

How sustainability assurance engagement scopes are determined, and its impact on capture and credibility enhancement

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Abstract

Purpose: We examined how sustainability assurance providers' (SAPs) promotion of sustainability assurance influences the scope of engagements, its implications for professional and managerial capture and the ability of sustainability assurance to promote credible reporting.

Design/methodology/approach: We conducted in-depth interviews with sustainability reporting managers (SRMs) and SAPs in Australia and New Zealand, using an institutional work lens to focus the analysis.

Findings: At the start of a new assurance engagement, SAPs offer pre-assurance and flexible assurance scopes, allowing them to recruit clients on narrow-scoped engagements. These narrow-scoped engagements focus on disclosed content and limit SAPs' ability to add value and enhance credibility. During assurance engagements, SAPs educate managers and encourage changing the norms underlying sustainability reporting. At the end of the assurance engagement, SAPs provide a management report demonstrating added-value of assurance and encouraging clients broader-scoped engagements. However, with each assurance engagement, the recommendations offer diminishing returns, often leading managers to question the value of broad-scoped engagements and to consider narrowing the scope to realise savings. Under these conditions, client pressure (potentially managerial capture) along with practitioners' desires to grow assurance income (potentially professional capture) can affect SAPs' independence and, the quality of their assurance work.

Implications: The study implies that regulation mandating the scope of engagements may be called for.

Originality/value: We contribute to the research literature in several ways. First, our findings show how perceived value addition from sustainability assurance diminishes over time and how this impacts the scope of engagements (with implications for SAPs independence and the quality of assurance work). We show these findings in a table, clarifying the complicated interrelationships. Second, we contribute to theory by identifying a new form of institutional work. Third, unlike previous studies focused on SAPs, we provide insights from the perspectives of both SAPs and SRMs.

Acronyms

SAP – Sustainability Assurance Provider

SRM – Sustainability Reporting Manager