

# A Guide for Assurance on SME Sustainability Reports



CPA Australia Ltd ('CPA Australia') is one of the world's largest accounting bodies representing more than 139,000 members of the financial, accounting and business profession in 114 countries.

ISBN: 978-1-921742-36-1

For information about CPA Australia, visit our website [cpaaustralia.com.au](http://cpaaustralia.com.au)

First published  
CPA Australia Ltd  
ACN 008 392 452  
Level 20, 28 Freshwater Place  
Southbank Vic 3006  
Australia

**Legal notice**

Copyright CPA Australia Ltd (ABN 64 008 392 452) ("CPA Australia"), 2012. All rights reserved.

Save and except for third party content, all content in these materials is owned by or licensed to CPA Australia. All trade marks, service marks and trade names are proprietary to CPA Australia. For permission to reproduce any material, a request in writing is to be made to the Legal Business Unit, CPA Australia Ltd, Level 20, 28 Freshwater Place, Southbank, Victoria 3006.

CPA Australia has used reasonable care and skill in compiling the content of this material. However, CPA Australia and the editors make no warranty as to the accuracy or completeness of any information in these materials. No part of these materials are intended to be advice, whether legal or professional. Further, as laws change frequently, you are advised to undertake your own research or to seek professional advice to keep abreast of any reforms and developments in the law.

To the extent permitted by applicable law, CPA Australia, its employees, agents and consultants exclude all liability for any loss or damage claims and expenses including but not limited to legal costs, indirect special or consequential loss or damage (including but not limited to, negligence) arising out of the information in the materials. Where any law prohibits the exclusion of such liability, CPA Australia limits its liability to the re-supply of the information.

# Contents

<b>Foreword</b>	<b>3</b>
<b>i Introduction</b>	<b>4</b>
<b>ii About CPA Australia</b>	<b>4</b>
<b>iii Contributions</b>	<b>4</b>
Acknowledgements	4
Authors	4
<b>1. About Sustainability Reporting</b>	<b>5</b>
<b>1.1 What is a sustainability report?</b>	<b>5</b>
<b>1.2 Why is sustainability reporting important for my clients?</b>	<b>5</b>
1.2.1 Pressures	5
1.2.2 Opportunities	6
<b>1.3 What is my role?</b>	<b>6</b>
<b>1.4 Sustainability reporting frameworks</b>	<b>6</b>
<b>1.5 Assurance and sustainability</b>	<b>6</b>
<b>2. The Sustainability Assurance Engagement</b>	<b>7</b>
<b>2.1 Overview of sustainability report assurance engagements</b>	<b>7</b>
<b>2.2 Comparison of financial statement audit and sustainability reporting assurance engagements</b>	<b>8</b>
<b>3. Planning and Engagement</b>	<b>9</b>
<b>3.1 Client acceptance and continuance</b>	<b>9</b>
3.1.1 Ethics and independence	9
3.1.2 Competence	9
3.1.3 Responsible party	9
3.1.4 Level of assurance	9
3.1.5 Agreeing and documenting the engagement terms	9
<b>3.2 Understanding the engagement to assess risk</b>	<b>10</b>
<b>3.3 Subject matter and criteria</b>	<b>11</b>
3.3.1 Appropriate subject matter	11
3.3.2 Suitable criteria	12
3.3.3 Common issues in subject matter and criteria	12
<b>3.4 Materiality</b>	<b>13</b>
3.4.1 Practical tips and common approaches for materiality	13
<b>4. Execution</b>	<b>14</b>
<b>4.1 The work program</b>	<b>14</b>
<b>4.2 Evidence</b>	<b>14</b>
4.2.1 Evidence for key G3.1 Guidelines measures	14

4.2.2 Evidence – Practical considerations	16
<b>4.3 Using the work of experts</b>	<b>17</b>
4.3.1 Overview	17
4.3.2 Practical considerations	17
<b>5. Reporting and Completion</b>	<b>19</b>
<b>5.1 Completion</b>	<b>19</b>
5.1.1 Representations	19
5.1.2 Subsequent events	19
5.1.3 Review of the assurance file or minimum documentation	19
<b>5.2 Reporting</b>	<b>19</b>
5.2.1 Reporting on subject matter and criteria	20
5.2.2 Conclusion	20
5.2.3 Other matters to include	20
5.2.4 Report content	20

# Foreword

To fully understand the performance and impact of businesses in the 21st century, stakeholders need a full suite of information encompassing social, economic, environmental and governance dynamics. These broad aspects, which are covered in sustainability reporting, are increasingly important for small and medium sized enterprises in communicating on matters of importance to their customers, supply chain and communities.

Assurance provides confidence to the users of sustainability reports, enabling evaluation and decision making with information they can trust. This guide has been developed through wide consultation with assurance practitioners, their clients and other experts to provide practical guidance for accountants delivering this important service to small and medium sized enterprises and their stakeholders.

A handwritten signature in black ink, appearing to read 'Alex Malley', with a stylized 'A' and 'M'.

**Alex Malley FCPA**

Chief executive officer  
CPA Australia

## i Introduction

This guide introduces sustainability reporting and why it is important for your clients and practice, and provides guidance on assurance engagements for sustainability reports performed in accordance with ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This is not a substitute for reading and referring to the standard itself.

“You” refers to the assurance practitioner throughout this guidance, and “the client” refers to the entity engaging you to provide assurance on its sustainability report.

## ii About CPA Australia

CPA Australia is one of the world’s largest accounting bodies and represents the diverse interests of more than 139,000 members in finance, accounting and business in 114 countries throughout the world.

## iii Contributions

### Acknowledgements

CPA Australia would like to thank the following for their invaluable input and assistance in the development of this guide:

Members of CPA Australia ESG Centre of Excellence and its Chair Mike Sewell

Peter Davies  
Sustainable Futures Commissioner for Wales  
Welsh Government

Tom Kelman  
Director of Finance and Corporate Resources  
Association of Accounting Technicians

Professor Nonna Martinov-Bennie  
Director  
International Governance and Performance  
Research Centre  
Macquarie University

Matty Yates  
Head of International Network  
The Prince’s Accounting for Sustainability Project

### Authors

Amir Ghandar  
CPA Australia Policy Adviser  
Auditing and Assurance

John Purcell  
CPA Australia Policy Adviser  
Environment, Social and Governance

# 1. About Sustainability Reporting

## 1.1 What is a sustainability report?

A sustainability report provides financial and non-financial information that helps readers to understand how a business has performed from broad economic, social and environmental perspectives. While financial reports focus on economic measures such as profit, such measures are just one of the perspectives covered in a sustainability report (see side panel, "What is included in a sustainability report?").

A common misconception is that sustainability reports are just about environmental performance, but they are in fact a broad set of measures that help the reader to understand the long-term outlook of the whole business and how it interacts with the community.

## 1.2 Why is sustainability reporting important for my clients?

Some of the increasing pressures and opportunities that are inducing small and medium-sized enterprises (SMEs) to consider sustainability reporting are outlined below. The ability to discuss these factors with your clients, and identify which issues are relevant is valuable in meeting client needs and helping to unlock opportunities available to them.

### 1.2.1 Pressures

#### + Complying with sustainable supply policies

Larger businesses and organisations are increasingly looking for visibility on sustainability throughout their supply chains. For SMEs, this can mean needing to demonstrate sustainability to attract and secure business, ranging from requirements to disclose sustainability information through procurement and tender processes, to the need for a sustainability report, possibly with assurance.

#### + Stakeholder demands

Stakeholders, including finance providers, investors, customers and communities are increasingly interested in the broad impacts and performance of businesses. Being able to credibly demonstrate sustainability can become critical at several junctures, including obtaining finance, securing required approvals for projects and maintaining a company's "social licence to operate" – the buy-in or sanction of the wider community and public, which is essential for any business.

### What is included in a sustainability report?

The following are just a few examples of the measures that may be included in sustainability reports. See 4.2.1 *Evidence for key G3.1 Guideline measures* for a more comprehensive list of common measures.

#### Economic

- + Financial performance
- + Financial condition

#### Environmental

- + Energy consumption
- + Greenhouse gas emissions

#### Labour Practices

- + Workforce by type, employment contract and region
- + Total number and rate of employee turnover
- + Training hours

#### Society

- + Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting
- + Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

#### + Keeping up with competitors

Being able to capitalise on the internal and external advantages of managing a business sustainably can provide a valuable and sometimes decisive edge in a challenging competitive environment.

### 1.2.2 Opportunities

#### + Differentiating from competitors

Many SMEs globally have successfully used demonstrably sustainable business practices and products as a point of differentiation from their competitors.

#### + Telling an already positive story

SMEs often operate in a sustainable way: they are embedded in their communities, and sustainable business practices, such as minimising wastage, are often “business as usual” procedures. Sustainability reporting provides a credible way to present this information to stakeholders.

#### + Funding and markets

A greater range of markets and sources of finance are accessible to businesses that operate sustainably and can credibly demonstrate this through sustainability reporting. This is a growing trend, particularly with benchmarks being drawn around sustainable finance globally, and an increasing consciousness from consumers and businesses.

#### + Building internal capabilities

The process of sustainability reporting unlocks a range of internal advantages including staff engagement, risk management opportunities and product and process improvement.

### 1.3 What is my role?

As outlined above, your clients may be facing a number of pressures and opportunities related to sustainability reporting and the first step as their service provider is to be able to have a discussion with your client about these issues. This means having an awareness of the issues and how they may impact on your clients, and having the capability to provide either the assistance they require, or a contact or network to which you can refer the client.

Accountants are increasingly assisting their clients in a number of areas related to sustainability reporting, including:

#### + providing assurance on sustainability reports (the focus of this guide)

#### + preparation for sustainability reporting

#### + compilation of sustainability reports

#### + data collection and processes for sustainability reporting

Note that this guide focuses on the provision of assurance on sustainability reports. There are independence considerations related to providing other services to clients for whom you are providing assurance services (see also *3.1 Client acceptance and continuance*).

### 1.4 Sustainability reporting frameworks

A framework is required for credible and objective reporting. A framework provides guidelines on what measures should be reported, materiality considerations, how information is presented and other aspects of reporting that need to be taken into account. A comprehensive framework is important to enable you to reach an opinion on sustainability reports.

Like financial reporting standards and frameworks, there are a number of frameworks for sustainability reporting. Currently, one of the most prevalent sustainability reporting frameworks is the “G3.1 Guidelines” produced by the Global Reporting Initiative (GRI), which is used in the examples provided in this guide. The guidance, however, is relevant for application to any sustainability reporting framework. More information on the G3.1 Guidelines is available at [www.globalreporting.org](http://www.globalreporting.org).

The Good Business Register is an online tool developed in Australia to aid SMEs in recording and reporting sustainability information. The tool is mapped to the G3.1 Guidelines, and can be accessed at [www.goodbusinessregister.com.au](http://www.goodbusinessregister.com.au).

### 1.5 Assurance and sustainability

The skills and foundations that accountants bring to assurance of financial information are applicable to the broader set of information presented in sustainability reports. ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* is a comprehensive standard applicable to this type of engagement. The guidance it provides is intended to help a practitioner to apply their skills to assurance engagements on sustainability reports conducted in accordance with ASAE 3000.



# 2. The Sustainability Assurance Engagement

## 2.1 Overview of sustainability report assurance engagements

This guide is organised around the following processes:

Planning / Engagement	Execution	Reporting / Completion
Client acceptance/ continuance procedures (3.1)	Execute the work program (4.1-4.2)	Completion (5.1)
Understanding the engagement and assessing risk (3.2)	+ General principles for sustainability assurance evidence/documentation	+ Representations
Determining subject matter/ criteria (3.3)	+ Specific disclosures and examples of evidence/ documentation	+ Subsequent Events
Materiality (3.4)	Using the work of experts (4.3)	Reporting on the assurance engagement (5.2)

## 2.2 Comparison of financial statement audit and sustainability reporting assurance engagements

The following table provides a comparison between financial statement audit and sustainability report assurance engagements.

	Financial Report Audit	Sustainability Report Assurance	Further Information
Subject matter information	Whole financial report	The whole or a specific part of a sustainability report as agreed with the client (note determining and agreeing on this is a key step and needs to be undertaken <i>before</i> any actual engagement work can commence).	3.1 <i>Client acceptance and continuance</i> 3.3 <i>Subject matter and criteria</i>
Relevant frameworks/ requirements	As required by relevant laws and accounting standards, normally very specific.  For example, International Financial Reporting Standards.	Framework/requirements in specific regulation/contracts or voluntarily adopted by the client (note determining and agreeing to this is also a key step that needs to be undertaken before any actual engagement work can commence). For example G3.1 Guidelines.	1.4 <i>Sustainability reporting frameworks</i> 3.3 <i>Subject matter and criteria</i>
Criteria	Accounting standard requirements	As defined in sustainability reporting framework used, or other applicable requirements.	1.4 <i>Sustainability reporting frameworks</i> 3.3 <i>Subject matter and criteria</i>
Audit/assurance standard	Audit standards (ASAs)	ASAE 3000	
Level of assurance provided to users	Reasonable assurance (the highest level of assurance possible under the auditing and assurance framework).	Reasonable assurance or limited assurance (a lower, but still meaningful level of assurance than reasonable assurance).  It is important that the level of assurance required is agreed to <i>before</i> any engagement work commences.	3.1 <i>Client acceptance and continuance</i>

# 3. Planning and Engagement

## 3.1 Client acceptance and continuance

The client acceptance and continuance processes are critical in a sustainability report assurance engagement. Getting the basics right from the beginning and clear communication and agreement with the client is important in avoiding difficult issues or possibly finding the engagement is unachievable at a later stage. Determining the appropriate scope and level of assurance for the proposed engagement is often an iterative process, and involves going back and forth with the client several times to find the appropriate reporting and assurance engagement structure.

Key areas to cover before starting the engagement include:

- + ethics and independence
- + competence
- + responsible party
- + level of assurance
- + agreeing and documenting the engagement terms

### 3.1.1 Ethics and independence

Before accepting or continuing the engagement, you need to determine that you will be able to comply with all relevant ethical and professional standards (see ASAE 3000.16-17), based on your preliminary knowledge of the client. It is important to note that this includes the independence requirements in Section 292 of APES 110 *Code of Ethics*.

### 3.1.2 Competence

ASAE 3000 requires you to be satisfied that those who will perform the engagement have the necessary skills and competence (see ASAE 3000.18-19). Providing assurance on some of the subject matter in sustainability reports may require expertise that is not available within your firm (for example engineering or environmental science). Section 4.3 *Using the work of experts* provides guidance on the use of external expertise in the assurance engagement where required.

### 3.1.3 Responsible party

Under ASAE 3000, you can only accept or continue an assurance engagement if the subject matter (the sustainability information) is the responsibility of a party other than the intended users or the assurance practitioner. Normally the client is the party responsible for the subject matter (this is assumed for the purpose of this guidance). The client may be one of the users of the report, but not the only user – other users may include shareholders, suppliers or customers. It is appropriate to seek written acknowledgement of responsibility for the subject matter from the client – this would normally be done in the engagement letter (see ASAE 3000.14-15).

### 3.1.4 Level of assurance

Another key aspect is whether the engagement will provide reasonable assurance or limited assurance. A reasonable assurance engagement provides a higher level of assurance, but will most likely require more time and involve greater costs in substantiating the sustainability report disclosures and gathering evidence to support the practitioner's conclusion. A limited assurance engagement involves a lower level of assurance, and will likely involve less time and cost, as the procedures are primarily limited to enquiries and analysis.

The level of assurance you are to provide is ultimately the responsibility of the client engaging you. In discussing the level of assurance to be provided, it is useful to refer to the needs of stakeholders and their likely use of the sustainability report.

### 3.1.5 Agreeing and documenting the engagement terms

When you are satisfied that you can accept the engagement, the next step is to agree on the terms with the client and document these in an engagement letter. This document clearly sets out the subject matter and criteria (see 3.3 *Subject matter and criteria*). To avoid issues later on, it is important to flag to the client that the subject matter and criteria outlined in the engagement letter will be reflected in the final conclusion and report at the end of the engagement.

The following table outlines some key areas to include in the engagement letter and some pitfalls to avoid (note these are in addition to the basic matters you would normally include in your firm's engagement letters).

Area	What to include	What to avoid
Basic details	Client name, entity, and reporting period.	Lack of clarity or not including the basic details of the engagement.
Subject matter information	Clear description of subject matter information to be covered by the assurance engagement.	Not clearly distinguishing where the engagement is to cover specific parts of the sustainability report. Descriptions of subject matter that do not correspond to the format or wording used in the sustainability report itself.
Criteria	Clear identification of the applicable criteria, including the sustainability reporting framework to be used.	Not including information on criteria in the engagement letter.
Level of assurance	Clear identification of the agreed level of assurance to be provided in the assurance report (such as limited or reasonable).	Not clearly identifying the level of assurance.  Wording that implies a different level of assurance than is to be provided (for example "certify" or "confirm" implies an absolute, rather than a limited or reasonable level of assurance).
Responsibility for subject matter information	Identification of the party responsible for preparing the sustainability report.	Not including information on responsibility for subject matter information in the engagement letter.
Expected users of the sustainability report	Clear identification of the expected users of the sustainability report.	Not including information on expected users of the sustainability report in the engagement letter.

## 3.2 Understanding the engagement to assess risk

At the planning stage, it is crucial to develop an understanding of the engagement in order to assess the risks involved (ASAE 3000.30), including:

- + Understanding the subject matter and criteria, for example:
  - the business or entity
  - reporting requirements related to subject matter
- + Understanding engagement circumstances, for example:
  - purpose of the engagement
  - users of the subject matter and assurance
  - expertise, qualifications and knowledge of staff preparing the report

This understanding is developed before the work program is determined and executed, and is documented clearly in the engagement file. While many of the factors surrounding the engagement may seem obvious (for example the party responsible for the report, the nature of the report, or the reporting framework) documentation of all key facts is crucial to demonstrate on the file that both you and the client have obtained and agreed to the nature and scope of the engagement.

## 3.3 Subject matter and criteria

In an assurance engagement on a sustainability report, it is critical that key decisions on subject matter and applicable criteria are made at the start of the engagement, and that these decisions are clearly agreed upon and documented.

Global Reporting Initiative (GRI)-based sustainability reporting is centred on relevant sustainability topics. What to report, it is recommended, is determined by applying a three-step process.<sup>1</sup> The first step, identification, involves creating a shortlist of relevant topics for inclusion in the sustainability report. The "filter" applied is that of "sustainability context" which requires consideration of the organisation's actual impacts on sustainability. The second step, prioritisation, requires examination of identified topics in terms of significance to stakeholders and significance to the organisation. It is on this basis that the distinct aspects<sup>2</sup> to be reported on are selected. The filter applied here is an assessment of the topics that are material, thus deciding the level and detail of coverage to be afforded. The third step, validation, is directed at ensuring that the report provides a reasonable and balanced representation of the organisation's sustainability performance. The criteria applied in the validation step are that of "completeness", considering the range of topics, range of entities and selection of information. Underlying each of the three steps is the concept of stakeholder inclusiveness – the process of an organisation identifying its stakeholders and explaining in the report how it has responded to their reasonable expectations and interests. The GRI urges that documentation of the foregoing described process is crucial, including its methodologies, assumptions and decisions taken.

The client will go through this process and ultimately form the decision on what is to be reported. Your involvement in discussion with the client throughout this process is likely to be useful and may help identify any relevant issues at an early stage.

### 3.3.1 Appropriate subject matter

The subject matter in the engagement is what you, the assurance practitioner, will be providing assurance on.

Appropriate subject matter has two key characteristics (see ASAE 3000.33-34):

- + it is identifiable and measurable against the suitable criteria
- + it can be subjected to procedures to gather evidence sufficient to support the required assurance conclusion (such as reasonable or limited assurance)

A key decision for the client at the beginning of the engagement is whether they require assurance on the whole sustainability report or only on one or more of its parts, and if only on some of it, then which sections in particular. The decision on what parts of a sustainability report are appropriate as subject matter in the engagement will depend on a number of factors including:

- + the anticipated users of the sustainability report and their expected needs
- + the nature of the client's business and whether there are specific parts of the report on which assurance is more relevant to users
- + whether there are any areas in the report on which it is not possible to provide assurance

Sometimes there will be a clear user of the sustainability report (for example, where a specific party such as a supplier has requested the sustainability report) – your client may make reference to their needs and requests in deciding what they need assurance provided on. Other times, the nature of the business will indicate a clear section of the sustainability report for which assurance is important.

It is important to document your assessment of the appropriateness of the subject matter in the engagement file, and agree on the subject matter with the client in the engagement letter.

<sup>1</sup> The details of this process are provided in the GRI's Technical Protocol "Applying the Report Content Principles" (2011).

<sup>2</sup> Aspects are thematically grouped indicators with sustainability categories. For example, the economic category is made up of three aspects – economic performance, market presence and indirect economic impacts, each of which contains individual performance indicators.

### 3.3.2 Suitable criteria

The criteria are used to evaluate or measure the subject matter. In a sustainability report engagement, this is the applicable sustainability reporting framework (for example the G3.1 Guidelines). If suitable criteria cannot be identified or agreed upon with the client, then it may not be appropriate to undertake the engagement.

Note that this section refers to the process of assessing the suitability of criteria and whether you can accept the engagement – how the client applies these criteria is discussed in *4.2 Execution*.

Suitable criteria have the following key characteristics (see ASAE 3000.35-39):

- + relevance
- + completeness
- + reliability
- + neutrality
- + understandability

It is important to document this assessment in the engagement file, and to agree on the criteria with the client in the engagement letter.

### 3.3.3 Common issues in subject matter and criteria

Issue	Comments
Where do I start?	Sustainability reporting frameworks such as the G3.1 Guidelines provide a starting point for client decisions, and your assessment of appropriateness of subject matter and the suitability of criteria. The key reference point for decisions on subject matter and criteria are stakeholder needs, which may be clearly documented (for example where specific reporting is required in a procurement document).
The criteria and subject matter are very subjective – its difficult to reach a conclusion	<p>Sustainability reports often include qualitative disclosures that may not be as tangible as the quantitative disclosures. In dealing with less tangible measures in an assurance engagement it is important to:</p> <ul style="list-style-type: none"> <li>+ Determine at the outset (when determining the scope of the engagement) whether it is an area on which adequate evidence is available.</li> <li>+ In planning the engagement, and understanding the engagement and entity, be aware of key business factors that are important in the disclosures.</li> </ul>
There are criteria and subject matter in an area that needs specialist expertise	Given the wide range of subject matter normally included, there may be areas within a sustainability report for which the assurance practitioner will not have in-depth technical expertise. It is important that you recognise these areas in planning the engagement and enlist this expertise, either internally, from elsewhere within your firm, or through an external expert. Refer to <i>4.3 Using the work of experts</i> for more on this.

## 3.4 Materiality

It is important to consider materiality at the planning stage (see ASAE 3000.40-42). The concept of materiality is defined within the reporting framework used. For example, the G3.1 Guidelines define materiality as:

“The information in a report should cover topics and indicators that:

- + reflect the organization’s significant economic, environmental, and social impacts or that;
- + would substantively influence the assessments and decisions of stakeholders.”

The principle of materiality in sustainability reporting<sup>3</sup> is broader than that applicable to financial reporting. It recognises that sustainability impacts have varying levels of visibility to stakeholders and that there will be some impacts that are slow or cumulative in their effect. Materiality is a threshold concept and is used to set identification of opportunities and risks which are most important to stakeholders, the economy, environment, and society, or the reporting organisation, thus meriting focus in a sustainability report.

It is important to set an expectation for materiality at the start of the engagement. In a sustainability report assurance engagement, this will involve considering the key quantitative areas of the report and what benchmarks might be applied to make planning decisions, and also considering what qualitative disclosures are expected to be material based on your understanding of the engagement and client.

As the assurance engagement progresses, it is important to revisit initial expectations on materiality from the planning stage and update these based on the knowledge gained. This helps with assessing findings and evidence on which you will base your conclusion, and to make sure your initial expectations were in line with what you have found out during the engagement.

### 3.4.1 Practical tips and common approaches for materiality

- + For quantitative disclosures, consider individually whether there is an acceptable benchmark to indicate materiality (for example 1-5 per cent of the total balance).
- + Determine what key qualitative business factors are likely to be material in the planning stage of the engagement (for example, some businesses may have a definite and clear impact on the local community through their operations).
- + Document the thought process and judgements made in determining materiality clearly.

---

<sup>3</sup> Refer to GRI Technical Protocol “Applying the Reporting Content Principles” (2011) page 3.

# 4. Execution

## 4.1 The work program

A clear work program covers:

- + the risks in each specific measure, or subject matter on which assurance will be provided
- + work steps to address each risk
- + other overall work steps and considerations in the engagement

Determining and documenting the work program clearly before fieldwork commences is crucial.

## 4.2 Evidence

### 4.2.1 Evidence for key G3.1 Guidelines measures

The following table sets out some of the key measures within the G3.1 Guidelines, and the evidence that may be applicable in carrying out an assurance engagement. A minimum of 11 measures of those outlined below are required for a sustainability report prepared under the G3.1 Guidelines (note that this is just a selection of the core measures and there are other measures and areas that could be applicable – refer to [www.globalreporting.org](http://www.globalreporting.org) for further information).

The GRI provides a template checklist for what is expected to be reported for each Profile Disclosure and Performance Indicator which can be downloaded from the GRI website<sup>4</sup>.

Measure	Evidence/documentation
EN1 Materials used by weight or volume	<ul style="list-style-type: none"> <li>+ Inventory records</li> <li>+ Supporting documentation such as invoices, goods received and shipping notes</li> </ul>
EN2 Percentage of materials used that are recycled input materials	<ul style="list-style-type: none"> <li>+ Inventory records</li> <li>+ Supporting documentation such as invoices, goods received and shipping notes</li> </ul>
EN3 Direct energy consumption by primary energy source	<ul style="list-style-type: none"> <li>+ Entity energy consumption records, including electricity, fuel and other sources where applicable</li> <li>+ Supporting documentation including fuel purchase records and electricity invoices</li> </ul>
EN4 Indirect energy consumption by primary source	<ul style="list-style-type: none"> <li>+ Calculation, including key assumptions used in estimates</li> <li>+ Supporting documentation such as supplier invoices and energy usage records where applicable</li> </ul>
EN8 Total water withdrawal by source	<ul style="list-style-type: none"> <li>+ Water usage records and supporting documentation such as water service invoicing</li> </ul>
EN16 Total direct and indirect greenhouse gas emissions by weight	<ul style="list-style-type: none"> <li>+ Calculation, including key assumptions used in estimates</li> <li>+ Supporting documentation for key assumptions and inputs</li> </ul>
EN17 Other relevant indirect greenhouse gas emissions by weight	<ul style="list-style-type: none"> <li>+ Calculation, including key assumptions used in estimates</li> <li>+ Supporting documentation for key assumptions and inputs</li> </ul>
EN19 Emissions of ozone-depleting substances by weight	<ul style="list-style-type: none"> <li>+ Calculation, including key assumptions used in estimates</li> <li>+ Supporting documentation for key assumptions and inputs</li> </ul>
EN20 NO, SO and other significant air emissions by type and weight	<ul style="list-style-type: none"> <li>+ Calculation, including key assumptions used in estimates</li> <li>+ Supporting documentation for key assumptions and inputs</li> </ul>

<sup>4</sup> [www.globalreporting.org/reporting/reporting-support/reporting-resources/content-index-and-checklist/Pages/default.aspx](http://www.globalreporting.org/reporting/reporting-support/reporting-resources/content-index-and-checklist/Pages/default.aspx)



Measure	Evidence/documentation
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	<ul style="list-style-type: none"> <li>+ Financial reporting records</li> </ul>
EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change	<ul style="list-style-type: none"> <li>+ Financial reporting records</li> <li>+ Key assumptions and estimates made to assess impact</li> </ul>
EC4 Significant financial assistance received from government	<ul style="list-style-type: none"> <li>+ Financial reporting records</li> <li>+ Grant agreements</li> <li>+ Government registers and other sources</li> </ul>
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	<ul style="list-style-type: none"> <li>+ Financial reporting records</li> <li>+ Key assumptions and estimates</li> <li>+ Supplier details and invoices</li> <li>+ Supplier websites and other sources</li> </ul>
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	<ul style="list-style-type: none"> <li>+ Policy and procedures manual</li> <li>+ Enquiries with key management personnel</li> <li>+ Personnel files</li> </ul>
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	<ul style="list-style-type: none"> <li>+ Financial reporting records</li> <li>+ Supporting documentation for investments and services including invoices</li> <li>+ Assumptions and estimates made to determine public benefit</li> <li>+ Records of pro bono and in kind engagements including relevant agreements</li> </ul>
SO1 Percentage of operations with implemented local community engagement, impact assessments and development programs	<ul style="list-style-type: none"> <li>+ For SMEs operating primarily in local community, enquiry with management of local community engagement</li> <li>+ Supporting documentation including details of programs engaged in, correspondence and local community events</li> <li>+ Externally developed programs and impact assessment</li> </ul>
SO9 Operations with significant potential or actual negative impacts on local communities	<ul style="list-style-type: none"> <li>+ Understanding of operations from planning stage of engagement</li> <li>+ Supporting documentation including financial reporting</li> <li>+ Correspondence with local community groups</li> </ul>
SO10 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	<ul style="list-style-type: none"> <li>+ Supporting documentation for measures taken including invoices, relevant agreements and external assessments</li> </ul>

## 4.2.2 Evidence – Practical considerations

The following table sets out some of the common practical issues that arise in performing assurance procedures and gathering evidence in sustainability report assurance engagements, together with possible approaches to tackling these issues.

Practical consideration	Description	Potential Approaches
Subjective nature of some disclosures in the sustainability report, forward looking measures	As sustainability reports cover a broad range of subject matter, some of the disclosures are descriptive and potentially subjective and can therefore be more difficult to substantiate. Similar issues are encountered in disclosures that are inherently forward looking, rather than historical.	<p>Substantiating these parts of the sustainability report require you to draw on your knowledge of the client, and assess the reasonableness of the disclosures. Your judgement can often be supported by reference to other evidence (for example board minutes or records obtained from regulators).</p> <p>It is important to consider the disclosures proposed for inclusion in the sustainability report at the outset of the engagement. In some cases, it may not be possible to provide assurance on a particular disclosure (see also 3.3 <i>Subject matter and criteria</i>).</p>
Client processes generating sustainability information and supporting documentation	<p>The processes implemented to capture and record information for inclusion in the sustainability report are often situated outside an entity's primary business information system (for example production systems, customer systems and general ledger systems).</p> <p>This can present a number of challenges, including:</p> <ul style="list-style-type: none"> <li>+ The information is sometimes manually entered, rather than being captured automatically, for example inputs entered manually into a spreadsheet.</li> <li>+ The level and effectiveness of internal controls around data entry, authorisation and review may be lower than in the primary systems within the business.</li> </ul>	<p>Verify the source of inputs to spreadsheets and calculations and test where appropriate. Expect an assurance strategy less reliant on internal controls, and more focused on substantive procedures (in a reasonable assurance engagement), and enquiries and analytical procedures (in a limited assurance engagement).</p> <p>Keep track of control weaknesses and areas for improvement and communicate relevant recommendations to your client.</p>
Management assumptions	The assumptions made by management in preparing sustainability reports often have a significant bearing on the information disclosed.	Obtain details of and consider the reasonableness of assumptions used in preparing the sustainability report. Where possible, refer to publicly available sources of information to verify reasonableness of the assumptions.
Qualifications, expertise and understanding of staff preparing and reviewing the sustainability report	The level of qualification, expertise and understanding of the staff preparing and reviewing the sustainability report will vary between organisations. This can have a significant impact on the quality of the sustainability report and underlying information.	Consider this aspect of the engagement in planning the audit work program (see also 3.2 <i>Understanding the engagement to assess risk</i> ).

## 4.3 Using the work of experts

### 4.3.1 Overview

Some of the disclosures in sustainability reports involve specialist knowledge that may require you to use the work of an expert. It is important that you have knowledge sufficient to consider and evaluate the work of the expert – it is not just a matter of outsourcing these areas of the engagement.

ASAE 3000 requires that in using the work of an expert you (ASAE 3000.47-54):

- + On a combined basis (with the expert), possess adequate skill and knowledge regarding the subject matter and the criteria for the assurance practitioner to determine that sufficient appropriate evidence has been obtained.
- + Be involved in the assurance engagement and understand the work for which an expert is used, to an extent that is sufficient to enable you to accept responsibility for the conclusion on the subject matter information.

- + Obtain sufficient appropriate evidence that the expert's work is adequate for the purposes of the assurance engagement.

In assessing the sufficiency and appropriateness of the evidence provided by the expert, ordinarily you evaluate (ASAE 3000.55):

- + The professional competence, including experience (and relevance of that experience), and objectivity of the expert.
- + The reasonableness of the assumptions, methods and source data used by the expert.
- + The reasonableness and significance of the expert's findings in relation to the circumstances of the assurance engagement and the assurance practitioner's conclusion.

It is critical that the above requirements are considered and responses documented clearly in the engagement file.

### 4.3.2 Practical considerations

Practical consideration	Comments and approaches
Briefing the expert	<p>Clearly and effectively briefing experts is critical in ensuring their work is sufficient and appropriate in addressing the areas required in the engagement. Some areas where focus is required include:</p> <ul style="list-style-type: none"> <li>+ Providing a background on the engagement to give a general context to the expert's work.</li> <li>+ Explaining assurance, and the level of assurance required (for example reasonable or limited).</li> <li>+ Clarity on the specific outcomes required from the expert's work (for example is it an assessment of a specific measure, or is a calculation or estimate required?)</li> </ul>
Your knowledge	<p>As outlined above, you will need to obtain sufficient knowledge of the expert's work to be able to appropriately brief them and use their work in the engagement. Gauging how much understanding or knowledge you need, and whether you have achieved the appropriate level, can be challenging. As a starting point it is important to be able to understand the areas experts will look at from the perspective of the sustainability report user – such as how they fit into the overall report, and what is important to the user. Further, knowledge of the terminology used and basic methodologies involved is important.</p> <p>Clarifying the meaning of terminology with external experts can be very important, particularly as the same words can take on different meanings when used in different professions. For example, terms such as <i>opinion</i>, <i>assurance</i> and <i>sustainability</i> may have different meanings in different professions.</p>

Practical consideration	Comments and approaches
Testing assumptions and underlying data	<p>An important aspect of using an expert in an assurance engagement is testing the reasonableness of the assumptions and data they have used.</p> <p>Publicly available benchmarks against which to compare and assess assumptions made by experts are often available. For example, where an expert is assisting with disclosure and measurement of carbon emissions, there are tools and reference points available widely for the rates that convert activity within a business (for example kilometres travelled by a vehicle), to a carbon emission figure.</p> <p>It is critical that you can verify the appropriateness of the data an expert uses in their work. Depending on the level of assurance provided, this would range from reviewing and enquiring about the data (limited assurance), to cross checking against underlying records and comparing to data that has been vouched through other procedures in the assurance engagement (reasonable assurance).</p>
Documentation	<p>The documentation on the engagement file in this area is important to demonstrate the work undertaken, and the thought processes involved. This includes:</p> <ul style="list-style-type: none"> <li>+ the evaluations made of the expert's competence, qualifications and objectivity</li> <li>+ communication with the expert including briefing notes and correspondence</li> <li>+ documentation of checking reasonableness of assumptions and data</li> <li>+ your conclusions on the expert's work and its significance in the engagement, including whether it supports your overall conclusions</li> </ul>
Management's expert or your expert?	<p>Management may have commissioned experts to perform work in particular areas of the sustainability report, but it is important to distinguish between the use of this work as evidence in the engagement and where you have directly commissioned the expert. Where it is management's expert, the work and documentation would be treated in the same way as any other evidence obtained in the engagement, and your role would not include briefing or directing the expert.</p>

# 5. Reporting and Completion

## 5.1 Completion

Key activities for completion of the engagement include:

- + obtaining representations by the responsible party
- + considering subsequent events
- + reviewing the assurance file within the team and ensuring the minimum required documentation is on file, and that sufficient appropriate evidence has been obtained to support conclusions
- + forming your conclusions

### 5.1.1 Representations

Obtaining written representations from those responsible for the sustainability report is an important step to be able to clearly demonstrate the accountabilities, actions and other key understandings on which you will base your assurance conclusion. Some of the matters important to obtain written confirmation from management on may include (ASAE 3000.64):

- + Confirming oral representations made during the engagement.
- + Acknowledgement of responsibility for the design and implementation of internal control to prevent and detect error.
- + That management believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the sustainability report taken as a whole.
- + Any matters material to the sustainability report, when other sufficient appropriate evidence cannot reasonably be expected to exist.
- + Whether there are any subsequent events that would impact on the sustainability report.

If other evidence obtained in the engagement contradicts management's representations it is important that you investigate and understand why and how this impacts on your conclusion.

Management's representations would normally be signed by the party at the client responsible for overseeing the preparation of the sustainability report. This will differ depending on your client's structure. For example, the sustainability manager, finance manager, chief financial officer, or in smaller businesses, the owner of the business.

### 5.1.2 Subsequent events

It is important that you consider whether any events subsequent to the date of the sustainability report would have an effect on the subject matter. This includes as a minimum, considering and documenting:

- + enquiry of those responsible for the sustainability report
- + other evidence obtained during the engagement and matters that have come to your attention – such as reconsidering the findings at the end of the engagement to determine the effect, if any, on your conclusions

### 5.1.3 Review of the assurance file or minimum documentation

Setting protocols for the review of the engagement file from the outset is important. Documenting the review clearly facilitates a final check that the review has been undertaken in all parts of the file at the completion stage.

At the completion stage, it is also important to ensure the minimum required documentation has been placed on the engagement file, which would include (but is not limited to):

- + the engagement letter and any relevant correspondence
- + understanding the engagement and risk assessment
- + materiality and associated rationale
- + documentation of all key assurance procedures
- + documentation of other completion activities outlined above

## 5.2 Reporting

Reporting on the assurance engagement conclusion involves:

- + setting out the basic facts surrounding the engagement clearly (this is described further in ASAE 3000.78)
- + specifying the subject matter and criteria clearly
- + providing a clear conclusion on whether the subject matter met the criteria

### 5.2.1 Reporting on subject matter and criteria

The basic information and conclusion for assurance engagements is standardised in ASAE 3000 (see ASAE3000.78). Most of the effort required in reporting on a sustainability assurance engagement is in clearly specifying the subject matter and criteria. Getting this right is crucial to properly conveying to users what you have actually done and are reporting on. Some key tips include:

- + summarise – keep it clear and concise
- + avoid overuse of jargon or technical terminology
- + be as specific as possible – generalisations could lead to the impression that more or less has been done in the engagement than is actually the case
- + discuss and agree with the client what will be included at the beginning of the engagement while determining the subject matter and criteria, to avoid a potentially difficult situation at the end of the engagement

### 5.2.2 Conclusion

Your conclusion on the sustainability report disclosures needs to be set out clearly in your report. In a reasonable assurance engagement, this would include a positive statement of conclusion (such as "the subject matter information is presented in accordance with the criteria"), and in a limited assurance engagement, a negative form of conclusion (for example "nothing has come to our attention that indicates the subject matter information is not presented in accordance with the criteria").

### 5.2.3 Other matters to include

Other notable matters included in the assurance report include:

- + A statement of any significant limitations on the engagement (measurements of subject matter against criteria) – this can be important where there were limitations as outlined under 4.2.2 *Evidence – Practical considerations*.
- + A summary of the work performed – this is particularly important in communicating the type of procedures undertaken in key areas and a general description of the approach taken.

For the full list of information required to be included in the assurance report, see ASAE3000.78.

### 5.2.4 Report content

The following table sets out the basic content areas for the report, with some practical tips on what to include and some pitfalls to avoid.

Area	What to include	What to avoid
Conclusion	<p>Conclusion wording appropriate to level of assurance provided, for example:</p> <ul style="list-style-type: none"> <li>+ positive form of conclusion for reasonable assurance</li> <li>+ negative form of conclusion for limited assurance</li> </ul> <p>(see also 5.2.2 <i>Conclusion</i>)</p>	<p>Wording that indicates a higher level of assurance than is provided. For example, "we certify" or "we confirm" indicate an absolute, rather than a reasonable or limited level of assurance.</p>
Identification of subject matter information and criteria	<p>Clear description of subject matter and criteria (see also 5.2.1 <i>Reporting on subject matter and criteria</i>).</p> <p>Where criteria are only relevant to a specific user or purpose, a statement restricting use of the assurance report to that purpose or user.</p>	<p>Wording that indicates a broader level of coverage of the sustainability report than what has been actually achieved through the engagement.</p>

Area	What to include	What to avoid
Description of responsible party and practitioner's responsibilities	Clear description of responsibilities – refer to ASAE3000.79 for suggested wording.	Broad statements that go beyond the responsibilities established in ASAE3000 and the engagement letter.
Summary of the work performed	Clear, high-level description of procedures undertaken.	Overuse of jargon, or wording that indicates a greater level of work than has actually been performed in the engagement.
A statement of any significant limitations on the engagement	Clear description of significant limitations on the engagement (see also 4.2.2 <i>Practical considerations</i> ).	Omitting this information where it is important to the report user's understanding.
Addressee of the report	Clear statement addressing the appropriate user of the report.	Not including a party to which the report is addressed or addressing the report to the client, where the appropriate addressee is a different party.

