

**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

**UNCTAD-ISAR – WBCSD Webinar
Assurance on sustainability reports: current practices and
challenges**

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Sustainability assurance: standards, criteria, challenges. View from Russia.

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Our experience is the basis for analysis

Experience of FBK Grant Thornton experts in sustainability assurance for 2008 — 2020



Sustainability reporting frameworks:

- GRI G3/3.1 - 13 reports
- GRI G4 - 20 reports
- GRI standards - 33 reports
- International Integrated Reporting Framework - 24 reports
- AA 1000 Accountability Principles - 35 reports
- Other criteria – 19 reports

Sustainability assurance frameworks:

- International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information – 66 reports
- AA1000 Assurance Standard (2008) – 35 reports

Two main characteristic of sustainability assurance engagement



Criteria - «The benchmarks used to measure or evaluate the underlying subject matter. The «applicable criteria» are the criteria used for the particular engagement» (ISAE 3000).



Assurance processing standards - normative documents that regulate requirements for the procedure for performing, registering and evaluating the quality of assurance, as well as for the procedure for preparing assurance practitioners and evaluating their qualifications.

Reporting and other frameworks - sources of assurance criteria



Two main sustainability assurance processing standards



ISAE3000 is a standard for performing any type of assurance other than financial audits and reviews of historical financial information. The subject of certification is agreed between the assurance practitioner and the client and may include: sustainability reports, activities on aspects of ESG, other activities, systems and processes (internal control, IT systems (for example, checking their effectiveness)), etc.



The AA1000 Assurance Standard

Current version AA1000 AS (2008)

Upcoming version (Draft for public consultation AA1000AS, 2019) is a standard for assurance on sustainability information of an organisation of any type, based on the effective application of the AA1000 AccountAbility Principles (AA1000AP, 2018). Beyond the remit of data verification, the AA1000AS (2019) focuses on the processes required for responsible and complete assurance engagements, based on the AA1000AP (2018) principles of ***Inclusivity, Materiality, Responsiveness and Impact.***



ISAE3000 and AA1000 AS are technically complementary and can be applied together in an assurance process. There is no underlying methodological conflict between the two standards.

ISAE 3000 vs AA1000 AS

	ISAE3000 – 2015	AA1000AS - 2008
Recent Release	<ul style="list-style-type: none"> Dec 2013 (for use after Dec 15, 2015) 	<ul style="list-style-type: none"> 2008 New release in 2020?
Fee for usage	<ul style="list-style-type: none"> No fee 	<ul style="list-style-type: none"> Royalty payment by assurance provider
Mandatory	<ul style="list-style-type: none"> Mandatory use for accounting firms 	<ul style="list-style-type: none"> No
Target users	<ul style="list-style-type: none"> All assurance practitioners - members of a firm subject to ISQC 1 (Internal Standard on Quality Control) or more demanding standards 	<ul style="list-style-type: none"> All licensed sustainability assurance practitioners
Criteria	<ul style="list-style-type: none"> Any «applicable criteria» used for the particular engagement 	<ul style="list-style-type: none"> Adherence to Accountability Principles Quality of sustainability disclosure («suitable criteria»)
Risk/Levels of Assurance	<ul style="list-style-type: none"> Reasonable (lower risk) or Limited (higher risk) 	<ul style="list-style-type: none"> High assurance (lower risk) or Moderate assurance (higher risk)
Quality Control	<ul style="list-style-type: none"> Practitioner must be a member of a firm that is subject to ISQC 1 or stricter 	<ul style="list-style-type: none"> No formal definition

Shares of engagements with usage of assurance standards ISAE 3000 and AA1000AS



Source: GRI's Sustainability Disclosure Database

Sustainability assurance in Russian Federation – reports 2018

Sustainability reports in National Register of corporate non-financial reports of Russian Union of Industrialists and Entrepreneurs (RSPP)		82
Sustainability reports (assured)		26 (31,7%)
Including:		
Assurance processing standard used	ISAE 3000	26
	AA1000 AS (2008)	8
	Both	8
Risk	Higher	0
	Lower	26
Assurance provider	Accounting firm	26
	Other	0
Criteria	GRI	22
	AA1000 APS (2008)	8
	IR framework	6
	A few selected indicators	4

Challenges for sustainability assurance (1)

1. Significant part of not assured reports, that declare compliance with the stated criteria (in particular, GRI Standards), contains material deviations from them. At the same time, the percentage of reports that have passed professional assurance is only about 30%.

Suggestions/comments: To increase the importance of assurance as a factor in evaluating the quality of reports in the requirements for listing on stock exchanges, calculations of sustainable development ratings, and competitions for non-financial reports.



Challenges for sustainability assurance (2)

2. The Concept for the development of public non-financial reporting in the Russian Federation, adopted in 2017, provides for a significant increase in the number of published reports in the medium term. In this regard, we can expect an increase in demand for confirmation services. However, no more than 4-5 audit firms in the country have the necessary experience and specialists to provide such services.

Suggestions/comments: To make recommendations for assurance Clients to consider the following, when choosing an assurance provider:



In the Russian Federation, since 01.01.2017, only auditors and audit organizations in accordance with the legislation of the country can perform assurance using ISAE 3000



Assurance provider's affiliation to major international audit and consulting networks (ranking of International Accounting Bulletin)



The assurance provider has a license to perform verification in accordance with AA1000AS 2008



The assurance provider has specialists certified for such service



The assurance provider has specialists who have completed certified training on GRI Standards

Challenges for sustainability assurance (3,4)

3. Assurance level: reasonable or limited?

Suggestions/comments: Experience shows that the vast majority of assurance are conducted with a limited level of assurance. At the current level of development of systems and processes for preparing non-financial reports, it is practically difficult to perform assurance with a reasonable level and it is not feasible economically

4. Is an assurance of several separate indicators in sustainability report a promising direction for the development of the practice of the assurance?

Suggestions/comments: Advantage-reduced costs. Disadvantage – recognition, that the report was assured, without confirming compliance with the declared internationally recognized standards of reporting.



Challenges for sustainability assurance (5)

5. Insufficient attention of internal audit services to the quality of non-financial reporting.

Suggestions/comments: Our experience shows that internal auditors do not pay attention to non-financial reporting that is commensurate with their attention to financial reporting. In this regard, external assurance providers can't use the results of their work.

“ At the same time, IIA draws the attention of internal auditors to this area of activity:
The IIA believes internal audit can play at least four critical roles as it relates to supporting organizational governance over nonfinancial reporting ”



Being a change agent for integrated thinking in the organization, a necessary precursor to nonfinancial reporting



Providing assurance on the accuracy and reliability of the information being reported, both internally and externally as appropriate



Participating in the project team, to provide guidance to implementation plans and performance



Partnering with external assurance providers to ensure that the engagement is performed efficiently, reliably, and cost-effectively

Source IIA: Issue 2. GLOBAL PERSPECTIVES AND INSIGHTS:
Beyond the Numbers – Internal Audit's Role in Nonfinancial Reporting

Challenges for sustainability assurance (6)

6. Assurance of annual reports – is it real?

Suggestions/comments: Preparation of annual reports is mandatory for joint-stock companies in the Russian Federation. However, due to the absence of legal requirements, they are usually not subject to assurance. At the same time, the importance of non-financial information placed in them for shareholders increases every year. At the same time, there is a practice of preparing and confirming combined annual reports, which are annual reports under the legislation of the Russian Federation and prepared in accordance with GRI standards. Perhaps this experience opens the door to expanding the practice of assurance of annual reports.



Challenges for sustainability assurance (7)

7. Assurance of Web- sustainability reports

Traditional practices of assurance presupposes the existence of a hard copy or file that contains the report in full. However, interactive web-reports are becoming more and more common. This also has an impact on changes in the requirements of the reporting standards. For example, GRI Standards allow multiple information blocks from different locations to be included in the report. They should be connected only through the GRI content index.

This causes difficulties, both in terms of documenting the object of assurance, and in terms of excluding the possibility of making changes to the web-report later.

Suggestions/comments: The audit standards need to be updated to take this situation into account.



Thank you for your attention!

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