



Issues in sustainability reporting assurance: evidence from interviews

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Abstract

Purpose - This paper examines the processes of sustainability reporting assurance (SRA) and the influence they have on shaping perception from disclosures. Given the evidence of inconsistencies and ambiguities in assurance processes, this paper examine how legitimacy is attained and maintained at different stages of SRA.

Design/methodology/approach - Evidence collected from 23 semi-structured interviews with assurance providers (APs), consultants, professionals and NGOs (non-APs) was used to conduct a thematic analysis from the perspectives of interviewees

Findings - Assurance Providers (APs) and non-Assurance Providers (non-APs) are united in recognising the value of SRA, although, perspectives on transparency between the two groups differ. Experience and industry knowledge are essential to SRA delivery with non-APs preferring accounting APs. Nevertheless, non-APs are concerned about the role of companies in deciding assurance scope as it can affect scrutiny. APs favour data accuracy (as opposed to data relevance) assurance due to team dynamics and internal review influences with the latter also restricting assurance innovation. APs are interested in accessing better evidence and stakeholder engagement evaluations. Providing advisory services was not rejected by all APs. The perspectives of APs and non-APs demonstrate how progress in SRA has gained pragmatic legitimacy with noticeable gaps that serve to undermine attainment of moral legitimacy.

Research limitation – SRA is a developing practice that will adopt changes as it continues to mature, some of these changes could impact findings in this research. General perspectives on SRA was sought from interviewees, this affected the ability for an in-depth focus on any of the range of interesting SRA issues that arose over the course of the research. Interviews were conducted with relevant parties in the SRA space that operate in the UK. Perspectives of parties outside the UK were not solicited.

Practical implication - Companies make an important decision to commission SRA, findings in this research have highlighted specific non-APs issues of concern that can be useful in structuring operations and reporting regimes to facilitate assurance procedures. The findings will also be helpful to APs as they can direct more emphasis

on stakeholder concerns towards demonstrating greater stakeholder accountability. Regulatory and standard setters can enact appropriate policies that can potentially drive the practice forward for assessment of cognitive legitimacy.

Social implication - The findings provide relevant account of stakeholder voices on the quality of corporate disclosures that has a direct effect on the wellbeing of communities and sustainability of societies. Collective stakeholder input on expectations can shape sustainability discourse.

Originality/value - This research demonstrates the applicability of financial audit quality indicators in SRA processes; extends the debate around the effectiveness of new audit fields and highlight the challenges of maintaining legitimacy with different audiences.

Keywords: sustainability assurance; audit; legitimacy; assurance providers; stakeholders

1. Introduction

Commissioning assurance on a sustainability report (SR) has increased in popularity over recent years. 63% of the largest 250 global companies have their sustainability information independently assured (KPMG, 2022). EU legislation requires assurance to ensure reliability of sustainability disclosure by large companies (Directive (EU) 2022/2464). Other stakeholder groups (Cooper and Owen, 2007; Edgley *et al.*, 2015), including institutional investors (Dyck *et al.*, 2019), have increasingly pressed companies to enhance the credibility and substance of their SR (Ali *et al.*, 2023; Bebbington and Larrinaga, 2014). However, sustainability reporting assurance (SRA) is voluntary and unregulated in most jurisdictions¹. This has enabled market forces to

¹ [The Corporate Sustainability Reporting Directive \(CSRD\) require companies with significant operations in the EU to publish sustainability reports that are accompanied by an assurance opinion.](#)

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3 dictate the focus and objective of assurance engagements. Yet, there is a lack of
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5 consensus on how assurance engagements should be delivered (Farooq and De Villiers,
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7 2020). SRA exhibits patterns of inconsistency and variability (Perego and Kolk, 2012)
8
9 with the existence of idiosyncratic guidelines and standards (Manetti and Toccafondi,
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11 2012), where key concepts of ‘materiality’ (Edgley *et al.*, 2015) and ‘independence’ are
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13 continuously contested (Channuntapipat *et al.*, 2020). This raise concerns over SRA
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15 reliability and managerial capture (Smith *et al.*, 2011) with the latter’s undermining
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17 effect on SRA quality (Boiral *et al.*, 2019).
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26 Studies on sustainability reporting – including important contributions in this journal –
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28 suggest that internal and external perceptions of SR quality and SRA processes are
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30 crucial to the credibility of ~~the~~ SR auditing and assurance provisions (Edgley *et al.*,
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32 2015; Jones and Solomon, 2010; Prinsloo and Maroun, 2021; Safari and Areeb, 2020;
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34 Simpson *et al.*, 2021; Xiao and Shailer, 2022). This has resulted in different streams of
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36 scholarly research in the area including characteristics; type of assurance providers
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38 (Martinez-Ferrero and Garcia-Sanchez, 2018; Perego and Kolk, 2012); impediments;
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40 factors affecting the demand and supply of assurance services (Jones and Solomon
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42 2010; Junior *et al.*, 2014; Simnett *et al.*, 2009); motivations (Simoni *et al.*, 2020);
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44 consideration of stakeholders (Edgley *et al.*, 2010; Manetti and Toccafondi, 2012;
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46 Wong and Millington, 2014); and the processes involved in developing initiatives for
47
48 delivering assurance (Channuntapipat *et al.*, 2020; Maroun, 2018; O’ Dwyer, 2011).
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54 Scholarship has helped inform our understanding of assurance providers (APs) view on
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56 materiality (Canning *et al.*, 2019), operationalisation, challenges (O’ Dwyer *et al.*,
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58 2011), and professionalism (Boiral *et al.*, 2020). Further attention is needed on the part
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3 that stakeholder engagement and perception play in SRA (Adams and Larrinaga-
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5 Gonzalez, 2007). Specifically, the enhancing effect of legitimacy by obtaining SRA
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7 (Hummel *et al.*, 2019) from the perspectives of stakeholders (users and audience in
8
9 particular), is under-studied even though these stakeholders are central to building and
10
11 sustaining forms of legitimacies (Power, 2003; Suchman, 1995). To fill this gap, this
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13 paper aims to examine SRA from the perspectives of stakeholders including assurance
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15 providers, consultants, professionals and NGOs on processes that promote legitimacy
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17 for the continued development of the practice. Through the lens of legitimacy theory
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19 and by adopting an audit quality framework, the research examines the credibility of
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21 SRA processes at different stages, where participants' perceptions (APs and user
22
23 groups) enable the capture of a multidimensional perspective. Different parties play an
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25 instrumental role in legitimising developing practices (Abbott, 1988). To this end, the
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27 research question is posed as: how is legitimacy attained and maintained at different
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29 stages of SRA processes?
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37 This paper seeks to make a contribution by presenting a comprehensive assessment of
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39 legitimacy from legitimate parties. While prior research has addressed elements of SRA
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41 (Canning *et al.*, 2019; Edgley *et al.*, 2015; Islam *et al.*, 2018; Jones and Solomon, 2010;
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43 O' Dwyer *et al.*, 2011; Simpson *et al.*, 2021), our understanding of multiple
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45 perspectives on background, processes and outcomes of SRA is lacking in the literature.
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47 Legitimacy depends on the views and responses of different stakeholder groups
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49 (Suchman, 1995). The examination and analysis of the inner workings of SRA will shed
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51 further light on some of the key issues and challenges faced by APs across identifiable
52
53 stages of assurance delivery. To this end, an empirical understanding of processes
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55 adopted by APs to secure legitimacy and importantly, how non-APs (audience in this
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57 context) perceive the quality of assurance structures is sought. This paper utilises
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3 elements of audit quality (DeAngelo, 1981; DeFond and Zhang, 2014) and audit quality
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5 framework (IAASB, 2014; Knechel *et al.*, 2013) as competencies that simultaneously
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7 account for a variety of stakeholder perspectives on SRA outcomes in relation to its
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9 legitimacy (Malsch and Salterio, 2016).
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16 The next section presents a review of the SRA literature, the audit quality framework
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18 and legitimacy of sustainability assurance. Research methodology and methods are
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20 discussed in section four. Section five present findings before discussion in section six
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22 followed by the conclusion.
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27 **2. Sustainability reporting assurance**

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29 Sustainability reporting assurance (SRA) are services provided by assurance providers
30
31 (APs) relating to the disclosures of sustainability, social, environmental and governance
32
33 of associated companies. The terminology of “assurance”, “audit”, “verification” has
34
35 been used interchangeably (O’Dwyer and Owen 2005: p. 206), for consistency and the
36
37 purpose of this paper (Channuntapipat *et al.*, 2020), SRA is used. The emergence of
38
39 SRA was driven by growing stakeholder concerns about the impact of corporate
40
41 business activities, effect on communities and consistency with subsequent disclosures
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43 (Unerman *et al.*, 2018). SR can be biased, selective and incomplete (Ali *et al.*, 2023)
44
45 with “inaccurate and possibly misleading narrative that can lead stakeholders to make
46
47 erroneous assessments of particular organisations” (Cho *et al.*, 2015: p. 80), suggesting
48
49 that SRs are strategic structures used for responding to adverse sustainability situations
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51 and hence, a mechanism for promoting the interests of organisations (Cho *et al.*, 2015;
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53 De Villiers and Sharma, 2020). SRA was then seen to improve corporate legitimacy as a
54
55 response to stakeholder critiques of SR as well as wider institutional pressures (Boiral
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3 and Heras-Saizarbitoria, 2020; O' Dwyer *et al.*, 2011; Hummel *et al.*, 2019; Simnett *et*
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5 *al.*, 2009).

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8 From reporting companies perspective, assurance improves credibility, enhances
9
10 transparency, builds confidence, and advances reputation (Jones and Solomon, 2010;
11
12 Edgley *et al.*, 2010; Xiao and Shailer, 2022). Companies can foster better relationships
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14 with stakeholders (Simoni *et al.*, 2020), leading to the development of shared value
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16 system that could benefit both parties (Adams, 2017; 2015; Maroun, 2018); and with
17
18 effective implementation, enhance accountability to stakeholders (Edgley *et al.*, 2015;
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20 Islam *et. al.*, 2018; Junior *et al.*, 2014). Although, there are concerns relating to
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22 additional cost, uncertainty of stakeholder demand (Hummel *et al.*, 2019) and believe in
23
24 the adequacy of internal controls (Jones and Solomon, 2010). It would be naive to
25
26 assume that the presence of assurance statements automatically endows companies with
27
28 adequate level of credibility, transparency or trust – given that companies' structures of
29
30 sustainability strategies, approaches and challenges vary. It is important to consider the
31
32 type and quality of assurance undertaken (Channuntapipat *et al.*, 2020; Perego and
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34 Kolk, 2012; Prinsloo and Maroun, 2021). Independent third-party assurance,
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36 stakeholder panel, certification and expert opinion are types of assurance that can be
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38 provided (Alsahali and Malagueño, 2022) by auditors, sustainability consultants,
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40 engineering firms, NGOs and academics (Ruiz-Barbadillo and Martinez-Ferrero, 2022).
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42 In this research, the attention will be on perspectives relating to independent third-party
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44 assurance due to developments on the type of assurance, in terms its scale of acceptance
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46 that has established a sense of professional identity (Abbott, 1988), thus encouraging
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48 legitimacy exploration.

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50 APs' instrumental position enable them to promote SRA's appeal through shaping its
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52 legitimacy; developing innovative procedures (O' Dwyer *et al.*, 2011); and emphasising
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3 its significance (KPMG, 2022). The literature broadly categorises APs into accountants
4 and non-accountants (Channuntapipat *et al.*, 2020; Edgley *et al.*, 2010; Simnett *et al.*,
5 2009). Accountants are more likely to adopt a “cautious approach that largely focuses
6 on the issue of consistency of information appearing in the organisation’s report with
7 underlying data set” (O’ Dwyer and Owen, 2005; p,225). Accountants tend to focus on
8 accuracy and reliability of information by adopting ISAE3000, whereas non-accountant
9 APs tend to take an evaluative approach by applying AA1000AS (Farooq and De
10 Villiers, 2019). Both assurance standards ISAE3000 and AA1000AS are regarded as a
11 major source of credibility (Manetti and Toccafondi, 2012) and dominate the SRA
12 market (Channuntapipat *et al.*, 2020). Even though the guidelines provide a degree of
13 SRA structure, they have different objectives - ISAE3000 prioritise accuracy and
14 reliability of information, AA1000AS has greater focus on stakeholder materiality (O’
15 Dwyer and Owen, 2005; Junior *et al.*, 2014) inclusivity, responsiveness and impact.
16
17 The persisting concerns over independence of auditors (O’ Dwyer, 2011), managerial
18 capture (Smith *et al.*, 2011) and practical limitations of the process (Boiral and Heras-
19 Saizarbitoria, 2020; [Maroun and Atkins, 2015](#)) have limited the benefits of SRA, raising
20 doubts over the accountability of outcome to key stakeholders and hence undermining
21 its perceived legitimacy (Flower, 2015; Manetti and Toccafondi, 2012; Smith *et al.*,
22 2011; Boiral and Heras-Saizarbitoria, 2020). Given the crucial role of SRA for
23 legitimising corporate sustainability practices (Boiral and Heras-Saizarbitoria, 2020; O’
24 Dwyer *et al.*, 2011; Hummel *et al.*, 2019; Simnett *et al.*, 2009), more attention should be
25 paid to processes of assurance engagements to help us gain further insight into attributes
26 that convince audience of its expected legitimacy and functional value. If the view that
27 assurance statements should be designed to enhance legitimacy and account for
28 stakeholder responsiveness, it is expected that experience, expertise, professionalism,
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3 use of guideline and type of APs are among the main influential factors (Boiral *et al.*,
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5 2019; Martinez-Ferrero and Garcia-Sanchez, 2018).
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9 The SRA literature focuses on the perspectives of the relevant groups in SRA practices
10 including reporting companies (Jones and Solomon, 2010), APs (Boiral *et al.*, 2019;
11 Edgley *et al.*, 2010; Farooq and De Villiers, 2020) and a consideration of shareholders
12 (Reimsbach *et al.*, 2018). Overall, there has been modest coverage of diverse
13 stakeholders that constitute user groups/audience and their engagement with the
14 process. For the purpose of this research, stakeholders are classified into two groups:
15 APs – assurance providers that deliver assurance engagements and produce assurance
16 statements; and non-APs – parties not responsible for delivering assurance or producing
17 the underlying reports. Audit processes - how they are conducted, who has been
18 involved and the extent of their involvement - play a defining part in generating
19 legitimacy and any “... misalignment of expectations about and within the system” can
20 undermine legitimacy (Power, 2003; p.392). In this context, legitimacy depends on the
21 role of users/audience (Suchman, 1995)² and their perceptions of assurance
22 engagements via assurance statements. In the light of debates over assurance quality
23 (Hummel *et al.*, 2019; Manetti and Toccafondi, 2012), insights from a range of non-APs
24 can provide dynamic perspectives regarding legitimacy of assurance services.
25 Furthermore, elements of (financial) audit can be applied to SRA due to the
26 intersectional characteristics both services share (Andon *et al.*, 2015). In this paper, it is
27 argued that the audit quality framework (see Appendix) consist of attributes that
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55 ² According to Suchman (1995: 574), “Legitimacy is socially constructed in that it reflects a congruence
56 between the behaviours of the legitimated entity and the shared (or assumedly shared) beliefs of some
57 social group; thus, legitimacy is dependent on a collective audience ...”
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3 influence audience perception of sustainability assurance such as assurance provider
4 characteristics, use of standards, scope, independence, evidence and recommendation
5 (Hummel *et al.*, 2019; Gurturk and Hahn, 2016). Taking a novel approach to studying
6 SRA, it can be surmised that advancements in audit quality literature can be used to
7 examine SRA at different stages, using legitimacy debates as perceived by relevant
8 actors.
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19 **3. Legitimacy of sustainability reporting assurance**

20 **3.1 Audit quality framework**

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22 Audit and assurance enable corporations and markets to function effectively, manage
23 relationships and create opportunities. Central to audit service is the ability to increase
24 the quality of reported information by adopting high quality procedures in the process of
25 delivering the services (Guenin-Paracini *et al.*, 2014). The seminal conceptualisation of
26 ‘audit quality’ (DeAngelo, 1981) requires auditors to exhibit: (a) competence through
27 discovering any breach in client’s accounting system and (b) objectivity, professional
28 scepticism and independence by reporting on the breach. The two broad requirements
29 form the basic criteria for assessing audit quality (Knechel *et al.*, 2013), which
30 insufficiently accommodates the potentially conflicting roles of various participants
31 (i.e., clients, users and APs); thus, limiting the scope of challenges faced in
32 contemporary audit engagements (DeFond and Zhang, 2014), including SRA. Audit
33 market participants have varying access to the engagements in audit processes, resulting
34 in a complex system that affects how each participant perceives audit quality. A range
35 of characteristics of audit processes characteristics can affect audit quality. For example,
36 clients perceive strong governance, effective internal controls and robust pre-audit
37 report leads to high audit quality (DeFond and Zhang, 2014), while the knowledge,
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3 experience and communication skills of audit teams assist in inferring audit quality
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5 (Kilgore *et al.*, 2014).
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10 The audit quality framework (Knechel *et al.*, 2013) captures the viewpoints of different
11 relevant participants' evaluation of audit quality which creates a 'multi-dimensional
12 challenge', suitable for a balanced structure that accommodates multiple perspectives.
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14 The framework classify units of analysis (see Appendix) which was synthesised into
15 groups of indicators that are represented as stages of audit. They include *inputs; process*
16 *and context; and outcome*. The indicators influence one another (Knechel *et al.*, 2013)
17 hence, their interrelated features facilitate the improvement of overall audit quality. The
18 knowledge, expertise, and technology (input attributes) of providers ensure effective
19 planning, negotiations, evidence collection and consideration of market perceptions
20 (process and context attributes) within an engagement. The product of the procedures
21 implemented is then reflected in the final statement (outcome indicator). Alternatively,
22 failures or flaws in one group of indicators could affect the other groups, thereby
23 diminishing the overall perceived quality of engagements. The interdependence of audit
24 quality indicators sustain their relevance in conducting research in the area as they
25 exhibit core audit quality and assurance quality values that influence legitimacy of the
26 practice, such as the provider, professionalism, experience, independence, transparency
27 and added credibility.
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50 **3.2 Legitimacy of assurance provision**

51 Professional services are often legitimised by aligning certain principles with
52 constituents in ways that promote reliance on technical expertise (Abbott, 1988).
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54 Maintaining legitimacy depends on how audiences judge practitioners' quality of
55 service delivery. Practitioner influences enable the development of legitimation
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3 strategies, consistent with audiences' reality and their expectations. Since audiences are
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5 dynamic and multifarious, practitioners must select the right audiences to attain and
6
7 maintain legitimacy (Suchman, 1995). For instance, practitioners can establish
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9 legitimacy with companies and stakeholders by accentuating poor sustainability
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11 information systems that results in poor quality data for the former and accommodating
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13 greater focus on stakeholders in assurance for the latter (O' Dwyer *et al.*, 2011). In both
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15 cases, assurance legitimacy is enhanced by adding value to companies and
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17 accommodating salient stakeholders.
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24 Assurance processes are social constructs that facilitate ongoing interactions towards
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26 establishing institutional trust as a systemic function of legitimacy (Power, 2003) and
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28 have the potential, if run robustly, to support professionalism and independence, leading
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30 to a favourable opinion by the targeted audience. Professionalism aid audiences'
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32 positive evaluation of actions by securing moral and pragmatic legitimacies of
33
34 assurance processes where the former drives the value of SRA (O' Dwyer *et al.*, 2011).
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36 Moral legitimacy rests on whether an activity is right to undertake based on assumed
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38 beliefs that promote societal welfare of evaluator's social construct. Moral actions are
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40 judged on the basis of accomplishments (i.e. consequential legitimacy), sound processes
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42 (i.e. procedural legitimacy) and formal established features (i.e. structural legitimacy).
43
44 Pragmatic legitimacy focuses on immediate audiences and measures employed,
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46 commonly through direct exchanges, to secure their support. Audience self-interest is
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48 the focal point of this form of legitimacy with actions that particular set of constituents
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50 view as valuable (i.e. exchange legitimacy) or are responsive to audience interests (i.e.
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52 influence legitimacy), or audience perceive as being in their best interest and are
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54 therefore 'moral, honest and trustworthy' (dispositional legitimacy) (Maroun and
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3 Solomon, 2014). Cognitive legitimacy relies on general acceptability for gaining value
4 and trustworthiness within a social context (Suchman, 1995). While pragmatic
5 legitimacy is easier to attain, maintaining it requires moral legitimacy whereas cognitive
6 legitimacy is more self-sustaining once established. By commissioning SRA, companies
7 can develop moral legitimacy. However, the focus on audience and interaction with
8 parties appeal to pragmatic legitimacy (O' Dwyer *et al.* 2011). In the context of this
9 research, SRA is examined empirically with a focus on how perspectives of different
10 stakeholder groups constitute to sustaining pragmatic and moral legitimacy. For
11 APs, this includes approaches adopted and decisions made in the process of assuring
12 disclosures. There is a focus on how these efforts are reflected in assurance statements
13 for the assessment of legitimacy by non-APs who constitute the audience and are active
14 participants in meaning creation within the context of assurance. The opinion of
15 audience provide a basis to assess narratives for determining legitimacy.

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35 Symbolic motives affect audience evaluation of activities. Accounting
36 professionalisation and its attributes are utilised to justify robust delivery of assurance
37 as symbols that infer application of acceptable processes. The quality of SRA relies on
38 the professionalism of APs to deliver on a set of varied symbolic gestures towards
39 enhancing legitimacy (Boiral *et. al.*, 2019). In this regard, essential features of SRA
40 (including independence, APs, guidelines, evidence amongst others) can be construed as
41 symbols that audiences use to evaluate SRA's legitimacy. Refining SRA processes have
42 assisted in establishing legitimacy and enabled auditability of different parts of SRs that
43 affect various stakeholders whose account are necessary in assessing skills and
44 competencies of practices that confer legitimacy (Ruiz-Barbadillo and Martinez-
45 Ferrero, 2022). As the boundaries of SRA continues to develop, the quality of adopted

processes is increasingly an interesting area of exploration. Stakeholder perceptions on assurance processes can contribute to the understanding of the practice from a legitimacy perspective (Alsaahli and Malagueno, 2022). In the following sections of this paper, SRA is examined by focusing on how different participants, APs and their audience (non-APs), perceive quality of the processes that play a significant role in shaping its legitimacy (using the audit quality framework). The opportunity of obtaining perspectives from a variety of groups contributes to the context of using practitioner and audience input as an extension of legitimacy focused analysis that is rare in the literature. This motivates the investigation based on the research question of: how is legitimacy attained and maintained at different stages of SRA processes?

4. Research methodology

Given the rise of internal perspectives on pressures and processes undertaken in SRA (Canning *et al.*, 2019; Channuntapipat *et al.*, 2020; O' Dwyer *et al.*, 2011) and its ability to provide in depth account of the practice, a qualitative approach is adopted to gain further insights from the perspectives of key stakeholders. Semi-structured interviews were conducted with leading APs practicing in the UK, including representatives of all Big4 (Deloitte, KPMG, EY, PricewaterhouseCoopers) accounting and prominent non-accounting firms (ERM, Corporate Citizenship, LRQA). Interviews were also conducted with relevant individuals that have considerable inside knowledge of SRA - representing NGOs (Carbon Disclosure Project, CDP, Forum for the Future), professional accounting bodies (ACCA, ICAEW) and professional consultancy firms. Soliciting views of knowledgeable individuals on the subject area aided in the reliability and validity of findings. Contacts dealing with SRA are not inexhaustible; hence, in the

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3 case of PwC, Deloitte, and ICAEW, separate interviews were conducted with two
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5 individuals from the organisations (Edgley *et al.*, 2010).
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10 All potential interviewees were identified through assurance statements of FTSE350
11 companies and professional reports on sustainability disclosure and assurance. They
12 were subsequently contacted by post with the research overview and a voluntary
13 interview request enclosed. Those who agreed to participate were provided with an
14 interview guide (see Appendix) through email and requested for a convenient interview
15 date. The interview guide contained open-ended questions with specific focus on SRA
16 views and experiences of respondents (Maroun and Solomon, 2014). As practitioners,
17 AP's questions were posed around their roles in SRA processes such as establishing
18 contact with clients, agreeing scope and level, demonstrating independence, deciding
19 assurance standard, and preparing assurance statement. Questions for non-APs were
20 framed to elicit their perceived understanding, opinion and expectation of the practice.
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22 The interview guide also assured respondents of anonymity and confidentiality.
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Interviewees were informed of possible questions outside the interview guide primarily for probing purposes. 23 interviews were conducted with 13 APs and 10 non-APs (see Table 1). 11 interviews were face-to-face, the other 12 were conducted via Skype. The interviewees occupy positions where their roles directly involve SRA. Permission was asked to record the interviews and all the interviewees agreed³. The interview guide was useful in asking key questions during the interviews. Additional notes were taken during

³ Ecamm call recorder was used to record Skype interviews (ecamm.com). A Sony voice recorder was used to record face-to-face interviews.

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3 and after each interview. All interviews were transcribed afterward. Research ethics
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5 principles were respected during the entire interview process and data analysis.
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10 **Table 1 About Here**

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14 A thematic analysis based on data reduction, data display and conclusion processes (O'
15 Dwyer, 2004) was used to analyse the transcribed interviews and notes. All the evidence
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17 was reviewed several times to classify emerging perspectives as codes. An iterative
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19 process focusing on contextual patterns led to the identification of further codes (Irvine
20
21 and Gaffikin, 2006), integration of similar codes and classification of major codes. The
22
23 analysis of evidence focused on codes that relates to value of SRA, approaches adopted
24
25 by APs, communicating outcome, and non-APs expectations. Summary tables were
26
27 created detailing all the codes with their sources, pages and nature of views that led to
28
29 the emerged themes. All codes were rechecked to ensure consistency of views and
30
31 avoid overlap (O' Dwyer *et al.*, 2011). Account of interviewees were compared to
32
33 identify diverging perspectives on the state of SRA towards sustaining its legitimacy.
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35 This was done by relying on the evidence to establish links with legitimacy and
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37 categories of the audit quality framework adopted in this paper, A discussion of the
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39 themes are presented in the following section.
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48 **5. Findings**

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51 This section present findings from the emerged themes categorised in three main parts
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53 First, the underlying characteristics of APs reflect their abilities, knowledge base and
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55 composition to deliver assurance. Second, the application of mechanisms to
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57 accommodate interactions that gives structure to assurance processes. Finally, the
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3 conclusion of assurance engagements and their accessibility for public judgement. A
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5 summary of each theme is detailed in Table 2, with additional discussion in the sub-
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7 sections that follow.
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10 11 12 **Table 2 About Here**

13 14 15 16 **5.1 Underlying characteristics**

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19 *Value and motivation for assurance:* Overall, respondents perceived SRA positively
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21 based on the features it can promote. Interviewees recognised the most important
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23 features that accompany SRA as credibility (19 of 23), increased confidence and
24
25 comfort in the accuracy of disclosure (all interviewees), enhanced reputation (7 of 23 –
26
27 all APs), better understanding of systems and processes (20 of 23), and identification of
28
29 risks and opportunities (13 of 23). These features encourage APs to continuously
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31 improve the practice in ways that simultaneously enhances stakeholders' confidence in
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33 corporate conduct; doing so assists exchange and consequential legitimacies towards
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35 both audiences.
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43 The glowing support for SRA was followed by caveats – mostly expressed by non-APs
44
45 – based on the gap between SRA's potential and its delivery. Non-APs agreed that
46
47 while SRA enhances corporate transparency and appreciate the 'willingness' to engage
48
49 in the disclosure, there remains an underlying perception that other "organisations
50
51 agendas or campaigns may distort the view" (Associate Director, NGO - S10) of
52
53 transparency. Hence, the value of transparency from assurance is inadequate (Perego
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55 and Kolk, 2012). In contrast, APs view of transparency focused more on companies
56
57 understanding and integration of sustainability activities within their operations to
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3 enable disclosure for connecting with stakeholders. The differences of opinion on
4 transparency have the potential to undermine the possible benefits from SRA. The
5 effects of procedural and structural legitimacies appear to have hindered influence
6 legitimacy.
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14 *Knowledge and experience:* Table 2 demonstrates that APs' experience and industry
15 knowledge have a significant effect on judgements and by extension, contribution to
16 assurance engagements. An interviewee said:
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24 *"[for]... a new client, we normally ask for their report and assurance. If we*
25 *realise that the data is not up to expectation and we will not be able to assure it.*
26 *We will provide a statement and management report on the changes needed to*
27 *make their data more robust, but nothing will go public. When we come in the*
28 *following year, they will be ready for a public assurance."* (Manager, Big4 -
29 AA2)
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40 The process helps companies understand the requirements of assurance. Furthermore,
41 APs (11 of 13) promote SRA through conversations with companies, professional
42 reports publications and hosting of relevant events (exchange legitimacy). Most Non-
43 APs expressed preference towards accountants to non-accountants due to their
44 perceived "long history of assurance provision" (Sustainability advisor, Professional
45 body - S2; Technical Manager Assurance, Professional - S6); regulatory alignment as
46 members of professional bodies (Manager, Consultant - S8); and "brand" recognition
47 (Head of Sustainability Strategy, Consultant - S11). Although, the apparent preference
48 for accountants is not a substitute for universal acclaim on their service delivery given
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3 the opinion that “I don’t know whether accountants necessarily communicate the best
4 value for stakeholders” (Sustainability Executive, Professional body - S7). APs greater
5 consideration of stakeholder interest improves stakeholder value (Technical manager,
6 NGO - S3) and can be employed for positive assessment of procedural and exchange
7 legitimacies.
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17 *Professional scepticism:* most APs confirmed that reporting companies select content of
18 disclosure for assurance (O’ Dwyer and Owen, 2005). This appeals to influence
19 legitimacy since companies have a decision-making role. Although as their professional
20 duty, APs recognise the responsibility of challenging reporting companies in the process
21 of finalising assurance scope.
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29 *“Ultimately, the reporting company... sets the scope of the assurance. A*
30 *professional AP should challenge that scope and be comfortable that the*
31 *assurance they are providing is meaningful and there would be a balance view*
32 *expressed.” (Director, Big4 - AA1)*
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40 The majority of Non-APs were not comfortable with reporting companies influence
41 over assurance scope which was branded as ‘potentially confusing’ (Technical manager
42 assurance, Professional body - S6) and ‘dangerous’ given that companies could
43 ‘exclude issues and report on minor ones’ thereby ‘misleading the public’ (Adviser,
44 Consultant - S5). This contributes to the disruptions that affect efforts in addressing
45 sustainability issues and concerns (Ali et al., 2023). Some respondents understood why
46 companies are not able to assure most or all their SRs, but remained largely insufficient
47 to suppress the concerns:
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3 “... if only three aspects have been assured, then there are obviously some
4 issues in areas that have not been assured... I want to look into those particular
5 aspects to find the reasons why assurance was not either achievable or asked
6 for.” (Associate Director, NGO - S10)
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14 Ensuring clear communication of assurance scope based on scrutiny forms part of the
15 professional scepticism responsibilities of APs that can promote consequential and
16 procedural legitimacy with stakeholders.
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23 *Firm/team pressures:* as highlighted in Table 2, the attitude of AP firms and team
24 members affect the orientation of the engagement as a data accuracy or data relevance
25 exercise. All APs agree that SRA should examine data accuracy of disclosures, but
26 differences of opinion emerged around data relevance:
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34 “Companies will very often put things into their SRs which wouldn't go into
35 their annual reports. It is important that a similar degree of rigour is applied ...
36 to SRs as in annual reports.” (Senior Partner, Consultant - CA1)
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44 While AA1 (Director, Big4) and AA3 (Partner, Big4) expressed similar views, AA3
45 specified that data relevance assurance was applied at the request of a client (exchange
46 legitimacy). A distinction between data accuracy and data relevance assurance was
47 made:
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54 “...In some cases, (assurance) is to ensure that the data and information is
55 materially correct, but in other cases, it's to do that and determine that the right
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3 *information is included in the report. For the former it's checking that the*
4 *information is right and for the latter it's whether the right information is*
5 *included in the report. Depending on the purpose on which the assurance is*
6 *procured, it could be very different.” (Associate, Non-accounting AP - CA4)*
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14 APs that advocate data relevance appear to face some difficulties in getting support
15 from team members.
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21 *“I have colleagues who think it's (data relevance) not useful and unnecessary,*
22 *but personally I think it's important.” (Manager, Big4 - AA2)*
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28 The assurance team dynamics play a crucial role in structuring the focus of assurance
29 engagements and designing processes for consistency with the firm's policy on SRA
30 provision. Assurance firm policies form internal structures that ensure engagements and
31 resulting statements undergo a review process for certifying that procedures are to an
32 acceptable standard. The established internal review processes support structural
33 legitimacy (O' Dwyer *et al.*, 2011).
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44 Non-APs recognise that APs have different approaches to assurance based on their
45 distinguishable characteristics. It was not enough to allay apparent misgivings expressed
46 due to their role in shaping engagements that result in the absence of obvious critical
47 views on companies' performance as part of content communicated to external
48 stakeholders. APs were encouraged to “think from the point of view of stakeholders
49 rather than from the point of view of management” (Adviser, Consultant - S5). Doing so
50 would enable a more critical approach to assurance provision (exchange legitimacy),
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3 supporting the opinion that APs are “not giving enough” (Technical Manager, NGO -
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5 S3). The collective impression from Non-APs is that APs have a responsibility to ensure
6
7 enhanced and critical oversight when delivering assurance engagements. This will assist
8
9 in enhancing relations with stakeholders (Simoni et. al., 2020) towards sustaining
10
11 consequential legitimacy.
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18 **5.2 Application of assurance mechanisms**

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22 *Use of guidelines:* structure is a prerequisite in maintaining SRAs’ potential as a reliable
23
24 source of credibility. As a voluntary practice, most interviewees recommended the use
25
26 of guidelines in SRA processes as it improves comparability, builds confidence, and
27
28 gives comfort in knowing that a consistent approach was adopted. These perceptions
29
30 support consequential and procedural legitimacies.
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36 The two popular guidelines, AA1000 and ISAE3000, were subject to varying opinions.

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38 According to the interviewees, the ISAE3000 has a “narrow scope” (Associate,
39
40 Corporate Citizenship - CA4), aimed at ensuring accuracy of disclosure. APs operate
41
42 within a given boundary as they “can only look at data within the agreed scope”
43
44 (Manager, Big4 - AA2). In contrast, AA1000 allows a “bigger playing field”, giving
45
46 APs liberty to “question, comment and argue” (AA2) with reporting companies.
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50 Interviewees agree that there is an emphasis on the principles of materiality,
51
52 inclusiveness and responsiveness (8 of 13). However, there are practical obstacles
53
54 restricting wider application of AA1000, most prominent are the additional work
55
56 required; challenges in implementing a broad SRA approach; and budgetary constraints.
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60 These obstacles exist because most companies are yet to attain the level of sustainability

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3 performance maturity that the AA1000 assurance model requires (Manager, Big4 -
4
5 AA5; Head of Reporting and Assurance, Non-accounting AP - CA6). These insights
6
7 reinforce previous findings on the immaturity of assurance guidelines and data
8
9 collection systems (Edgley *et al.*, 2015; Boiral and Heras-Saizarbitoria, 2020),
10
11 improvements of which could help attain procedural legitimacy.
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17 Non-APs appreciate qualities of AA1000 approach that aim for a more balanced,
18
19 informative and complete view of companies' performance (dispositional legitimacy).
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21 By contrast, ISAE3000 approach is consistent with management's needs for its
22
23 practicality and corporate "value" (Head of Sustainability Strategy, Consultant - S11).
24
25 Also, the governance challenges facing AA1000 have increased doubts about the
26
27 guideline, whereas ISAE3000 has the backing of a more established and reputable
28
29 professional body. Overall, these standards are yet to provide a basis for rigorous
30
31 assurance exercises (O' Dwyer, 2011; Boiral and Heras-Saizarbitoria, 2020) thus
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33 affecting consequential legitimacy.
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40 *Assurance evidence:* according to most APs, interviews with management provide an
41
42 initial internal overview of performance and a basis of establishing consistency of
43
44 management perspectives with disclosure. An interviewee proposed how management
45
46 interviews could be improved:
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51 *"I would like to have a wider range interview with managers internally because*
52
53 *what tend to happen is you interview the same people each year unless someone*
54
55 *changed jobs. There is a benefit in casting the net a bit further by speaking to*
56
57 *other people."* (Senior Partner, Non-Accounting AP - CA1)
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5 Documents and data can be key sources of evidence that help APs understand “how
6 things were derived and how assumptions were made” (Knowledge Leader, Non-
7 Accounting AP - CA3). APs voiced their dissatisfaction with documentary evidence
8 provided by reporting companies due to instances of inconsistent, insufficient or
9 unnecessary data (Manager, Big4 -AA2). This ~~erves as~~ impedes procedural legitimacy.
10 Furthermore, external sources of evidence give additional level of confidence to the
11 process especially from ‘third parties’ (Partner, Big4 - AA3). Utilising all three sources
12 (management interviews, internal and external documents) with the aim of
13 corroborating evidence is a highly desirable feature for effective SRA processes that
14 seeks to promote influence, consequential and procedural legitimacies.
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30 Non-APs appreciate the usefulness of external sources of evidence which is regarded as
31 a legitimate technique towards a complete assurance (Sustainability Advisor,
32 Professional body - S2). However, the usefulness of the effort could be inconsequential
33 because the role of external sources is not clearly communicated. Hence, ~~it is~~ difficult to
34 ascertain the significance of their contribution to overall outcome of SRA engagements.
35 Given the scope of sustainability impacts of large companies, valid external evidence
36 can be assessed but their ability to represent a balanced view that promote stakeholder
37 interests could be undetermined. This echoes Manetti and Toccafondi’s (2012)
38 observation of the insufficiency of assurance evidence and demonstrates that even with
39 the presence of consequential legitimacy, concerns around ambiguity of dispositional
40 legitimacy remain valid.
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3 *Stakeholder considerations:* APs expressed opinions about the active consideration of
4 stakeholders in assurance processes. However, insufficient time, stakeholder
5 representatives, and ineffective stakeholder related processes and engagements for
6 assurance remain impeding factors. A respondent stated that “the methodology (of
7 companies’s stakeholder engagements) is not really robust so we find it difficult to
8 assure these processes because they are very much qualitative” (Manager, Big4 - AA2).
9
10 This is why APs favour the existence of detailed ‘audit trails’ in operating processes to
11 effectively discharging assurance. In addition, interviewees argue that there is
12 inadequate dialogue between stakeholders and companies (Senior Partner, Non-
13 Accounting AP - CA1), which minimises the ability to establish influence legitimacy
14 with stakeholders. An AP stated that:

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31 *“historically, SR adopted a sort of an outside-in view, which is a lot of*
32 *stakeholders telling you stuff they wanted to know about you for reporting. The*
33 *shift is more to an inside-out view, which is the corporate driving the reporting*
34 *agenda and aligning that to stakeholders.”* (Partner, Big4 - AA3)
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42 The majority of Non-APs voiced preference towards active stakeholder consideration to
43 uncover stakeholder thoughts as opposed to company’s interpretation of their views.
44 The possibility of manipulating disclosure persuades non-APs support for “speaking to
45 stakeholders or looking for their documentary evidence as the audit test.” (Sustainability
46 Advisor, Professional body - S2). Stakeholders will raise valuable issues and
47 recommendations that needs addressing, companies should be brave enough to embrace
48 and promote stakeholder voices (Associate Director, NGO - S10). Such an approach
49 advances principles of accountability and favours dispositional legitimacy.
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5 The inactive stakeholder consideration applies passive scrutiny in evaluating
6 stakeholder material issues and is entirely managed by reporting companies, with the
7 interaction completed prior to assurance exercise (Global Manager, Non-accountant AP
8 - CA7):
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17 *“Stakeholders have a role to play in helping the company formulate its SR*
18 *strategy. Stakeholder views are made with the company and the company is*
19 *designing its report based on those views. Therefore, if you are assuring that*
20 *report, you are assuring the key things that are important to stakeholders.”*
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26 (Director, Big4 - AA1)
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31 The inactive stakeholder consideration focuses on assessing frameworks designed to
32 achieve operating objectives. How companies discharge stakeholder activities appear
33 peripheral to assurance engagements. APs aim to minimise the risks associated with
34 stakeholder consideration by exerting control over assurance engagements while
35 maintaining professionalism and delivering on agreed terms. The set-up of assurance
36 engagements makes APs primarily liable to reporting companies. The involvement of
37 other parties might expand the liabilities to those parties, thereby broadening the
38 responsibilities of APs. For this reason, inactive stakeholder consideration is favoured
39 by APs because it limits the risks and liabilities of their role in the engagements
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51 (Manager, Big4 - AA2). Only two non-APs supported inactive stakeholder
52 consideration as pressurising companies pose a danger of further separating assurance
53 strategies from main corporate strategies (Head of Sustainability, NGO - S1). Assurance
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3 that lacks corporate strategy input is an unhelpful tick-box exercise (Head of
4 Sustainability Strategy, Consultant - S11).
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10 The encouraging findings by Edgley *et al.* (2010) around increasing stakeholder
11 inclusivity in assurance practices has not developed. It appears that diverging interests
12 of interviewees prevent greater stakeholder participation and, by implication, reporting
13 completeness and relevance. Similar to Islam *et al.* (2018), finding shows that the level
14 of stakeholder consideration does not adequately demonstrate meaningful stakeholder
15 accountability. The nature of the factors impeding active stakeholder consideration are
16 detrimental to reaching a dialogic state (Cooper and Owen, 2007; Thomson and
17 Bebbington, 2005) of assurance provision and enhancing legitimacy. A continued lack
18 of progress in improving stakeholder participation and value will exacerbate the decline
19 in trust (Wong and Millington, 2014) and increase the challenges of stakeholders'
20 perception of consequential legitimacy.
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37 *Negotiations for producing assurance:* APs and reporting companies agree on the key
38 elements of assurance engagements. This entails multiple “discussions between you and
39 the client because the client disagrees with the wording. There have been situations
40 where clients are concerned that publishing assurance report at the same time as their
41 annual report with quite significant recommendations might affect their share price”
42 (Technical Sustainability Manager, Non-accounting AP - CA5). Avoiding information
43 misinterpretation forms an integral part of the discussions. Corporate reports typically
44 cover most areas, “it’s the spin and balance” that facilitates “a good healthy debate” in
45 assurance processes (Manager, Big4 - AA5). Non-APs expect APs to constructively
46 challenge reporting companies throughout the negotiation processes, otherwise it
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3 becomes a “middling job” that results in a “very thin” assurance exercise (Adviser,
4
5 Consultant - S5). There is value associated with transparency in communicating
6
7 processes to stakeholders (Sustainability Executive, Professional body - S7) that can
8
9 assist judgements on consequential legitimacy.
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14 There is a rigorous internal review process⁴ that diminishes APs ability to employ new
15
16 and innovative assurance techniques which are not applied to all assurance engagements
17
18 as they are “very difficult to get approved internally so we don't do this for all clients”
19
20 (Manager, Big4 - AA6). This is another dimension of APs interaction that exists within
21
22 assurance engagements. Accountant APs, expressed greater emphasis on the relevance
23
24 and challenges of dealing with the internal review team than their non-accountant
25
26 counterparts. The risk associated with assurance is prioritised by the internal review
27
28 team. An interviewee stated:
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35 *“It’s a very difficult process when it comes to SRA. They (internal review team)*
36
37 *view it from a risk perspective and compare it with financial audits. Our*
38
39 *conversations are very difficult because we have to simultaneously explain the*
40
41 *whole thing, how the risk is different, what we can and cannot do. They think*
42
43 *that what we cannot do is much larger than what we as APs think, so it is always*
44
45 *a very, very tough process. At the end of the day, you are a translator between*
46
47 *the client and your internal reviewer, so you are fighting battles in two ways.”*
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51 (Manager, Big4 - AA2)
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57 ⁴ Different terminologies are used: “*internal risk review*” (AA2), “*risk management*” (AA3),
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59 “*internal review and checking process*” (CA3), “*technical review*” (CA5;CA7)
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5 Echoing O' Dwyer et. al. (2011), APs and internal review teams view SRA differently.
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8 The varying views impact on APs ability to affect assurance engagements and final
9 statements in ways they would have preferred.
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14 *Non-assurance services and market perceptions:* APs have the experience of offering
15 consultancy or advisory services that can potentially improve companies' sustainability
16 strategies, processes and disclosures. APs recommendations are helpful to businesses
17 for their robust and creative value. Non-APs acknowledged APs' role as trusted partners
18 and advisors who help companies know their businesses better and hence "improve
19 reporting and management of sustainability". Although, a non-AP argued that "the role
20 of the AP is to assess the accuracy of disclosed information in SR and that's it." The
21 position of advising companies on what to do or how to engage is quite different (Head
22 of Sustainability Strategy, Non-Accounting AP - S11). The opposing views show the
23 effect of perception in judging acceptable responsibilities of APs. Nevertheless, there is
24 value in providing strategic advice using assurance processes to enhance the quality of
25 performance and disclosure (Andon *et al.*, 2015). The appreciation of 'distinctive
26 skillsets' by accountant and non-accountant APs (Canning *et al.*, 2019: p. 17) can lead
27 to innovative advancements in SRA without jeopardizing traditional audit
28 characteristics. APs capitalise on dispositional legitimacy for maintaining exchange
29 legitimacy (mainly companies) and advance influence legitimacy towards companies
30 and stakeholders.
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3 Consideration of the interplay between providing advisory services and independence of
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5 APs raises questions on the integrity of assurance engagements. Interviewees admitted
6
7 that their efforts towards independence in assurance processes are largely understated:
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11
12 *“you have to be very mindful and clear about making sure that you don't ever*
13
14 *end up in a situation where you are assuring something that you have advised*
15
16 *the client on, because that will clearly give rise to a self-review threat and*
17
18 *therefore, will potentially impair the independence.”* (Partner, Big4 - AA3)
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24 *“As a general principle, if we do assurance, we don't do anything else.”* (Senior
25
26 Partner, Non-Accounting AP - CA1)
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30 Interestingly, some APs had a different view of isolating assurance roles and
31
32 independence commitments:
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37 *“There are various things we know we can't do but telling someone how they*
38
39 *can improve their SR does not have any impact on our independence and giving*
40
41 *them recommendations on how to improve the data is part of the assurance*
42
43 *services.”* (Manager, Big4 - AA6)
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50 The varying opinions suggest the relationship between providing advice and being
51
52 independent in SRA processes is incoherently defined amongst all active participants of
53
54 ~~the~~ assurance practice. Non-APs called for APs to “have a certain kind of distance to
55
56 question the processes, data and information” towards maintaining a healthy
57
58 independence (Technical Manager, NGO – S3). On the one hand, non-APs are
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3 concerned that combining assurance with advisory roles pose a serious risk of eventual
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5 “conflict of interest” and decline of rigour leading to “loss of independence”
6
7 (Sustainability Executive, Professional body - S7). On the other hand, greater AP
8
9 responsibilities “enhance both offerings” because a better understanding of the company
10
11 is established with “the interactions and how one influences the other. Nevertheless,
12
13 there can be a perceived clash and lack of independence from stakeholders, so it’s a
14
15 balancing act” (Manager, Consultant - S8). The perception of influence drives non-APs’
16
17 opinion that APs give into client demands. Hence, the idea of independence in SRA is
18
19 “misunderstood” based on the understanding that since APs are paid by companies.
20
21 According to an interviewee, the best that can be delivered is “impartiality” (S5). Given
22
23 non-APs’ concern about independence, a refocus is needed to address non-APs’
24
25 perception of APs independence, making efforts to maintain consequential legitimacy
26
27 with non-AP stakeholders more challenging.
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34 **5.3 Concluding assurance engagements**

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37 *Assurance statements:* there is a challenge of conveying clear, neutral, and
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39 understandable communications in assurance statements. APs pointed out the need for
40
41 clearer assurance statements, leading to the affirmation that assurance provision firms
42
43 are reviewing “the language in assurance statements” (Manager, Big4 - AA4) as “they
44
45 have been a little bit cryptic” (Manager, Big4 - AA6). Non-APs believe that assurance
46
47 statements are limited in terms of content and prevent users from fully assessing the
48
49 sustainability performance of companies. The transparency that assurance intends to
50
51 deliver is affected by excluding parts of the engagement in final reports: “If you read
52
53 many assurance statements, it sounds like it is all absolutely fine” (Head of Reporting
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3 Assurance, Non-accounting AP - CA6). The size of activities involved in assurance will
4
5 always result in a summary of material events, that are viewed through a corporate lens:
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10 *“Before finishing with a customer, the customer would have seen the draft, final*
11 *statement and certificate so they comment to make sure it is in line with their*
12 *expectations and in the way the company communicate.”* (Knowledge Leader,
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16 Non-accounting AP - CA3)
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21 *“We need to make sure that (companies) see the value of assurance, if they don't*
22 *get any value out of it, then there is no point doing it. The reports look at what*
23 *the client sees as material”* (Technical Manager Sustainability, Non-accounting
24
25
26 AP - CA5).
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33 The recognition attributed to other stakeholders within assurance statements is relatively
34
35 minimal. Many Non-APs viewed prioritising reporting companies' interest as a way of
36
37 maintaining “assurer and customer” relationship so as to sustain the “support and brand
38
39 association” needed by both parties (Associate Director, NGO - S10). In a way, this
40
41 highlights the subjectivity of assurance statements that affects the value of assurance
42
43 engagements (Maroun, 2018) and to a large extent, undermines the efforts of individual
44
45 APs in favour of what is essentially a managerial perspective focused summary
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47 statement. This leads to a weaker establishment of consequential and procedural
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49 legitimacies with stakeholders for influence legitimacy with companies.
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56 *Management letters:* reporting companies are furnished with “behind the scenes”
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58 management letters, which comprises of a detailed overview of companies’
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3 performance (Global Manager, Non-accounting AP - CA7). Most APs were particularly
4
5 vocal about the recommendations in management letters claiming they could improve
6
7 processes of clients for better assurance processes. However, companies'
8
9 implementation of the recommendations are not adopted to the satisfaction of APs.
10
11 Some recommendations are included in published assurance statements, with no clarity
12
13 on how the recommendations were chosen as the focus is on "trying to make it (the
14
15 statement) more meaningful to the general reader" (Manager, Big4 - AA5).
16
17 Nevertheless, APs use the opportunity to direct companies' attention to relevant issues
18
19 by increasing the content of management letters which should be made publicly
20
21 available (dispositional legitimacy with stakeholders) to the reluctance of the others:
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29 *"There is a challenge in the type of document being made publicly available. An*
30
31 *AP will be concerned that their duty of care would be extended beyond*
32
33 *management for whom the report is prepared. If other people then rely on it and*
34
35 *do something with the company as a result of that, the report potentially exposes*
36
37 *the AP to more people, which means bigger risks. Clearly if you are telling*
38
39 *management that they have got lots of problems for whatever reasons, I don't*
40
41 *think management would want it in the public domain. Having said that though,*
42
43 *... management at the same time can't cover up if they have got a problem."*
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47 (Partner, Big4 - AA3)
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52 Most non-APs believe that only selected members within reporting companies have
53
54 access to management letters. Companies have a responsibility to communicate value of
55
56 assurance through management letters since they have "demonstrated publicly and
57
58 invested heavily in assurance engagements", otherwise a "layer of accountability is
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3 lost” (Sustainability Executive, Professional body - S7). Management letters are internal
4 documents, this allow APs to be honest and blunt. Altering the setting could result in a
5 different outcome as making management letters public will influence the content. The
6 overall view is that the absence of an external monitoring mechanism allows companies
7 to ignore management letters; thus, facilitating non-APs call to make all
8 recommendations publicly available. The emphasis on management letters limits
9 transparency of APs observations, findings and areas of concern to the outside world,
10 which are key sources of discourse that can lead to significant progress on material
11 issues (Junior *et al.*, 2014). External audiences lack access to information that is
12 necessary for making an informed legitimate judgement.
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29 *Future of sustainability assurance:* APs are seeking for the opportunity to assure more
30 content in favour of a wider and deeper sustainability assurance that should drive better
31 quality reporting of sustainability development issues within organisations.. Most Non-
32 APs support the need to broaden assurance scope but addressing the intention of
33 reporting companies and delivering assurance that has value are key issues of focus for
34 the future. The transparency within assurance statements is considered inadequate,
35 giving rise to the need to consistently demonstrate assurance contribution across the
36 value chain and in driving business performance. There is a need for stakeholders to
37 ~~find ways for~~ formally expressing their assurance perspectives, which will although,
38 ~~recognising that~~ “be helpful but difficult and complex” (Associate Director, NGO -
39 S10).
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56 There is no platform where APs can disseminate issues and challenges facing the
57 practice, this was viewed as a “great idea” that might potentially facilitate more
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2
3 convergence between accountant and non-accountant AP groups and their practices
4
5 (Manager, Big4 - AA4). Although, some APs considered their counterparts as
6
7 “competitors... since we provide a much better service than others” (Manager, Big4 -
8
9 AA6). Most Non-APs value APs’ communication for the purpose of collectively
10
11 improving the practice and market standing. A step towards developing SRA for the
12
13 future encouraged the exchange of views and experiences by APs. The role of APs puts
14
15 them in a unique position of access to corporate data and processes across industries.
16
17 Their interaction can help secure the future of SRA, which will be challenging if APs,
18
19 regardless of background and orientation, do not prioritise the practice:
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26 *“There is a lot of finger pointing that they are not giving enough... they are*
27 *accountants or consultants or technical verifiers... I don't know if it has to do*
28 *with getting business ... from my perspective, I see them as really important*
29 *players in the sustainability and climate change field, I would like to see more*
30 *science orientation and searching for the truth.”* (Technical Manager, NGO -
31
32 S3)
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42 APs’ freedom to explore and apply unique innovative approaches (AA4) has led to
43
44 gradual but noticeable development in the arena of SRA. One of the developmental
45
46 avenues is the emergence of regulation on SRA. However, the context, nature and scope
47
48 of regulatory systems on the plethora of sustainability reporting content with the
49
50 corresponding state of management systems maturity is an area of concern (Manager,
51
52 Consultant - S8). Interviewees anticipate the eventual emergence of regulation and
53
54 recent advances indicate the expectation will soon become a reality. Recognition of
55
56 collective long-term value beyond just monetary terms will facilitate progress. The costs
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3 and opportunities associated with sustainability issues are relevant for motivating
4
5 companies to address the challenges because they are inherently linked to the long-term
6
7 existence and survival of corporations (Adams, 2015). Reporting and assurance are
8
9 tools that the accounting profession can use to mitigate the consequences of weak
10
11 sustainability performance.
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14 15 16 **6. Discussion of findings** 17

18
19 The sections above provide evidence on the processes of SRA and efforts to sustain its
20
21 legitimacy, concomitant with external stakeholder reflection as audience (Suchman,
22
23 1995) on the state of such a non-traditional assurance practice. Findings provide some
24
25 support to Power's (2003) debate that audits are set within a context of uncontested
26
27 content as a way of advancing its legitimacy. However, the analysis based on views of
28
29 different stakeholder groups reveal the misgivings of audiences towards assurance
30
31 processes and diverging perspectives between APs and non-APs, which affects the
32
33 continuous construction of social consensus that is necessary for maintaining
34
35 legitimacy.
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41 SRA structures (Power, 2003) are implemented across processes that are consistent with
42
43 the audit quality framework (Knechel *et al.*, 2013). Accounting systems are scrutinised
44
45 based on an agreed upon scope with reporting companies to minimise liability exposure.
46
47 This, according to non-APs, leads to incommensurate outcomes from efforts employed
48
49 in structuring and delivering assurance engagements. APs regard the collection and
50
51 analysis of data to corroborate disclosure (DeFond and Zhang, 2014) as a minimum
52
53 assurance requirement within data accuracy orientation. Interview evidence in this
54
55 research show that improving the quality and legitimacy of processes is recognised as
56
57 essential to APs' contribution. Yet, Non-APs hold the view that these actions remain
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1
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3 below the expected level for sustaining legitimacy of SRA. Specifically, findings show
4 the difference of opinion on transparency between APs and Non-APs as reflected in the
5 predominant interactions between companies and APs is underlined by the primary
6 reliance on assurance statements for Non-APs judgement. This limits the ability to
7 capture the evolving and perceived values of Non-AP constituents thereby complicating
8 measures of sustaining moral legitimacy.
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22 Findings show that risk considerations (Maroun and Atkins, 2015) remain an internal
23 process that suppresses innovation in SRA. The challenge of monitoring assurance
24 continuity was visible with the changing focus of companies' sustainability issues
25 whose strategic links are difficult to establish. The failure to communicate risk
26 implications of changes and their effect in shaping SRA highlights the absence of robust
27 measures and/or ambiguous assessment of implications. Furthermore, APs expressed
28 limited acknowledgement of wider assurance responsibilities as a consequence of
29 commissioning assurance on the non-reporting party/public is subject to insufficient
30 attention and is reflected in the degree to which effects of risks affecting the parties are
31 considered. In line with Islam *et al.*₂ (2018), it is suggested that APs' inadequate
32 demonstration of rigorous scepticism or a clear intent to facilitate greater scrutiny
33 increases doubt on the efficiency of processes to deliver a more meaningful assurance.
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53 Despite the glaring imperfections of SRA (including content of assurance statements,
54 company influence in deciding scope, transparency, limited stakeholder consideration,
55 management letters), this research findings point towards an inherent belief in the
56 potential of providing some form of assurance on sustainability disclosure. This positive
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2
3 expectation, helps sustain legitimacy, if accompanied by initiatives that aim to facilitate
4
5 constructive engagements by accommodating voices towards greater accountability of
6
7 stakeholder interests. Such initiatives should grasp the dynamic intricacies of integrating
8
9 financial and non-financial strategies, disclosures, and assurance without blatant and
10
11 excessive favouritism towards financial capital providers (De Villiers and Sharma,
12
13 2020; Flower, 2015). Non-financial stakeholders contribution is a necessary component
14
15 of maintaining assurance, whose interests need apparent presence across the stages of
16
17 assurance provision and its legitimacy. The passing of the Corporate Sustainability
18
19 Reporting Directive (CSRD) by the European Parliament ~~provides some~~
20
21 ~~encouragement of~~ stakeholder influence ~~that can~~ further ~~advancing~~ focus on SRA.
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26 The demand for improving the state of SRA increasingly challenges normative financial
27
28 accounting boundaries, questioning the fluidity and dynamism of audit related practices
29
30 (Andon *et al.*, 2015). The multi-stakeholder perspective applied in this research
31
32 suggests broader utilisation of multi-disciplinary expertise is necessary not only in
33
34 design and application of engagements (Canning *et al.*, 2019) but also in processes of
35
36 guideline and regulatory development. The marginal consideration and contribution of
37
38 stakeholders in the SRA market limits attracting multi-disciplinary experts given that
39
40 stakeholders themselves are often generalised in the literature and pertinent discourse.
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46 **7. Concluding remarks**

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48 This paper examines how legitimacy is maintained at different stages of SRA processes.
49
50 Semi-structured interviews were conducted with a variety of stakeholders that are
51
52 instrumental to overall assurance due to their experience and knowledge of the practice
53
54 including assurance providers, consultants, members of professional accounting bodies
55
56 and NGOs. This research contributes to the sustainability assurance literature by
57
58 extending our understanding of assurance processes through adopting a holistic, multi-
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3 stakeholder perspective (Prinsloo and Maroun, 2021) and by applying the audit quality
4
5 framework as a novel method for examining the legitimacy of assurance provision
6
7 processes. The paper serves as a response for more engagement research in
8
9 sustainability accounting and accountability to expand understanding of its numerous
10
11 components (Edgley *et al.*, 2015; Adams, 2002), including back-stage practices
12
13 (Guenin-Paracini *et al.*, 2014; Islam *et al.*, 2018) in new audit spaces (Andon *et al.*,
14
15 2015).
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22 There are important implications from the findings of this research. Companies will
23
24 benefit from stakeholders' input on their acknowledgement and specification ~~of areas~~ of
25
26 concerns in relation to SRA. Findings show that non-APs recognise the value of SRA
27
28 yet simultaneously express apprehension on companies' involvement in deciding
29
30 assurance scope (See Table 2). These are useful points of considerations for companies
31
32 to ponder in designing, operating and reporting structures that feed into assurance
33
34 engagements. APs will be informed about the expectation on their application of
35
36 scepticism and rigour with a reminder that stakeholders, in addition to clients, are
37
38 essential in the overall value of SRA. Regulatory bodies and standard setters can utilise
39
40 the findings from this research to provide much needed clarity on aspects of SRA. In
41
42 particular, APs suitability, qualification, independence, scope and content of assurance
43
44 statements are areas that standards should address. The proposed ISSA5000 standard
45
46 should attempt to capture some of these issues. The exposure draft adopts a neutral
47
48 position that can be applied to all assurance engagements on sustainability disclosures
49
50 regardless of assurance provider orientation (IAASB, 2023). This responds to the
51
52 consistency concerns raised by interviewees which serves to enhance assurance
53
54 legitimacy. The extent to which other critical issues will be addressed by the finalised
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3 ISSA5000 standard remains uncertain is an area of further exploration. One area of
4 focus can be the application of ISSA5000 by non-accounting assurance providers. As
5
6 presented in this research, stakeholder voices are sources of important perspectives,
7
8 hence a timely implication is for stakeholders to participate in providing feedback and
9
10 insights to ISSA5000 as the standard and other standards are being developed and
11
12 updated.
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19 Implication from a theoretical perspective demonstrate the collective relevance of APs
20 and Non-APs perspectives in evaluating the status of pragmatic (provision of expected
21 value) and moral (practices that are right) legitimacies in SRA. The position of
22 legitimacy in SRA is sustained by audience perceptions through the quality of processes
23 applied in its delivery. As shown in Table 2, the presence of an assurance statement by
24 itself is becoming an inadequate criterion for universally securing moral and pragmatic
25 legitimacies with audiences. The variety of stakeholder expectations enable
26 opportunities for practical experimentation aimed at refining procedures that assist in
27 sustaining legitimacy. Recent regulatory developments in sustainability reporting at
28 regional (EU CSRD) and global (IFRS sustainability disclosure standard) level have
29 specifications for assurance will have a significant impact on sustainability assurance
30 provision. The EU CSRD and IFRS S1 call for clear, consistent and strategically
31 focused sustainability reporting by increased number of companies. The double
32 materiality basis of CSRD encourages robust company structures that assess impact
33 from activities which allows for better assurance engagements. This will eventually
34 assist in elevating assurance practice towards cognitive legitimacy (essential and
35 necessary practice). The impact of SRA on a cognitive level – general acceptability –
36 affect tenets of moral legitimacy, in particular, consequential legitimacy as audience's
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3 judgement of accomplishment will be viewed differently. Nevertheless, the regulatory
4 requirements, for reporting and assurance, will have to address specific elements of
5 assurance procedures such as determination of assurance scope and its consistency,
6 appointment of assurance providers, nature of external stakeholder engagement, and
7 approach to recommendations for sustained organisational legitimacy
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17 There are limitations to this research. The empirical evidence generated from the
18 perspectives of stakeholder groups for this research was confined to experiences and
19 practices in the United Kingdom. A consideration of other regional demographics
20 around the world and their associated social, political, economic and cultural factors
21 might result in different experiences that affect key stages of the assurance practice at
22 different localities. The emergence of standards on sustainability reporting and
23 assurance will influence the dynamic of the assurance market. Accounts on the actual
24 effects of the standards were not elicited. The paper explored a variety of SRA elements
25 – independence, scepticism, evidence, scope, guidelines – all of which could be
26 separately explored further in future studies. Future studies could also provide a more
27 fine-grained analysis of different stakeholder groups, exploring their variability in terms
28 of interests and attitudes towards SRA. Nonetheless, the multi-stakeholder approach
29 helped to uncover different legitimacy challenges of SRA along the stages of the audit
30 quality framework. It is hoped that the lessons from this research can inform the
31 development of SRA, as it continues to evolve and mature.
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23 Appendix

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Table 1 The interviewees

Codes	Type	Position	Duration (min)
CA1	Non-accounting Assurance Provider	Senior Partner	70
S1	Non-assurance Provider, NGO	Head of Sustainability	44
CA2	Non-accounting Assurance Provider	Director	74
AA1	Accounting Assurance Provider, Big4	Director	65
CA3	Non-accounting Assurance Provider	Knowledge Leader	37
S2	Non-assurance Provider, Professional body	Sustainability Advisor	79
CA4	Non-accounting Assurance Provider	Associate	35
S3	Non-assurance Provider, NGO	Technical Manager	60
CA5	Non-accounting Assurance Provider	Technical Manager Sustainability	60
S4	Non-assurance Provider, NGO	Accountability Advisor	31
AA2	Accounting Assurance Provider, Big4	Manager	98
S5	Non-assurance Provider, Consultant	Advisor	43
CA6	Non-accounting Assurance Provider	Head of Reporting & Assurance	69
S6	Non-assurance Provider, Professional body	Technical Manager Assurance	70
S7	Non-assurance Provider, Professional body	Sustainability Executive	47
S8	Non-assurance Provider, Consultant	Manager	62
AA3	Accounting Assurance Provider, Big4	Partner	94
S10	Non-assurance Provider, NGO	Associate Director	66
AA4	Accounting Assurance Provider, Big4	Manager	74
CA7	Non-accounting Assurance Provider	Global Manager	73
S11	Non-assurance Provider, Consultant	Head of Sustainability Strategy	44
AA5	Accounting Assurance Provider, Big4	Manager	50
AA6	Accounting Assurance Provider, Big4	Manager	42

Table 2 Views of interviewees

Emerg ed themes	Findings	Legitimacy perspectives:
<i>Underlying characteristics</i>		
Value and motivation for assurance	<ul style="list-style-type: none"> - A valued practice with unattained potential. - Value overwhelmingly towards corporate interests - The practice is accompanied by limited transparency 	Overall perspectives on value aligns with exchange (pragmatic) legitimacy but the state of transparency weakens procedural (moral) legitimacy with non-APs.
Knowledge and experience	<ul style="list-style-type: none"> - A tool for convincing reporting companies to allow independent scrutiny of sustainability performance. - Fosters competition that recognises early and late adopters of assurance - Aids preparedness and implementation - Helps detect problem areas and ensure consistency between needs and creating value - Facilitate faster assurance related review and decision making 	APs use experience and reputation to promote exchange (pragmatic) legitimacy. APs secure support of audiences (companies and stakeholders) by pursuing processes that facilitate moral (consequential, procedural) and pragmatic (exchange, influence) legitimacies.
Professional scepticism	<ul style="list-style-type: none"> - Companies decide assurance scope. - Seeking a clearer approach on the level of challenge APs apply as part of their professional duty in assurance processes 	Companies role in assurance scope infers influence (pragmatic) legitimacy. Stakeholder's concerns raise questions on the state of consequential (moral) legitimacy
Firm/team pressures	<ul style="list-style-type: none"> - Assurance firm policies, team dynamics and purpose of commissioning assurance influences the pressures faced, which are rather unique to individual engagements due to certain degree of application flexibility. - Assurors face high workload in providing assurance because of the 'busy season' and companies preference to publish reports around the same time. 	Presence of established AP qualities and features aids structural (moral) legitimacy.
<i>Application of assurance mechanisms</i>		
Use of guidelines	<ul style="list-style-type: none"> - The comparability, consistency and comfort from guidelines are offset by the perceived inadequacy of existing guidelines in fostering effective assurance. 	Guidelines promote procedural (moral) legitimacy. The varying focus of key guidelines threatens consequential (moral) legitimacy
Assurance evidence	<ul style="list-style-type: none"> - Sound approach for collecting internal and external evidence (interviews and document reviews) with certain factors affecting practical application such as – timely availability of evidence, coverage and representation especially for large companies 	Established evidence processes advances consequential and procedural (moral) legitimacies with caveats around dispositional (pragmatic) attributes
Stakeholder consideration	<ul style="list-style-type: none"> - Need for assurance that embodies greater stakeholder value. - Active stakeholder consideration emphasises stakeholder materiality that promotes stakeholder voice in assurance through the assessment of stakeholder views and stakeholder engagement performance - Very limited measures for effectively assessing stakeholder interests and their alignment with corporate interests. 	Non-APs perceptions shows the difficulty in securing consequential (moral) and dispositional (pragmatic) legitimacies due to their limited role in assurance. Active stakeholder consideration in assurance will enhance exchange and procedural legitimacies.

Negotiations in producing assurance	<ul style="list-style-type: none"> - Inactive stakeholder consideration relies on company's management of stakeholder relationships and decisions - APs constantly engage with reporting companies and internal technical review team towards satisfying certain defined criteria. - Stakeholders concern on the sufficiency of the negotiations to advance stakeholder interests and accountability due to the sole representation of internal actors (APs and reporting companies) in the process. - Interactions between companies and APs are unknown to non-APs making it very difficult to determine the degree of changes that have occurred over the course of the negotiations - The credibility and reliability of assurance are closely related to the acceptable level of risk associated with corporate operations.
Non-assurance services and market perceptions	<ul style="list-style-type: none"> - Two applications of independence. Assurance team members: 1) no involvement in sustainability performance and disclosure of companies; or 2) could contribute to sustainability performance of companies on the basis that providing advice has no impact on independence. - Mixed stakeholder views on assurance firms providing other services to clients. Advisory role could influence assurance processes - Stakeholders attach significant value on independence that supports separate roles for assurance and advice.

Pragmatic (exchange) legitimacy is developed through direct conversations, events and professional reports to persuade key audience of the benefits and value of SRA. Direct interactions exist mainly between APs and companies which assist in securing influence (pragmatic) legitimacy in the initial stages of the engagement (e.g., companies' role in deciding assurance scope during input stage). Negotiations with managers enable APs to show how their assurance expertise (e.g., identifying inadequacies in data systems during process and context stage) adds value towards meeting specific needs of companies to promote exchange (pragmatic) legitimacy. Negotiations facilitates exchange (pragmatic) and consequential (moral) legitimacy mainly with companies, less so with non-APs

APs are confident in sustaining dispositional (pragmatic) and procedural (moral) legitimacy with companies due to the nature of interaction. Non-APs are more circumspect of APs independence and advisory/assurance roles which increases the uncertainty around exchange (pragmatic) and consequential (moral) legitimacies.

Concluding assurance engagements

Assurance statements	<ul style="list-style-type: none"> - APs were unanimous in the need for more clarity and less cryptic messages in assurance statements. - According to stakeholders, assurance statements are limited in content which impedes effective decision making and are structured to emphasise more on the positive performance of companies. 	Non-APs rely on assurance statements (outcome stage) for judgments that facilitate procedural (moral) and consequential (moral) legitimacies. Limited content of assurance statements raises non-APs concerns for securing consequential (moral) legitimacy
Management letters	<ul style="list-style-type: none"> - APs appreciate the freedom to communicate all analysis and findings from the assurance to companies. There is obvious discontentment on companies' implementation of recommendations in management letters. - Stakeholders are interested in recommendations within management letters but APs are reluctant to make them publicly available. 	The confidential access enables APs to improve consequential (moral) legitimacy. Non-APs interest in management letters makes procedural and consequential (moral) legitimacy difficult to sustain.
Future of sustainability assurance	<ul style="list-style-type: none"> - APs called for greater rigour in sustainability disclosure and assurance, preceded by the implementation of effective sustainability strategy and systems within management functions of businesses. - Stakeholders argued for sustainability assurance processes and outcomes to encompass greater focus on value to stakeholders rather than the emphasis mainly on companies. 	APs seek the opportunity for wider assurance to maintain legitimacy. The recognition of stakeholder value in future assurance procedures serves to secure procedural and consequential (moral) legitimacy.

Appendix

Audit quality indicators

Categories	Description	Indicators
<i>Inputs</i>	Characteristics of the APs along with the knowledge and experience they possess to deliver high quality audit.	Motivation of APs; Professional scepticism; Expertise and knowledge capacity.
<i>Process</i>	Practical activities utilised in assurance engagements. Due to the nature of business setups, plans, structures and risks; significant variations are expected within the indicators of this group.	Extent of planning; Evidence collection and analysis; In-assurance judgements; Risk assessment; AP and client negotiations; Assurance review.
<i>Context</i>	Specific characteristics that reflect the uniqueness of assurance engagements.	Market perceptions of AP; Client-assurance provider relationship; Non-assurance dealings with client.
<i>Outcomes</i>	The most observable component of assurance engagements. Used for used judgement on the exercise.	Audit/assurance statement; Clarity of assurance statement content; Emphasis on valuable characteristics of assurance; Quality of initial report.

Adopted and refined from Knechel, Krishnan, Pevzner, Shefchik and Velury (2013). In this paper, process and context factors were merged as their indicators interact closely.

Interview questions

Below is a general framing of the questions posed to interviewees.

Assurance providers (APs)	Non-Assurance Providers (NAPs)
How long have you been an assurance provider?	How often do you read assurance statements?
What is the purpose of assurance SRA?	What is the value of SRA?
What are the steps taken to encourage and promote SRA?	What should be the motive behind companies decision to assure SRs?
Describe the nature of engagement with reporting companies in the process of assurance	How do assurance providers and their roles influence SRA opinion?
What mechanisms promote stakeholder consideration and involvement?	How important is it to adopt mechanisms that promote stakeholder values in SRA?
What is the future of SRA?	What measures should be adopted to improve SRA?