Accounting Forum***, 34(1): 1-19.

Larkin, J. 2002. ***Organized uncertainty: Designing a world of risk management***. Oxford: Oxford University Press. Ref. Power, M. (2007).

Laufer, W. 2003. Social accountability and corporate greenwashing. ***Journal of Business Ethics***, 43(3): 253-261.

Laughlin, R. 1995. Empirical research in accounting: alternative approaches and a case for 'middle -range' thinking. ***Accounting, Auditing and Accountability Journal***, 8(1): 63-87.

Lawrence, A. 2002. The drivers of stakeholder engagement: Reflections on the case of [….]. In J. Andriof, S. Waddock, B. Husted, & S. Sutherland (Eds.), ***Unfolding stakeholder thinking: Theory, responsibility and engagement****:* 185-200. Sheffield: Greenleaf Publishing.

Lindblom, C. K. 2010. The implications of organisational legitimacy for corporate social performance and disclosure. In R. Gray, J. Bebbington, & S. Gray (Eds.), ***Social and Environmental Accounting***: 51-62. London: Sage Publications

Lombard, M., Snyder-Duch, J., & Campanella, C. 2010. ***Practical resources for assessing and reporting intercoder reliability in content analysis research projects***. <http://astro.temple.edu/~lombard/reliability/#Neuendorf.> Viewed June 2008, 30 June 2010.

Lowndes, V. 2002. Institutionalism. In Marsh, D., & Stoker, G. (Eds.), ***Theory and methods in political science****:* 90-108. Basingstoke: Palgrave Macmillan.

Maijoor, S. 2000. The internal control explosion. ***International Journal of Auditing***, 4(1): 101-109.

Maltby, J. 1995. Environmental audit: theory and practices. ***Managerial Auditing Journal***, 10(8): 15-26.

Manetti, G., & Becatti, L. 2009. Assurance services for sustainability reports: Standards and empirical evidence. ***Journal of Business Ethics***, 87(1): 289-298.

Marsh, D., & Stoker, G. (eds) 2002. ***Theory and methods in political science***. Second Edition. Basingstoke: Palgrave Macmillan.

Mathews, M. 1993. ***Financial accounting theory: European edition***. Maidenhead, Berkshire: McGraw-Hill Education. Ref. Deegan, C., & Unerman, J. (2008).

Medawar, C. 1976. The social audit: a political view. ***Accounting, Organisations and Society***, 1(4): 389-394.

Mitchell, R., Agle, B., & Wood, D. 1997. Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts. ***Academy of Management Review***, 22(4): 853-886.

Mock, T., Strohm, C., & Swartz, K. 2007. An examination of worldwide assured sustainability reporting. ***Australian Accounting Review***, 17(1): 67-77.

Mulgan, R. 2000. 'Accountability': an ever-expanding concept? ***Public Administration***, 78(3): 555-573.

Neuendorf, K. 2002. ***The content analysis guidebook***. Thousand Oaks, California: Sage Publications.

O'Dwyer, B. 2001. The legitimacy of accountants' participation in social and ethical accounting, auditing and reporting. ***Business Ethics: A European Review***, 10(1): 27-39.

O'Dwyer, B. 2003. Conceptions of corporate social responsibility: the nature of managerial capture. ***Accounting, Auditing and Accountability Journal***, 16(4): 523-557.

O'Dwyer, B. 2004. Qualitative data analysis: Illuminating a process for transforming a 'messy' but 'attractive' 'nuisance'. In C. Humphrey & B. Lee (Eds.), ***The real life guide to accounting research***: 391-407. Oxford: Elsevier.

O'Dwyer, B. 2005. Stakeholder democracy: challenges and contributions from social accounting. ***Business Ethics: A European Review***, 14(1): 28-41.

O'Dwyer, B. & Owen, D. 2005. Assurance statement practice in environmental, social and sustainability reporting: a critical evaluation. ***The British Accounting Review***, 37: 205-229.

O'Dwyer, B. & Owen, D. 2007. Seeking stakeholder centric assurance: An examination of recent sustainability assurance practice. ***Journal of Corporate Citizenship***, 25(spring): 77-94.

O'Dwyer, B., Owen, D. and Unerman, J. 2011. Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting. ***Accounting, Organisations and Society***, 36: 31-52.

O'Dwyer, B., Unerman, J., & Hession, E. 2005. User needs in sustainability reporting: Perspectives of stakeholders in Ireland. ***European Accounting Review***, 14(4): 759-787.

Owen, D., Swift, T., Humphrey, C., & Bowerman, M. 2000. The new social audits: accountability, managerial capture or the agenda of social champions? ***European Accounting Review***, 9(1): 81-98.

Owen, D., Swift, T., & Hunt, K. 2001. Questioning the role of stakeholder engagement in social and ethical accounting, auditing and reporting. ***Accounting Forum***, 25(3): 264-282.

Owen, D., Chapple, W., & Pinilla-Urzola, A. 2009. Key Issues in Sustainability Assurance. ***Association of Chartered Certified Accountants Research Report***, Vol.115.

Park, J. 2004. ***Stakeholder involvement in the third-party assurance on corporate sustainability reports***. Unpublished Master Thesis, Lund University, Sweden.

Park, J., & Brorson, T. 2005. Experiences of and views on third-party assurance of corporate environmental and sustainability reports. ***Journal of Cleaner Production***, 13(10-11): 1095-1106.

Power, M. 1991. Auditing and environmental expertise: Between protest and professionalization. ***Accounting, Auditing and Accountability Journal***, 4(3): 30-42.

Power, M. 1992a. From common sense to expertise: Reflections on the prehistory of audit sampling. ***Accounting, Organisations and Society***, 17(1): 37-62.

Power, M. 1992b. The politics of brand accounting in the United Kingdom. ***European Accounting Review***, 1(1): 39-68.

Power, M. 1994a. Constructing the responsible organisation: Accounting and environmental representation. In G. Teubner, L. Farmer, & D. Murphy (Eds.), ***Environmental law and ecological responsibility: The concept and practice of ecological self-organisation***: London: John Wiley & Sons Ltd.

Power, M. 1994b. ***The audit explosion***. First edition. London: Demos.

Power, M. 1996. Making things auditable. ***Accounting, Organisations and Society***, 21(2-3): 289-315.

Power, M. 1997. Expertise and the construction of relevance: accountants and environmental audit. ***Accounting, Organisations and Society***, 22(2): 123-146.

Power, M. 1999. ***The audit society*: *rituals of verification***. Oxford: Oxford University Press. (Originally published 1997).

Power, M. 2000. The audit society - second thoughts. ***International Journal of Auditing***, 4(1): 111-119.

Power, M. 2003a. Auditing and the production of legitimacy. ***Accounting, Organisations and Society***, 28(4): 379-394.

Power, M. 2003b. Evaluating the audit explosion. ***Law and Policy***, 25(3): 185-203.

Power, M. 2007a. ***Organisations and auditability: A theory***. Paper presented at Lancaster University, UK, Wednesday 9 May 2007.

Power, M. 2007b. ***Organized uncertainty: Designing a world of risk management***. Oxford: Oxford University Press.

Ribstein, L. E. 2005. ***Accountability and responsibility in corporate governance***. University of Illinois Legal Working Paper Series,<http://works.bepress.com/ribstein/9> . Viewed 13 December 2010.

Robson, C. 2002. ***Real world research: A resource for social scientists and practitioner-researchers***. Second Edition. Oxford: Blackwell.

Rosenfeld, P. Giacalone, R., & Riordan, C. 1995. ***Impression management in organisations: theory, measurement, practice***. London: Routledge.

Salterbaxter and Context. 2005. ***Trends in CSR reporting 2003-2004 – UK FTSE100 data supplement***. London.

Saunders, M., Lewis, P., & Thornhill, A. 2007. ***Research methods for business students***. Fourth Edition. Harlow: Prentice Hall.

Silverman, D. 1993. ***Interpreting qualitative data: methods for analyzing talk, text and interviews***. London: Sage.

Silverman, D. 2006. ***Interpreting qualitative data: methods for analysing talk, text and interaction***. Third Edition. London: Sage Publications.

Simnett, R., Vanstraelen, A., & Chua, W. F. 2009. Assurance on sustainability reports: An international comparison. ***The Accounting Review***, 84(3): 937-967.

Smith, J., Haniffa, R., & Fairbrass, J. Forthcoming. A conceptual framework for investigating 'capture' in corporate sustainability reporting assurance. ***Journal of Business Ethics***. In press.

Social Audit Ltd. 1974. ***Social Audit***. Vol.2. No 1. London: Social Audit Ltd

Social Audit Ltd. 1976. ***Social Audit on Avon***. Spring. London: Social Audit Ltd

Solomon, J., & Edgley, C. 2008. The abandoned mandatory OFR: A lost opportunity for SER? ***Social Responsibility Journal***, 4(3): 324-348.

Solomon, J. & Solomon, A. 2004. ***Corporate governance and accountability***. First Edition. West Sussex: John Wiley & Sons Ltd.

Solomon, J. & Solomon, A. 2006. Private social, ethical and environmental disclosure. ***Accounting, Auditing and Accountability Journal***, 19(4): 564-591.

Solomon, J., Solomon, A., Nathan, J., & Norton, S. 2000. Institutional investors' views on corporate governance reform: policy recommendations for the 21st century. ***Corporate Governance: An International Review***, 8(3): 215-226.

Soltani, B. 2007. ***Auditing - An international approach***. Harlow, Essex: Pearson Education Limited.

Starik, M. 1995. Should trees have managerial standing? Toward stakeholder status for non-human nature. ***Journal of Business Ethics***, 14(3):207-217.

Swift, T. 2001. Trust, reputation and corporate accountability to stakeholders. ***Business Ethics: A European Review***, 10(1): 16-26.

Swift, T. & Dando, N. 2002. From methods to ideologies: closing the assurance expectations gap in social and ethical accounting, auditing and reporting. ***Journal Corporate Citizenship***, 8: 81-90.

Symon, G. & Cassell, C. 1998. ***Qualitative methods and analysis in organisational research: a practical guide***. London: Sage Publications.

Tashakkori, A., & Teddlie. 1998. ***Research methods for business students***. Fourth Edition. Harlow: Prentice Hall. Ref. Saunders, M., Lewis, P., & Thornhill, A. (2007).

Tashakkori, A., & Teddlie, C. (eds) 2003. ***Handbook of mixed methods in social & behavioural research***. Thousand Oaks: Sage Publications.

Teddlie, C., & Tashakkori, A. 2003. Major issues and controversies in the use of mixed methods in the social and behavioural sciences. In A. Tashakkori & C. Teddlie (Eds.), ***Handbook of mixed methods research in social and behavioural research***: 3-50. Thousand Oaks: Sage Publications.

Thomson, I. and Bebbington, J. 2005. Corporate social reporting: A pedagogic evaluation. ***Critical Perspectives on Accounting***, 16(5):507-533.

Unerman, J. and Bennett, M. 2004. Increased stakeholder dialogue and the internet: towards greater corporate accountability or reinforcing capitalist hegemony? ***Accounting, Organisations and Society***, 29(7):685-707.

Weber, R. 1990. ***Quantitative applications in the social sciences: Basic content analysis***. Second Edition. Beverly Hills, Calif: Sage Publications.

Zadek, S. 2001. Partnership alchemy: Engagement, innovation and governance. In J. Andriof & M. McIntosh (Eds.), ***Perspectives on Corporate Citizenship***: 200-214. Sheffield: Greenleaf Publishing Limited.

Zadek, S. 2007. ***The civil corporation.*** Second Edition. London: Earthscan.

Zadek, S., Raynard, P., Forstater, M., and Oeleschlaegel, J. 2004. ***The future of sustainability assurance***. London: ACCA.

Zadek, S., Raynard, P., & Forstater, M. 2006. ***What assures - Listening to words of assurance***. London: AccountAbility.

APPENDICES

APPENDIX 1: CODING FORM

Coding Form		
A	Company name	
B	Does the company have a stand-alone report?	
B1	Yes	
B2	No	
C	Year of stand-alone report	
C1	2001	
C2	2002	
C3	2003	
C4	2004	
C5	2005	
C6	2006	
C7	2007	
D	Does the report have an assurance statement?	
D1	Yes	
D2	No	
D3	No physical evidence of statement	
E	Date of assurance statement	
F	Type of assurance provision	
F1	Formal	
F2	Panel of evaluation	
F3	Other	
G	Assurance provider	
G1	Accountancy firm	
G2	Name	
G3	Specialized consultancy firm	
G4	Name	
G5	Certification body	
G6	Name	
G7	Other	
G8	Specify name of “other assurance provider”	
H	Assurance Standards	
H1	AA1000AS	
H2	ISAE3000	
H3	Other assurance standard	

Coding Form

H4	Specify name of "other assurance standard"	
H5	No information	
I	Level of assurance	
I1	Limited	
I2	Reasonable	
I3	Other level of assurance	
I4	Specify name of other "level of assurance"	
I5	No information	
J	Assurance Procedures	
J1	Type 1- Use of analytical procedures	
J2	Type 2- Confirmation/corroboration of specific data with external parties	
J3	Type 3- Consistency with underlying systems/data/report	
J4	Type 4- Conducting interviews/discussion with management and employees	
J5	Type 5- Inspection/checking of supporting documentation	
J6	Type 6- Reviewing accounting policies/disclosure principles/measurement methods/performance/risk/materiality	
J7	Type 7- Site visits	
J8	Type 8- Testing/reviewing reliability/accuracy of internal control systems	
J9	Type 9- Rely on internal audit	
J10	Type 10-Inclusion of stakeholder views	
K	Stakeholder inclusion methods	
K1	No information	
K2	Type 1 - Review of media	
K3	Type 2-Via secondary data	
K4	Type 3- Via observations, attending stakeholder sessions	
K5	Type 4 -Via questionnaires, surveys	
K6	Type 5- Via meetings with stakeholders, and interviews	
K7	Type 6 -Via stakeholder panel/views of experts	
Date		

Statement of content analysis coding and rules

Item coding form	Rule - Codify as:
A	Name as it appears on the corporate website.
B	Stand-alone report: A report that is (1) not part of any financial document set, and (2) exclusively under the following headings: "environmental, health and safety", "environmental", "social/environmental", "corporate social responsibility" "corporate sustainability", and (3) posted on the corporate website
B1	B1 =1 if the condition in **B** is met
B2	B2= 1 if (1) the condition in **B** is not met or (2) there are no reports archived on the corporate website or (3) there were mergers and acquisitions
C	Year when the stand-alone report was issued
C1	C1=1 if the report was issued in 2001
C2	C2=1 if the report was issued in 2002
C3	C3=1 if the report was issued in 2003
C4	C4=1 if the report was issued in 2004
C5	C5=1 if the report was issued in 2005
C6	C6=1 if the report was issued in 2006
C7	C7=1 if the report was issued in 2007
D	Assurance statement: (1) A written communication that expresses a conclusion about the stand-alone report, and (2) which is issued by (a) an external assurance provider; (b) panels of evaluation; (c) the internal audit group.
D1	D1=1 if the condition in **D** is met
D2	D2=1 if the condition in **D** is not met and
D3	D3=1 if there is not physical evidence of the assurance statement, even though its presence is stated in the stand-alone report.
E	Year when the assurance statement was issued

Item coding form	Rule - Codify as:
F	(1) Assurance services are independent professional services that improve the quality of information for decision makers, and which are conducted by accountancy firms or specialized consultants or certification bodies. (2) For the purpose of this research, the assurance service could also be conducted by (a) a panel of evaluation, in the form of a stakeholder panel or panel of experts; (b) the internal audit company group
F1	F1 =1 if the condition in **F** point (1) is met
F2	F2 =1 if the condition in **F** point (2a) is met
F3	F3 =1 if the condition in **F** point (2b) is met
G	(1) Assurance provider is the firm with the final responsibility for the assurance service, in the form of (a) an accountancy firm – accountancy and professional services firm which handles audits for public and private companies; (b) a specialized consultancy firm-a firm that provides professional and specialized services in corporate social responsibility and/or corporate sustainability; (c) a certification body- a firm that is qualified to provide certification or qualification in business/environment/quality; (2) For the purpose of this research, an assurance provider is classified under the denomination "other" in cases where the service is conducted by (a) the internal audit company's group; (b)a panel of evaluation: group of people representing either civil society [stakeholders] or credible experts [as a group or individually] in corporate sustainability issues
G1	G1=1 if the condition in **G** point (1a) is met
G2	Name as it appears on the assurance statement
G3	G3=1 if the condition in **G** point (1b) is met
G4	Name as it appears on the assurance statement
G5	G5=1 if the condition in **G** point (1c) is met
G6	Name as it appears on the assurance statement
G7	G7=1 if the condition in **G** point (2) is met
G8	Name as it appears on the assurance statement

Item coding form	Rule - Codify as:
H	(1) Assurance standards: principles and procedures for, and to provide guidance to, practitioners in public practice of assurance engagements, namely: (a) Accountability- AA1000; (b) Accountancy based-ISA/ISAE3000. (2) For the purpose of this research, an assurance standard is classified under the denomination "other" in cases where the standard is different from the AA1000 and the ISA/ISAE3000 standards.
H1	H1 =1 if the condition in **H** point (1a) is met
H2	H2 =1 if the condition in **H** point (1b) is met
H3	H3 =1 if the condition in **H** point (2) is met
H4	Name as it appears on the assurance statement
H5	No information provided on the use of a standard to regulate the assurance exercise
I	(1) "Level of assurance" refers to the term used to describe the level of assurance provided by the provider about the subject matter. In performing the assurance engagement, the IFAC stipulates that the provider provides a level of assurance of (1) "limited" level and (2) "reasonable" level. (2) For the purpose of this research, the level of assurance is classified under the denomination "other" in cases where the name used is different from the "limited" and "reasonable" levels.
I1	I1 =1 if the provider uses the word "limited" when describing the level of assurance provided in the statement
I2	I2=1 if the provider uses the word "reasonable" when describing the level of assurance provided in the statement
I3	I3=1 if the provider uses other words from those stated in **I1 and I2** when describing the level of assurance provided in the statement
I4	Name as it appears on the assurance statement
I5	No information provided on the use of a level of assurance
J	Assurance procedures: Set of procedures established by the provider to obtain evidence.

Item coding form	Rule - Codify as:
J1	J1 =1 if the provider uses the words: "analytical procedures" to describe the procedure.
J2	J2 =1 if the provider corroborates information with external parties
J3	J3= 1 if the provider evaluates the consistency of the report with (1) underlying systems and/or (2) data
J4	J4 =1 if the provider conducts (1) interviews and/or (2) discussions with (a) management and/or (b) employees
J5	J5 =1 if the provider (1) inspects and/or (2) checks supporting documentation
J6	J6=1 if the provider reviews/assess: (1) accounting policies – any accounting method selected by the company to prepare the report; and/or (2) disclosure principles – general national or international or company accounting rules to prepare, present and report sustainability information ; and/or (3) measurement methods – any measure to track performance, risk management; and /or J6 = 1 if the provider states explicitly the review of : (4) performance; and /or (5) risk - ; and/or (6) materiality
J7	J7=1 if the provider conducts visits
J8	J8=1 if the provider tests and/or reviews reliability/accuracy of internal control systems
J9	J9= 1 if the provider states their work relies on the internal audit company group
J10	J10=1 if the provider includes the views of stakeholders within the assurance process
K	Stakeholder inclusion methods: set of methods to incorporate the

Item coding form	**Rule - Codify as:**
	opinion of stakeholders within the assurance process
K1	K1=1 if no information provided on the use of a method to incorporate the opinion of stakeholders within the assurance process
K2	K2=1 if the provider reviews national and/or international media [news papers, information on the internet]
K3	K3=1 if the provider reviews minutes of stakeholder dialogues
K4	K4=1 if the provider observes stakeholder-company meetings and /or attend stakeholder sessions
K5	K5 =1 if the provider administers questionnaires and surveys among stakeholders
K6	K6= 1 if the provider directly meets with stakeholders, and interviews them
K7	K7 =1 if there is a panel of evaluation in the form of (1) stakeholder panel; (2) panel of experts; (3) individual experts
Date	Date of filling in the form

APPENDIX 2: RELIABILITY TEST

		Pilot[103]			Final[104]	
Items[105]	%agreement	Cohen's kappa	Scott's pi	%agreement	Cohen's kappa	Scott's pi
C	97	0.962	0.962	97	0.962	0.962
D	100			100		
F	100	1	1	100	1	1
G	90.9	0.856	0.856	93.9	0.906	0.906
H	93.9	0.98	0.98	100	1	1
I	93.9	0.829	0.829	97	0.915	0.915
J1	97	0.904	0.904	97	0.904	0.904
J2	97	0.921	0.921	93.9	0.836	0.835
J3	100	1	1	100		
J4	97	0.872	0.871	93.9	0.764	0.764
J5	97	0.939	0.939	93.9	0.879	0.879
J6	100			97	0.784	0.784
J7	93.9	0.879	0.879	97	0.939	0.939
J8	100	1	1	100	1	1
J9	100	1	1	100	1	1
J10	97	0.93	0.93	97	0.93	0.93
K1	97	0.939	0.938	100	1	1
K2	100	1	1	100	1	1
K3	97	0.891	0.891	100	1	1
K4	97	0.93	0.93	97	0.93	0.93
K5	100			100		
K6	100	1	1	97	0.653	0.651
K7	97	0.653	0.651	100	1	1

[103] Simstat did not report coefficients in cases where the agreement was 100%.

[104] Simstat did not report coefficients in cases where the agreement was 100%.

105 In this list: (1) some items of the coding form are absent since they correspond to factual information such as name of company, or provide a framework for questions; (2) items (C, D, F, G, H, and I) correspond to an aggregate of sub-items (C, D, F, G, H and I), listed in the coding form.

APPENDIX 3: INTERVIEW QUESTION GUIDE

Questions to the representatives of companies

1. What is your role in the organisation?
2. What involvement do you have in the assurance process?
3. Who has main involvement in the assurance process in the company (e.g. internal audit function)?
4. What were the reasons for commissioning assurance?
5. What are the benefits from the exercise?
6. What factors underpin the assurance approach adopted?
7. Any restriction in scope? Reasons (e.g. budget constraints)?
8. What is the role of assurance (i.e. end of the reporting process (verification) or during the reporting process (feeds into the report)?
9. What are your views as to the necessary degree of stakeholder inclusion (e.g. appointing assurance provider, deciding on scope, contact with assurance providers during the exercise, feedback at the end of the process)?
10. What are your views on the assurance process (e.g. satisfaction, envisaged changes, organisational, more general)?
11. Where is assurance going in the future?

Questions to the representatives of stakeholders

1. What should the purpose of assurance be?
2. Do you have any direct experience of engagement in assurance (including contacts with assurance providers)?
3. What is your overall view of the general state of assurance provision?
4. Do you have any comments on the assurance standards?
5. How might improvements be brought about?
6. What degree of stakeholder engagement is desirable?
   - Appointing assurance provider
   - Being consulted on the scope of the exercise
   - Dialogue with assurance provider
   - Feedback at the end of the exercise
7. Are corporate governance changes required (e.g. use of stakeholder panels to sign off the assurance statement/ any other comments/suggestions), particularly in seeking to enhance stakeholder accountability?
8. Should the assurance statement be addressed to stakeholders (in contrast with current practice)?
9. How will assurance practice develop?