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**PROFESSIONAL ASSOCIATIONS AT WORK IN THE
STANDARD SETTING SPACE -
LEGITIMISING THE PROFESSION'S APPROACH TO SUSTAINABILITY
ASSURANCE**

Please do not cite – Work in Progress

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**Professional associations at work in the standard setting space -
Legitimising the profession's approach to sustainability assurance**

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ABSTRACT

The purpose of this paper is to determine the role of IAASB and FEE in legitimising the accountancy profession's approach to sustainability assurance in the standard setting space. Adopting a decentred regulatory perspective, theory of professions and Power's "Making things auditable", a framework is developed utilising the regulatory space device to capture and analyse the work of these professional associations. An analysis of archival documents from 1997-2010 was conducted to provide insights on activities, debates and negotiations attempting to legitimise the profession's knowledge base and create environments that are supportive of this knowledge base. Findings reveal IAASB's struggle with the conceptual underpinning of "assurance" and fragile attempts to subjugate intra-professional differences to create an accepted knowledge base. Although IAASB appears to have a passive role indicated by its reluctance to set sustainability assurance standards; its formation of SEAP and task force to comment on NIVRA's draft standard was instrumental in defining the legitimate boundaries of assurance services within the profession. FEE, took on a more active role in the space to legitimise the profession knowledge base by extending the financial auditing and assurance concepts to the sustainability domain and called for cooperative efforts with non-accountant standard setters to develop standards in this area. Through input, throughput, output and linkage legitimacy strategies, it attempted to appeal to logics of its respective audiences to create environments that are supportive of the professions knowledge base. It also defended the boundaries of assurance and key terminology held by the profession when non-accountants impinge on the profession's space and vocabulary. Despite these efforts, the unstable system of knowledge within the profession, fragmentation of knowledge among different actors, patterns of influence and shifting logics created challenges to orchestrate a coherent response from the profession.

Keywords: Legitimacy, regulatory space, sustainability assurance, standard setting, professional associations

INTRODUCTION

Research has attributed the success of the accountancy profession to their ability, if not, willingness to translate the concepts and terminology underpinning the financial audit to non-financial assurance (Power, 1997). In the area of environmental accounting, auditing and reporting, the Federation of European Accountants' (FEE) embarked on early efforts for professionalization and quests for professional jurisdiction in this area at the European level in the mid-90s (Collison and Slomp, 2000). The ubiquitous nature and different conceptions of "sustainability" (O'Dwyer, 2005; Bebbington et al, 1996) and "assurance" (Tan-Sonnerfeldt, 2011) has allowed the presence of a variety of assurance providers including professional accounting firms, quality and corporate social responsibility assurance consultancy firms, civil society assurers and Non-governmental organisations to provide a variety of assurance services (Zadek and Raynard, 2004). Assurance on sustainability reports is an area that is largely voluntary; reporting organisations have the choice as to whether to engage assurance services as well as the type of provider. The accountancy profession does not possess sole jurisdiction but 71% of this market in 2011 (KPMG, 2011).

In light of the myriad of assurance providers, standards have been developed by both the accountancy profession and non-accountancy organisations. Important international standards include the International Standard on Assurance Engagements (ISAE3000), a generic assurance standard by the International Auditing and Assurance Standards Board (IAASB), and AA1000 Assurance Standard (AA1000AS) by AccountAbility. National standards include RevR6 by Far in Sweden, 3410N by The Netherlands Institute of Chartered Accountants (NBA)ⁱ among others based on ISAE3000.ⁱⁱ These standard setting initiatives have been keenly supported by various parties including the Federation of European Accountants (FEE) (FEE 2004, p.32) and the Global Reporting Initiative (GRI) (GRI 2002, p.17-18). The increasing involvement of the profession in this area put the development of sustainability assurance standards on the strategy and work program of IFAC in 2009-2011 (IFAC 2008, p.10-11). It was however postponed due to problems related to the criteria, the development of the International Integrated Reporting Framework (IIRF) and different demands on assurance by different jurisdictions (IAASB, 2011, p.36-37).

The purpose of this study is provide an analysis of the role played by IAASB and FEE, the two key associations representing the accountancy profession at the international and European levels to legitimise the profession's approach to sustainability assurance services in the context where sustainability assurance standards are developing at the international level. This study has been motivated by the following reasons. First, research on professional associations indicates their importance as regulatory agents (Greenwood et al, 2002). As a profession is not a homogeneous community, at moments of change, professional associations form arenas where change is debated and endorsed. Here, change is legitimised, competing interest reconciled and subjugated; intra-professional agreement constructed and maintained; appropriate practice shaped, redefined and monitored (ibid). The management of differences within the profession allows a collective representation of the profession to others which puts the profession in a better position to successfully claim jurisdiction (MacDonald, 1995; Shafer and Gendron, 2005). The IAASB and FEE plays a potentially important role in shaping the profession's formal body of knowledge, legitimising it within the profession and using this base in its quest of jurisdiction.

Second, recent papers published on global audit regulation highlighted the shift in locus of setting auditing standards from national to a global level, involving new actors other than state and professional organisations (Loft et al, 2006). IFAC has emerged as a global organisation

setting International Standards on Auditing and managed to anchor a role, not only in the new financial architecture but also European Union (ibid).ⁱⁱⁱ However, little is known of their role in setting standards that are not within their core competence. The role of standard setters has been put forth as instrumental to the development of the nature and legitimacy of sustainability assurance practice (O'Dwyer, 2011). With the exception of Collison and Slomp's study of the role FEE and the environmental accounting, auditing and reporting, the analysis of the role IAASB and FEE between mid-1990s to the present remain a gap in literature in this field.

Research has focused on role of practitioners legitimising assurance services (O'Dwyer et al, 2011; O'Dwyer, 2011). Despite the availability of standards, a visit to the "back stage" of sustainability assurance practice revealed the fragility of the nature of attempts by assurance practitioners in making sustainability reports auditable (O'Dwyer, 2011). The studies revealed a lack of guidance provided by assurance standards, unstable practical knowledge structures, inherent difficulties dealing with the more ambiguous qualitative nature of data, misfit with "methodological shells" of the financial audit and the failure to create auditable environments suited to financial audit techniques (ibid).

The purpose of the analysis is not to capture all activities in standard setting space, but to provide insights as to struggles, debates and negotiations the FEE and IAASB engages in over time in their attempt to legitimise an institutionally accepted knowledge base and create of environments which are receptive to this knowledge (Power, 1996). Although the focus is placed on FEE and IAASB, the study also highlights the patterns of influence among different institutions in standard setting and how significant issues are constructed, negotiated and settled by actors in the standard setting space.

THEORETICAL FRAMEWORK

Standard setting space

This paper draws on the elements of Julia Black's decentred view of regulation to understand the complexities of the standard setting space where the locus of regulation is not dominated by the state (Black, 2001 & 2002), or in this case, an accepted standard setting authority. Activities relating to standard setting are undertaken by different polymorphous actors (i.e., non-state actors organised in different forms and constitutions) (Peters et al, 2009). These actors, due to the different interest they represent and different philosophical groundings, have different ideas of what they intend to achieve with standard setting, and the powers or resources they have to achieve them (Tan-Sonnerfeldt, 2011). Without a hierarchical structure or central authority body to coordinate these efforts, standards are set in 'many rooms' grounded on different objectives and can prescribe different courses of action to users (Black, 2001; ibid). The complexity and dynamic nature of problems, in light of how contemporary society operates makes it difficult for one single actor to be equipped with the knowledge, information and instruments required to set standards. Knowledge, power and control are fragmented and dispersed between actors in the space (Black, 2001).

The complexity of standard setting in a decentred standard setting regime, suggests a need for a "device" to analyse the inner workings and the standard setting context. The regulatory space metaphor is used to analyse the context within which IAASB and FEE adopt strategies in their attempt to legitimise their role and knowledge structures through activities in the space. Legitimacy is sought both within the profession and to present a collective front to relevant audiences to amass support for their claims. This space depicts the 'place' where

standard setting occurs (Hancher and Moran, 1989, Young 1994). In this context, it is a particularly useful to enhance our understanding of the nature of the shared space, power and influences (Hancher and Moran 1989). This includes the terms on which actors can enter into the space (rules of admission or exclusion); the relationships between actors and their influence on the regulatory issues negotiated. The image of space connotes the idea that there is a gap available for occupation and it may be unevenly divided between different participants. Actors have the ability to construct not just themselves, but also issues in and out of the space, defining and redefining the boundaries of a particular service.

The profession in the standard setting space

The fragmented and contested standard setting space is influenced by multiple and conflicting logics. Competing logics result in on-going contestation, change (Djelic and Quack, 2004); and different sources of resistance (Jeppesen, 2010) which could bring about co-evolution and interconnection between different professions. The term legitimacy has been used in several distinct literatures to address normative and cognitive forces that empower, construct and constraints organizational actors (see Suchman, 1995; Baldwin & Cave, 1999; Peters 2009). In decentred regulation, the acceptance of standards, standard setters and other participants in the space is based on “*freely exercised reason and collective decisions reached through rational reasoning or deliberations*” (Boli, 1999, p. 273; Tamm-Hallström, 2004)^{iv}. Institutional logic of the space determines criteria for legitimacy, in the continuous process of standard setting (Young 94, Jeppesen 2010); legitimacy may be acquired, maintained and lost (need repair) and regained (Suchman 1995). Understanding the institutional logic contributes to understanding initiatives, actions and responses of actors in the space.

The analysis of the role of IAASB and FEE has to be studied in the context of the space. Knowledge is paramount in professionalization (Larson, 1977) and legitimising jurisdictional claim (Abbott, 1988). This study borrows the ideas of Power’s 1996 work on “Making things auditable” to analyse the role of professional associations attempt to negotiate a legitimate and institutionally acceptable knowledge base and to create (auditable) environments receptive to this knowledge base. Power used the term “auditable environments” referring to institutionalisation of routines and practices. This paper has refers to institutionalisation of certain ideals among the actors in the standard setting space.

Knowledge of the profession comprises knowledge used by members in practice and the profession’s formal body of knowledge (Abbott, 1988; Shafer, 2005). The latter abstract knowledge can be codified into standards representing one of the key elements of official knowledge structures of the audit (Power, 1996). A profession seeks to codify professional knowledge sufficient to educate and standardise members but vague enough to avoid other groups from gaining access to the knowledge (Abbott, 88). To gain, attack and defend jurisdiction, a profession seeks formal control over key definitions, language in official documents, conferences and committees describing the techniques and work performed. This control would enable the profession to redefine societal problems, develop services and practical techniques to address the problems and defend jurisdictions against competing professions (Abbott, 88). As such, one profession cannot be studied in isolation, the role of the organisations representing accountants has to be analysed within the space which standards are set.

To create environments receptive to the knowledge base of the profession, research on standard setters acquaints us with the knowledge that legitimacy is derived through sufficient authority (clear mandate, sufficient expertise and independence); substantive and procedural

due process. Legitimacy in the space can hence be analysed in terms of input, throughput, output and linkage legitimacy (Risse & Kleine, 2007, Quack, 2010). Input legitimacy stemming from models of representative democracy takes into account the participatory quality of parties involved in standard setting. It points to the consideration of how legitimacy can be enhanced through the composition of participants in the standard setting process; the extent decisions are based on expert knowledge, technical agreement and consensus, and the extent of resource symmetry between different participants. Throughput legitimacy focuses on the legality, transparency and quality of the standard setting process (Risse & Kleine, 2007). It provides a basis for analysing if the standard setting activities have been legitimately drawn up and implemented. Evaluation can be based on whether the agenda setting and voting procedures are transparent, and there are opportunities for different actors to engage in dialogues. Output legitimacy refers to the effectiveness and efficiency solutions to problems through the standards. Linkage legitimacy is legitimacy based on organisation's linkages with external social actors (Baum & Oliver, 1991; Bitektine, 2011). In the standard setting space, actors legitimise their role and knowledge structures through constructing and linking problems, actions and solutions within the space (Young, 1994). Just as important is how legitimate arrangements can be "de-legitimized" through complex interactions in the space.

Analysis on the role of IAASB and FEE to legitimise the profession's approach to sustainability assurance services involves: how IAASB and FEE construct legitimacy of their role in the standard setting space; how legitimacy is secured through negotiations of the constituents and codification of knowledge within the profession; and finally how this knowledge is put forth to other actors in the space. The three parts do not occur sequentially but rather simultaneously.

METHOD

This study analyses the activities of the IAASB and FEE from the mid-1990s to 2010 in the standard setting space. Documents serve as the main source of data to perform this analysis. Documents were obtained from the following institutions: IFAC, IAASB, FEE, GRI, AccountAbility, and NBA. Crucial to understanding the role of IAASB and FEE are the contents of documents which provide insights on the issues within the profession and the collective representation it seeks to present. Documentation reflects human cognition coded into text, which informs the researcher of the cognitive schemas of groups at study. This enables the researcher to seek out a paper / and electronic trail that informs about the narratives, tensions, negotiations and learning that occur within and between different actors. A longitudinal analysis of documents allows the patterns of interactions and influences to be identified, coded and traced. In this case, documents are used to identify the issues, objectives and activities of IAASB and FEE to seek legitimacy within and between professions as well as patterns of influence in the standard setting space.

Documents were collected and divided into three time periods: 1995 to 2002 when there were no subject-specific sustainability assurance standards; 2003 to 2005 when AccountAbility, a non-accounting body staked claims in the space by publishing AA1000AS and 2006 to 2010 when IAASB made ISAE3000 obligatory to members of the profession conducting sustainability assurance services. The corpus of documents includes unsolicited electronic and physical data that are contained in open archives or are publicly available published in the course of running the institutions, those with a specific communicative intent and standards. Examples of the former include minutes of meetings, working papers, task force or committee reports, annual reports and websites. These documents serve as a record of the decisions taken

and a log describing the goals, processes and procedures of each of these actors. Documents with a communicative intent include: invitations to comment on exposure drafts, standards and explanatory memorandums, press releases, transcripts of speeches, discussion and position papers among others. These documents in particular, provide a dynamic view of the interactions that take place in the standard setting space. The analysis of the contents of correspondence between different actors, allows the capture of the intentions of actors issuing the documents and the reception of these documents by other parties. Standards capture the codified “formal knowledge” of the profession.

During the course of collecting data, a number of difficulties were encountered. Difficulties include, obtaining web pages and on-line documents that had been removed and were not retrievable from web archives; access to private archives and documents published in other languages. The transparency of actors has not been consistent between organisations or within organisations over time. For example, when the IAPC became the IAASB in 2002, minutes of meetings and working documents from 2002 were made available publicly. From 2005, audio recordings of the meetings became accessible through the website which further enhanced the availability and quality of data used collected to perform the analysis. Audio recordings grant interested parties’ access to the verbal interaction and negotiations by various parties that the minutes of the meetings fail to capture. The quality of evidence collected through documents in this thesis therefore, vary in quality. The reliability of the data is mitigated through the collection of corroborative evidence. Such evidence is collected primarily using two ways. Documents published by different organisations and secondary data on a particular event are collected for the purpose of reliability checks.

FINDINGS

Phase 1 -Mid-1990s to 2002-defining the boundaries of assurance

Fragmented development of the assurance concept

The assurance concept is an artificial construct framed in the mid-1990s by two standard setting bodies, the American Institute of Certified Public Accountants (AICPA) and the IAASB (known as the IAPC then) on separate initiatives. Although relevant to this paper are the efforts taken by the latter body, it is important to note the differences in the conceptual underpinnings of assurance, one of the profession’s key terminology. In North America, the Special Committee on Assurance Services (SCAS), developed a strategic plan to expand the concept of assurance services through reconceiving the attest model. They expounded arguments to the profession encouraging them to break out of their traditional financial auditing along three dimensions: the customers; the way technologies are employed and services. This allowed potential extension of the financial to non-financial engagements; attestations to systems and the audit objectivity of improving reliability to relevance of an engagement. Assurance services were defined to be “*any independent professional services that improve the quality of information or its context, for decision makers*” (AICPA, 1997). The committee regarded the written assurance report as “*unnecessarily constricting*”, implying that the service itself rather than the report provided value.

The IAASB did not share AICPA’s definition of assurance nor attempted to engage in similar market creation strategies. Rather, it presented its view that the accounting firms in practice, driven by market demand and / legislation were already providing services to enhance credibility of information. Up to 1999, the term “reporting service engagements” was preferred to assurance in recognition that the term assurance was ambiguous and had no

commonly accepted definition. The objective of a reporting service engagement is stated as: “... to enable the professional accountant to report on the credibility of information, referred to as subject matter that is the responsibility of another party, by evaluating the information against identified suitable criteria and expressing a conclusion about that subject matter.” (IAPC, 1997). Although both approaches have in common, an extension of the audit (or attest) function, IAASB’s narrower and more ‘financial audit or audit-related’ way of defining assurance distinguished, its approach from the AICPA indicating difference in the viewpoints of two dominant accountancy standard setter. As such, the IAASB’s conception of assurance precludes some that of the new assurance services that were developed by the AICPA.

Legitimising assurance and knowledge structures through setting standards

In 1997, IFAC described its role as a world-wide organization for the accountancy profession with the mission to develop and enhance the profession and enable it to provide high quality services in the public interest. The IAPC was one of the seven committees of IFAC whose role was to “improve the degree of uniformity of auditing practices and related services throughout the world by issuing pronouncements on a variety of audit and attest functions and promoting their acceptance worldwide” (IFAC, 1997). Standards were drafted with input from IFAC member bodies and a consultative group that represented regulators, preparers, and users of financial statements. These parties form the immediate stakeholder of the IAPC (ibid).

To support a need for assurance, the IAPC questioned the quality of decisions using unaudited data, emphasizing problems that supported the need for the institutionalized financial audit and review (IAPC 1997, Preface). This construction enabled the IAASB to stress the normative broad claims of an audit, and offer as a solution “assurance” that could enhance confidence and reliability of a subject matter. By stressing similarities with the need for financial audits, and the importance of reliability and relevance; it built on the “taken for granted” fact that independent verification of information and system operations enhances the credibility of information and thereby legitimising the financial audit methodology. This allowed the IAASB to further legitimized the accountancy profession as “the choice provider” of these services stressing that attributes and skills the profession possessed due to its audit methodology, standards, evidence gathering techniques and evaluation skills that could be extended to other information. Other assurance providers were “delegitimised” claiming the lack of attributes such as objectivity, independence and skills key to the profession (IAPC 1997, ED1).

The IAASB appealed to its key audience stressing moral and pragmatic attributes stressing that a standard at institutional level would enable consistency in performance of assurance engagements by the profession globally; and establish the accountancy profession as primary providers of such services (IAPC, 1997). The first exposure draft on assurance standards provided a definition of “reporting service engagements” built on the seven elements of assurance presented in a diagram illustrating the process and relationship between the elements. The assurance concept had been constructed through decontextualizing knowledge from the financial audit domain to a global abstract level which could then be re-embedded into other subject matter retaining terminology used in financial audits. This is evident from its initial draft of having an umbrella framework and general principles in order to guide assurance on reporting service engagements (including the financial audit) and IAASB’s constant struggle to position the financial audit within the more general assurance framework. As guidance had been built on the financial audit model (and included within its scope the financial audit) it adopted the structure and vocabulary used in the financial audit.

Intra-professional subjugation through the building blocks of assurance

The IAPC serving as an arena to bring together and codify the knowledge of the profession into a standard proved to be a struggle. The framing of the assurance concept and the development standards on assurance occurred most intensively from 1997 to 2003. The drafting process of International Framework on Assurance Engagements and ISAE3000 spanned over 6 years and had been exposed for comments three times before the standard was approved, and made obligatory to the members of IFAC in 2005. Difficulties to set the standard were caused by the weak conceptual underpinning of assurance (IFAC, 2002). In the first two exposure drafts, the profession had been divided as to the key elements of assurance, namely: prerequisites of accepting an engagement, the determinants of assurance and the related level as well as the reporting of assurance engagements. It was not till 2002, after a suggestion was made by the IAASB CAG that a task force was formed to explicitly lay down the “building blocks” of assurance where conscious choices of certain terminology and phrases that imparted particular meaning were made as a common ground to subjugate differences.

The two competing models on the determination of assurance: the work effort model, predominantly held by the North American members of the profession, and the interaction of variables (multiple determinants) model, by members from the UK created tensions within the profession (IFAC, 2002; Hassan et al 2003). Jurisdictions that adopt the work effort model have as a prerequisite for accepting an assurance engagement, that the subject matter and criteria be suitable or appropriate. The level of assurance of an accepted engagement is thus depends on users’ needs and the nature, timing and extent of procedures performed i.e. the work effort. Jurisdictions that adopt the interaction of variables approach requires the profession use their judgment on the level of assurance based on the inter-relationship between the subject matter, criteria, procedures adopted to gather evidence and the quantity and quality of appropriate evidence. The differences between the two methodologies (in its pure state) have implications for work to be carried out to determine level of assurance and acceptance of an engagement. For example in the work effort model, an engagement that is rejected for a “high level” of assurance cannot be accepted and performed at a “moderate level” of assurance. On the other hand the subject matter and criteria form part of the variables that determine level of assurance; these engagements may be acceptable offering a lower level of assurance.

The profession could not agree on how the levels of assurance were to be communicated. Although respondents indicated support of the concept of continuum of assurance due to its flexibility, respondents voiced difficulties in its application. Concerned were raised that a spectrum reduced comparability, increased litigation risk and motivated conservative reporting which, is contrary to both the profession and in public interest. In the second exposure draft, IAASB retained the continuum of assurance concept but introduced two distinct levels of assurance: high (audit) and moderate (review) determined by the interaction of variables. The third issue concerned output or reporting of the engagement. The draft standard however maintained the importance of flexibility and did not impose a standardized form of reporting.

A consortium of academics was commissioned by IAASB in 2002 “discounted” the pure work effort model. It identified three variables: subject matter, specific criteria and work effort that interacted to determine a given level of assurance (IFAC 2002). In contrast to the pure interaction of variables view, quantity and quality of evidence was regarded as a function of the three aforementioned variables rather than an independent variable in this regard. The survey also found other factors that affected the level of assurance including: user needs,

litigation risk, availability of standards, distribution of reports, regulatory requirements, adequacy of fees and industry practice. In light of the above, the consortium of academics argued that each of the three determinants had to be properly addressed in the assurance report to make enable effective communication between the provider and users

Although the study was published in IAASB's website and highlighted in the IAASB Technical Director's report, to the author's knowledge, no direct references had been made to this study in publicly available standard setting documents. To subjugate intra-professional differences, the task force introduced Principle 6 (of the building blocks) which accepted the work effort, the interaction of variables as well as other existing models had their own conceptual justification. It made a conscious attempt to avoid specific references to the names of the models to prevent "*blind support*". The task force incorporated elements from both models in a model which it thought was not necessary to name. Principles 8 and 9 illustrated that assurance incorporated elements of both the "work effort" and "interaction of variables" models and equated work effort i.e. the level of evidence gathering procedures, with a specific form of expression used in the providers' conclusion (Principle 8). Relevant characteristics of the subject matter, as appropriate to the circumstances had to be described in the assurance report which readers could take into account in their decision making based on "assured information" (Principle 9).

The phrase "level of assurance" was avoided to guard against over emphasis of the importance of quantitative aspects of assurance and oversimplification of the complex relationship between the different variables. Instead, the terminology "two distinct levels of evidence gathering procedures" was utilized, namely, "audit-level" and "review-level" (Principle 7). For example, an "audit-type" engagement requires detailed procedures to be carried out and the assurance provider provides a positive expression of assurance conveying reasonable assurance. Comparatively, a "review-type" engagement requires ordinary inquiry and analytical procedures which leads to a negatively phrased conclusion conveying limited assurance. This addressed the dilemma faced by the board of whether to allow both positive and negative assurance for moderate assurance engagements (IAASB meeting 2002). Furthermore, high and moderate assurance will be replaced by reasonable and limited assurance (Principle 8).

Positioning non-financial assurance away from the financial audit

The lack of agreement of "moderate assurance" and the loss of confidence in the financial audit resulting in the developments in the regulatory environment created a need for a clearer distinction between the financial audit and assurance services on other subject matter. In 2003, IAASB structured the ISAs and ISAEs as two separate sets of standards containing the general principles of assurance which are to be read in conjunction with the International framework on assurance engagements. Hence, even though assurance services (financial and non-financial) adopt common terminology, the developments in financial auditing are not reflected in engagements performed according to ISAE3000 leading to inconsistencies within the profession. On the other hand, this separation allows the IAASB a freer rein to make decisions on the general principles pertaining to non-financial assurance. The evolving assurance concept, the positioning away from the financial audit creates an opportunity for the accountancy profession to interpret ISAE3000 more flexibly allowing a more dynamic response to other actors in the standard setting space for sustainability assurance.

Despite stakeholders call for more detailed guidance on the concept of assurance engagement, scope of ISAE3000, key elements e.g. materiality, work to be performed for the lower level of assurance and subject specific assurance standards, IAASB maintained that a generic standard

was essential to fill the void that existed in absence of subject specific evolving assurance engagements. It stressed moral and pragmatic attributes of “*appropriate to protect public interest*” and “*helpful to practitioners*” (IAASB 2003, meeting). Although the IAASB claimed that the development of subject specific ISAEs providing more specific guidance were to follow in the near future, its audience indicated the lack of responds to their needs, the shortage of a satisfactory outcome.

IAASB efforts to construct and codify “assurance” in the sustainability assurance standard setting space were crucial to the development of sustainability assurance standards. Creation of new audit knowledge is not free from resistance. (Jeppesen, 2010; Power 96). The weak attempts to legitimise an institutionally accepted knowledge base within the profession and subjugate intra-professional differences led to subsequent challenges in setting standards and orchestrating coherent response from the profession to competing logics in the space. Although the IAASB attempted to gain input legitimacy inviting interested parties to comment on the exposure drafts, and commissioned academics research on communication of assurance, the deeply rooted differences in different jurisdictions posed challenges for IAASB to resolve intra-professional differences. ISAE3000 was codified in light of the 11 broad based principles which represented the building blocks of assurance. The knowledge base was to some extent empty shells lifted from the financial audit but not embedded in the sustainability domain. The above analysis illustrates the unstable knowledge base of the profession with regards to non-financial assurance. These shells coded into standards thereby distribute the discretion of accepting and conducting the engagement to user of the standard, often the practitioner (unless national standard setters provide more detailed guidance).

Initiatives of FEE

FEE’s objective prior to a revision made in 1998 was to serve as a representative body for Europe’s leading accountancy institutions, to promote and advance the interest of the European accountancy profession which stands in contrast to today’s emphasis on public interest. The Environmental Working Party (EWP) of the FEE was formed in December 1993 due to its growing profile and involvement in environmental issues. It served to encourage and facilitate the exchange of information among member bodies and other interested parties; promote the role of the accountancy profession; stimulate developments in environmental auditing, accounting and reporting and encourage pan-European studies and research programs in this field (FEE, 1995). The EWP, is today the Sustainability Group.

In 1995, to develop its own position, it orchestrated the workshop “Environmental stewardship and management: positioning the accountancy profession” organized by FEE’s Danish member body, the Institute of State Authorized Public Accountants. The workshop was targeted at senior partners of leading accounting firms and senior technical experts working in environmental field within accountancy profession. The conclusion of the workshop was published in 1995 with theme “*wake up, do, communicate, protect*” laying grounds for professionalization and quests for professional jurisdiction in this field (FEE 1995). The workshop created awareness and prepared accounting firms to extend their activities applying their unique expertise to environment aspects e.g., designing internal control systems, environmental reporting and third party verification of information. The accountancy profession was also encouraged to develop appropriate review and reporting standards on environmental issues cooperate with experts and advisers from other disciplines as well as participate actively in development of environmental legislation and regulation including the development of Eco-Management and Audit Scheme (EMAS) and ISO.

A survey by FEE in 1995 reflected that there was growing tendency for its members, the national professional institutes and other standard setting bodies to be involved in environmental auditing (FEE, 1995). Professional associations in various countries undertook studies on environmental reporting, accounting and auditing^v. There were initiatives in sponsorship of academic research centres^{vi} and conferences^{vii}; introduction of courses in tertiary institutions^{viii}; formation of networks and associations for financial auditors trained in environmental issues to exchange of practical experiences and participation in discussion on environmental accounting, reporting and the related auditing activities^{ix}. The events highlighted in this section laid foundation to the activities undertaken and the way key issues were defined by the FEE and its members, in the sustainability assurance standard setting space.

Legitimising the profession's knowledge base and expertise in sustainability 1999-2002

Parallel to the development in assurance standards, 1999 to 2002 marked a period where the number and scope of sustainability reports were on a rapid increase and Global Reporting Initiative reporting guidelines was gaining international acceptance. To establish a standard setting space, the FEE published a discussion paper in October 1999 which served as an arena to stimulate international debate on assurance engagements on environmental reports. It legitimised this initiative through establish linkages with the IAASB and the GRI. The output of the discussion served to provide input for IAASB and the GRI to develop an internationally accepted assurance framework in the environmental area (FEE, 1999). At that point in time, the IAASB had received comment letters for its second exposure draft on "Assurance standards", and was in the process of developing a framework and generic assurance standard which could be used to develop subject matter specific assurance standards. Assurance on environmental reports had been listed as an example.

Drawing on the lack of harmonization in environmental assurance that led to variations in practice (FEE, 1999), the lack of mandatory requirement, generally accepted reporting guidelines as well as the presence of other providers than accountants issuing the assurance report in this area; FEE put forward that *"room for differences in the scope of engagements and in subsequent reporting is undesirable to both entities and the users of environmental reports and increases the expectations gap."* (ibid, p. 11-12). By constructing diversity as a problem, and highlighting the states' lack of interest to take regulatory initiative in this area, FEE called for the development of internationally accepted guidance on reporting and assurance as solutions" to mitigate the diversity. The discussion paper was intended to act as a catalyst towards an internationally accepted assurance framework in the environmental reporting field.^x

The discussion paper provided a space for those interested to raise and discuss issues pertinent to assurance on environmental reporting. The definition of environmental report adopted by the FEE was not restricted to separate reports but included environmental information published in site, health and safety, sustainability or annual reports in order to stimulate interest, thoughts and ideas from larger pool or potential respondents (FEE, 1999). The core group invited to comment were professional accountants, FEE also invited other interested groups such as stakeholders, companies, environmental consultants and other experts into the standard setting space. By identifying the subject matter as providing assurance on environmental reports, the FEE excludes from the space parties interested in assurance of systems and processes that do not result in reporting (e.g., certification schemes). Through the discussion paper, the FEE played a significant role "inviting and excluding participants" into the standard setting space, putting forth issues and stimulating debates on how to guide assurance engagements for environmental (which was later extended to sustainability)

information. The discussion received 9 responses: 6 from National standard setting bodies or bodies representing the accountancy profession within Europe, 2 from Danish organizations and 1 from a practitioner.^{xi}

The FEE raised seven issues which set the agenda for debates, discussions and negotiations in the standard setting space: the term “assurance” and “impediments” to a high level of assurance; responsibility of assurance providers; acceptance of engagement; risk assessment and internal control; compliance with law and regulation; materiality and reporting.

The space provided a means to seek input legitimacy as FEE invited participants to the space to seek consensus on certain issues but also identify issues to be further reviewed. There was however a lack of throughput legitimacy due to the lack of transparency on how FEE’s final position had been derived. FEE created a space that crystallised the issues of extending the financial audit methodology to sustainability assurance, the deeply rooted difference between members of the profession and structural problems of the knowledge base were not addressed. The following are three illustrations. The FEE brought the debate on the determinants of the levels of assurance into the environmental domain by questioning the impediments to high level assurance. Two key issues it highlighted were the lack of reporting standards which serve as assurance criteria and the qualitative nature of the subject matter which made obtaining sufficient and appropriate evidence difficult. Respondents raise various concerns pertaining to the lack of and immaturity of criteria resulting in inconsistencies and completeness in reporting. Whilst the issues raised by its members much resembled the debate IAASB in the development of ISAE3000, the non-accountancy respondents raised other concerns. One example is the Danish confederation of trade unions who cautioned against too much stress on quantitative environmental information which could result in the neglect of relevant qualitative data, and the development of competences. It expressed concerns of an audit led rather than stakeholder led development in environmental reporting. FEE attached primary importance on developing the reporting criteria and related assessment standards. The final position adopted by FEE was that the level of assurance was a matter between the “client” and assurance provider and the impediments remained in its initial position to be resolved.

FEE also raised issues pertaining to the approach required to perform environmental assurance and responsibility of the assurance providers. It gained consensus that multidisciplinary teams and a flexible approach was warranted. The term multidisciplinary carries the connotation of the need for an orchestrator to coordinate activities of different experts (defined in the paper as independent individuals, employees of the accounting firm or reporting firm); it also provided a basis for subordinating other forms of expertise to the audit process (Power 1997). The questions constructed by FEE were: “who should be the signatory? How many reports should be issued? Who and to what extent should the accountant and expert bear responsibility?” These questions can be conceived as a way to seek legitimate consensus as to who the orchestrator should be. There was no consensus as to who the legitimate “coordinator” to the multidisciplinary teams should be.

The FEE further brought into the debate how suitable of criteria could be enhanced to provide an effective determinant in providing assurance on sustainability reports. In this context, a few respondents point to the need for environmental reporting framework or standards. NBA put forth that development of “suitable criteria” involve discussion and agreement between the reporting organization, stakeholders of the reporting organization and assurance provider. The APB and the ICAEW also recommended needs of stakeholders to be established to determine relevant information to disclose, the latter made reference to the audit committees

role. This led FEE to conclude that the GRI and FEE generally accepted framework for environmental reporting could be supplemented by stakeholder opinions to determine suitable criteria.

Extending assurance to the sustainability domain

The term sustainability was increasingly used by reporting organisations to reflect the expansion of their environmental reports to include economic and social elements. The developments in reporting create a need for assurance services filled by assurance providers extending their services to cover the three domains of triple bottom line reports. In 2001, the Environmental Working Party of the FEE changed its name to Sustainability Working Party to illustrate its extension of activities from the environmental to the sustainability reporting and assurance domain. In 2002, it engaged in two initiatives that contributed to developments in assurance on sustainability reports. First it held a sustainability conference^{xii}, which it perceived led to support and consensus amongst standard setters, NGOs, accountants, investors and consultants present that third party assurance raised quality and credibility of sustainability reports (FEE Annual report 2002). Second, it published a Discussion Paper in 2002 “Providing assurance on sustainability reports” with a focus on independent third party assurance prior to the World Summit on Sustainable Development held in Johannesburg. FEE legitimised this initiative as being in line with its goal as raising the quality and credibility of sustainability reporting and claiming the belief that its members had resources and proven expertise in the provision of reporting and assurance services fundamental to strengthening sustainability reports (FEE 2002).

The FEE redefined participants invited to participate in the regulatory space in comparison to its 1999 initiative. In light of the increasing number of stand-alone sustainability reports being issued, FEE limited the discussion paper to providing assurance on stand-alone sustainability reports (FEE 2002, p6). On one hand, it broadened its audience to include the reporting organization, users or stakeholders, standard setters, other assurance providers and experts. These parties were invited into the space in recognition that the accountancy profession had no monopoly status in this voluntary field and other parties report bounded by different codes of practice provided assurance services and issued assurance reports published with sustainability reports. Further, two significant shifts in discourse took place between 1999 and 2001 which impelled FEE to encouraged participation of reporting organisations and users of reports respectively. First, as part of the process to rebuild confidence of the audit, IFAC instituted the view that “audit is part of the reporting process” which extended the responsibility of the reporting organisation (IFAC, 2001). Second, IAASB’s construction that assurance providers merely obtain assurance and conveys assurance in the report put responsibility on the users to understand and interpret the report issued by the provider. On the other hand, FEE excluded from the space actors with an interest in assurance of sustainability information reported in other areas than the stand alone report.

The new actors invited brought the “business case” discussion into the standard setting space. To establish the business case, FEE raised questions on the benefits and drawbacks for sustainability reporting and assurance to enhance the discussion of the objectives of assurance from “commissioners” as well as stakeholders’ points of view (FEE 2002). To stimulate discussions in this field, the FEE raised questions as to who should appoint the assurance provider, for who is the assurance commissioned and objectives of a “full scope” assurance engagement e.g., whether the information accuracy or the completeness and balance of the report was the objective of engagements (ibid). In recognition of other providers of assurance services, FEE also raised questions on the different approaches to assurance including the

consultancy, accountancy, social audit, internal audit and other judgment approaches such as rating agencies and use of independent experts or “famous faces”.

To legitimise the profession as providers of the service, it introduced the “comprehensive approach” which principally was the “accountancy approach” incorporating the elements of appeal of the social and consultancy approaches taking into account stakeholder dialogue and understanding of management systems and processes. FEE adopted the rhetoric of “external” and “third party” by both accountancy and non-accountancy assurance providers depicting the notion of independence when conducting such engagements. It then stressed that no established ethical standards were in place, delegitimising other providers at the same time appealing to the cognitive attributes ingrained through the financial audit.

Several issues such as materiality and the role and issue of stakeholders were re-raised to evoke response of this new audience. Finally, it raised a core question if the time was appropriate to set standard on sustainability assurance. It identified, thereby invited into the standard setting space two potential standard setters the IAASB and AccountAbility. Given that assurance providers were drawing from ISA100 (a draft of ISAE3000 at that time) in practice, which depicted the “accountancy approach”, FEE questioned it this approach which did not take into account dialogue with stakeholders explicitly was sufficient or flexible enough to accommodate assurance engagements on sustainability reports or if more specific pronouncements were needed. With increasing number of firms and assurance providers who were familiarity with AA1000 series, FEE brought into discussion if the new standard AA1000AS would meet the need for an assurance standard and the potential role AA1000 series would have on provision of assurance services (FEE 2002).

FEE through the publication of discussion and position papers created a space for identifying and discussing core regulatory issues serve to support and catalyse standard setters’ efforts towards setting sustainability assurance standards. The logic behind their active role in this field can be summed up by the following quote:

“Sustainability reporting is in its infancy and accountants, in particular, have an opportunity to influence the way that it develops in parallel with financial reporting. Accounting profession should also recognize urgency of engaging in those quickly developing areas to ensure expertise is usefully put to work for the public interest and to maintain a position of influence and leadership for the benefit of its members.” (FEE, 2001)

Acknowledging the need to establish the “business case” for sustainability assurance, it invited not only the accountancy profession but also other actors into the standard setting space whilst excluding others. It played a significant role identifying issues to be debated which consequently sought out issues where a consensus arose and those that remained to be resolved. The FEE also gained influential representation in the work of GRI in the Verification Working Group which was formed as a forum to discuss how verification was to be addressed in the GRI as well as needs, expectations and best practices in assurance on sustainability reports (GRI 2002, Annex 1).^{xiii} One could draw several parallels of the issues raised by GRI with FEE’s publications. Both FEE and GRI stressed that the assurance process should be considered in terms of the value they might bring to the reporting organization i.e. the business case. Both organisations also brought forth conditions for assurance acceptance, approaches and procedures to assurance, communication of results and attributes of assurance providers. The GRI however adopted a more stakeholder oriented approach and looked upon assurance as “one approach” that reporting organization could use to enhance credibility of sustainability report. Linkages to GRI in the drafts of the reporting criteria sowed seeds for the profession to be gain expert knowledge in the subject matter of the audit.

Phase 2 Challenges to maintain legitimacy in the standard setting space 2003-2005

From 2003 to 2005, three significant paths of development occurred in parallel that influenced and drew from one another through interaction and representations between actors where technical expertise was shared, shaping the development of sustainability assurance. First, in 2003, the IAASB approved the ISAE3000, which members of IFAC were obligated to apply from 1st January 2005. Second, AccountAbility, a non-accountancy standard setter staked a claim in the space publishing the first “internationally accepted” sustainability assurance standard AA1000 Assurance Standard (AA1000AS). Third, national assurance standard setters from e.g., Sweden, Netherlands, France and Germany took a proactive stance to draft and published national guidance for assurance on sustainability reports to guide their members to perform such engagements.

In March 2003, AccountAbility, a UK based non-profit organisation published a non-proprietary, open source standard AA1000AS, positioned as part of the AA1000 series to reach out to existing users of the AA1000 series and a stand-alone standard for assurance. AccountAbility was founded with the mission of promoting accountability for sustainable development, to rebuild trust between corporation and stakeholders and address trust deficit. Its work is based on “*collaborative governance*” by international membership of business, service providers, civil society organization and research institutes and is focused on addressing the need for organizations to embed their stakeholder engagement process into daily activities. Though it is not an organization representing the accountancy profession, several members of the accountancy profession (including a representative of FEE at the initial stages) have been actively involved in the technical committee developing AA1000 standards.

It attempted to gain legitimacy as a standard setter through persuasive assertions that it is a “*leading international professional institute, offers professional development and certification, and undertakes leading-edge research and related public policy advocacy*” and that it adopted an “*innovative, multi-stakeholder governance model*” and linkage legitimacy through collaboration with the GRI, Transparency International and the ISO Social Responsibility Working Group, to ensure that standards took a stakeholder focused approach. It carved out its position in the standard setting space pointing out existing standards were either too narrowly focused on specific aspects such as carbon emissions, too broad or focused primarily on the accuracy of quantitative data and robustness of accounting systems. It also pointed out that these standards were commercially proprietary which made it difficult to scrutinise, compare or replicate (AA1000AS). AccountAbility emphasized the participatory quality of the standard setting process to legitimize the AA1000AS. AA1000AS was based on a, multi-governance forward looking model which integrated key learning with emerging practice of sustainability management and accountability, reporting and assurance practices. AccountAbility constantly emphasised the use of “*extensive international consultation process (direct participation)*” and “*drawing on the practical experience and perspectives of the business, public and civil society sector*”^{xiv}. It further stressed input legitimacy of the standard based on the representation and composition of its technical committee which included the accountancy profession e.g., ACCA and members belong to Big 4), other assurance providers, companies, civil organizations dealing with sustainability issues.^{xv} In the process, it demonstrated expertise and competence drawing from and building on mainstream financial, environmental and quality-related assurance. It stressed output legitimacy i.e., efficiency and effectiveness of standards drawing attention to that it was complementary to the GRI Reporting Guidelines and also other company-specific approaches to disclosure. In

addition, it claimed that the standard could be applied by all providers in conjunction with their current frameworks including the ISAE3000. It was not till 2007, that this claim was openly challenged.

Further strategies to legitimise AA1000AS were adopted after publication of the standard through referral networks or collaboration with businesses (e.g., Novo Nordisk, British Petroleum), civil society organisations (e.g., IRCA, CSR network), the accountancy profession (e.g., KPMG Sustainability), and academia (e.g. Harvard). It also collaborated with International Register of Certificated Auditors (IRCA) to launch the Certified Sustainability Assurance Practitioners Program in November 2004 combining its “sustainability assurance expertise” with IRCA’s expertise in personnel certification programs.^{xvi}

Competing logics redefining the standard setting space

In AA1000AS, AccountAbility defined the subject matter of assurance to include not only the sustainability report but sustainability performance i.e. the reporting organisations policy, decisions, actions that affect sustainability outcomes (AA1000AS Annex 3) thereby redefining the boundaries of the standard setting space. AA1000AS was described as “*generally applicable standard for assessing, attesting to, and strengthening the credibility and quality of organizations’ sustainability reporting, and their underlying processes, systems and competencies.*”(AA1000AS, 2.2). The AA1000 series placed emphasis on the issues of materiality and the role of stakeholders. Organisations that applied AA1000 series had to be committed to the practice of inclusivity i.e., to understand sustainability performance, impact and views of stakeholders; to consider and coherently respond to aspirations and needs of stakeholders in policies and practices and account to stakeholders for its decision, action and impacts. Though materiality and the role of stakeholders were raised in FEE’s discussion papers at phase one, AccountAbility explicitly constructed three “reporting” principles: materiality, completeness and responsiveness to support inclusivity which assurance providers had to take into account when performing the engagement.

Being in a standard setting space where no profession has been granted monopoly status allowed AccountAbility to reassess and challenge existing terminology introduced in the standard setting space. Following the publication of AA1000AS, it issued a paper “Redefining materiality” in July 2003 that reassessed materiality in three aspects: Intention (to whom?), subject (about what?) and calibration (significance to fall within the bounds of materiality) comparing the traditional perspective of materiality and proposed the need for a more structured approach to deal with materiality in sustainability reporting. Proposing materiality be assessed from a wider range of shareholders interested in environmental and social impact of company’s performance focusing on both financial and non-financial performance of the reporting organisation and extending the basis upon which a reasonable person would decide on materiality. It also introduced a five part materiality test to provide organisations and assurance providers a guide to assess materiality giving consideration not only to direct short term financial impact but policy based performance, business Peer based norms, stakeholder behaviour and concerns and societal norms.

Completeness and the role and importance of stakeholders were raised in discussions in the standard setting space in 1999-2002. Difficulties with the completeness concept were attributed to the lack of a general reporting framework and the immaturity of reporting standards at that point in time. AccountAbility defined completeness as “the extent to which reporting organization can understand material aspects of sustainability performance”. The role of the provider was to identify material shortfalls in that understanding and encourage the reporting organisation to address those issues or admit their shortcomings in the report which

otherwise would be reflected in the assurance report. AccountAbility also introduced the concept of responsiveness defined as the “evaluation of whether reporting organization has responded to stakeholder concerns, policies and relevant standards and communicated these responses in its report” (AA1000, 4.2-4.4). Assurance providers were guided to evaluate if processes and resources for developing, communicating and follow up of a response were available. The AA1000AS also required assurance providers to provide additional commentary in the assurance report to inform stakeholders on the progress made and areas for improvement of the reporting organisation.

Through its definition of the subject matter of assurance and role of stakeholders, it re-invited into the standard setting space assurance providers that provide assurance on information other than those contained in a separate sustainability report. It also down played strongly debated topics by accountancy profession on the competence and independence of assurance providers, the rigour of assurance process, subject matter and criteria prerequisites, determinants and the levels of assurance. Through staking a claim and redefining terminology in the space, AccountAbility had significant influence on the development of sustainability assurance standards and practice changing the balance of power of actors and regulatory issues at focus.

FEE's response to attacks on the boundaries of assurance

FEE responded to the stake on the standard setting space in 2003 published a short paper “The benefits of assurance” developed by the Sustainability Assurance Subgroup. The paper was presented at the launch of the AA1000AS by AccountAbility. FEE engaged in strategies to maintain legitimacy reiterating both internal and external benefits of independent assurance stockpiling trust and interconnections with benefits associated with the financial audit. *“The intended users of the report are the immediate external beneficiaries, but the organisation frequently benefits indirectly”* The indirect benefits attributed *“improved public perception of its activities”* and *“positive changes, for example in control procedures and reporting systems”* (FEE, 2003. pt 4).

In a Call for action paper published in 2004, FEE focused not on the issues previously defined in the 2002 discussion paper but sought action and behaviour desired of participants. It attempted to maintain legitimacy in the space shifting its focus from technical issues and the elements of assurance to capital market and financial stakeholder discourses. The purpose was to promote sustainability assurance to businesses and the capital markets and the sharing of knowledge across national and corporate boundaries, breaking technical barriers. Recognising that AA1000AS had not issued supporting ethical codes and guidance on quality standards, it called on IFAC and AccountAbility *“to co-operate and not to compete so as to move speedily to provide high quality standards of assurance on sustainability”* (FEE, 2004). FEE also called for standard setters to cater to piecemeal approach to reporting and improve disclosure requirements on internal and external assurance; inform and educate by making available simple language explanations of pronouncements; adopt a more proactive approach to stakeholder engagement and reduce the democratic deficit through higher participation of stakeholders in development of standards.

The accountancy profession did not stand as a whole with regard to how AccountAbility or its standard was viewed. As assurance providers increasingly apply the standards jointly, FEE voiced concerns on the risk of inconsistent application of AA1000AS in absence of a code of ethics, quality control standards and Guidance notes on AA1000AS (FEE 2004) and stated that a common position has not been agreed. Two of FEE's members reveal they had *“no comments”* or stated that *“we only recognise our global assurance standard i.e. ISAE 3000*

but qualifies that having said that, we have no problems with our members using our standard with AA1000AS so long as it is not in conflict with our standard (ISAE 3000).”(Lars Olle Larsson)

Coexistence of different logics

The coexistence of different logics in the space led to different pockets and types of collaboration: between AccountAbility and KPMG Sustainability (Netherlands) and the NBA's stakeholder oriented approach. The availability of two internationally accepted standards led AccountAbility and KPMG Sustainability Netherlands to issue a report in April 2005 endorsing that: “based on comparison of the values, approach, methodology, conclusion and communication of the two standards, combined use of the two standards would likely deliver enhanced results”. This conclusion was supported by the claimed facts that “the two standards are technically complementary, there is no methodological conflict, both approaches draw from the financial audit model and the combination will deliver a win-win situation as different objectives lead to different emphasis” (Iansen-Rogers & Oelschlagel, 2005). Accordingly, each standard was settled to have a function that complemented each other. ISAE3000 provided guidance on the assurance process whilst AA1000AS aligned the process to take into account stakeholders' material interest.

In January 2005, NBA published in English, Exposure Draft 3410 “Assurance engagements relating to sustainability reports”. NBA has been involved actively in the work of IAASB and FEE pertaining to environmental reporting and auditing and had been an active participant in the standard setting space. It established legitimacy for its standards through linkages that IAASB expressed the intention of using the exposure drafts as a source standard to build for wider international use, if the exposure drafts were well received. The NBA draft was the first standard on sustainability assurance issued by a standard setting body representing the accountancy profession and based on ISAE3000 in Europe.^{xvii} The efforts of NBA brought to discussion the accountancy approach in the context of the AA1000AS used by a number of assurance providers belonging to the accountancy profession. For example, how materiality could be defined within the scope of ISAE3000, role of assurance provider, what constituted suitable criteria and subject matter, level of work required to make conclusions and reporting requirements.

ED3410 provides guidance to engagement on a separate sustainability report. It defines Sustainability report as: “a report in which a reporting organization provides information to relevant targeted groups of stakeholders and accounts for the economic, environmental and social aspects of the organization and the effects of its business activities on society. The sustainability report consequently offers a platform for dialogue between the organization and its stakeholders.” It puts emphasis on the intended user identified as forming the “core aspect” both for the reporting organization and the assurance provider. It also provides guidance on the practitioner's responsibility with regards to reporting materiality and completeness of a report two issues that were emphasized by the GRI and AccountAbility. Accordingly, the auditor should: “assess the decision making process of the organizations management concerning the selection and depth of information in the sustainability report (reporting materiality) and, at a minimum, verify that the report is not misleading, or could be, owing to under-emphasis or over-emphasis on certain groups of intended users, topics and/or information on these topics, and that it satisfies the legitimate information needs of the report's intended users”. Legitimate information needs was defined as *“information need of an average representation of the intended users or user groups can demand based on legislation, general accepted reporting standards, case law or agreements between the reporting organization and these intended users or user group.”* The draft distinguished

reporting materiality (for the targeted group of stakeholders and the reporting organisation) and tolerance (materiality for planning and performing the assurance engagement which according to the standard was a matter of professional judgment). It also introduced guidance for testing for completeness to assess if the report addresses the legitimate information needs of 6 user groups: suppliers, employees, customers; environmental, financial and social stakeholders.

In this phase, stakes in the standard setting space were claimed. Several standards were published to provide guidance on sustainability assurance. At the international level, the ISAE3000 provided the accountancy profession generic guidance of assurance services and the AA1000AS provided an open source standard applicable to all providers on sustainability assurance. At a national level in Europe, published pronouncements to guide their members on providing assurance on sustainability reports. The FEE as a non-standard setter continued its influence through the sustainability subgroup's comment letters on the drafts issued by AccountAbility, NBA (ED3410 and ED3010) and GRI (G3 guidelines) as well as its representations e.g., in IFAC's SEAP.

In the standard setting space, there is evidence of both competition and cooperation by actors. As no party own professional jurisdiction of the market for assurance services, debates centre on the definition of terms and the weight of regulatory issues. At the same time, there was evidence of learning as members of actors within the standard setting space are cross represented in committees. Actors gain legitimacy stressing the "linkages" with the work of other institution. Key issues pertaining to the competence and ethics of assurance providers, objectives, planning, performance, level and communication of assurance continue to be debated on. The weight of the issues however shifted heavily towards debates on stakeholder materiality in the assurance process. AccountAbility's approach further divided the accountancy profession. The approach taken by NBA in ED3410 tested the interpretation boundaries of ISAE3000 with regard to reporting materiality, test for completeness and responsibilities of assurance providers. .

Phase 3 Defending boundaries of assurance in the standard setting space 2005-2010

IAASB's quiet but instrumental role

The IAASB had maintained that a generic assurance standard was sufficient and refrained from involvement in deb active debates in the sustainability assurance standards till April 2004. The IAASB Steering Committee formed the Sustainability Experts Advisory Panel (SEAP) in recognition of its increased popularity and lack of harmonisation and quality control in activities among assurance providers. It identified as "significant" the fact that prior to ISAE3000 being made obligatory to members: 50% of reports issued by accounting firms (who had 50% market share at that point in time) failed to cite reporting criteria and 55% of assurance reports issued by made no reference to standards in accordance with which the engagement has been performed. The IAASB attributed the problems to the absence of suitable reporting criteria (and the potential of the G3) and standard on sustainability assurance issued by a recognized standard setting body of the accountancy profession. *"Anything we can do the raise the quality of assurance services was viewed to improve public interest"*(IAASB Audio Meeting 2005). The SEAP had two crucial functions: first, to channel efforts and expertise to contribute to the development of sustainability reporting standards by the GRI^{xviii} and second, contribute to development of sustainability assurance standards by providing input to the IAASB task force commenting on NBA's exposure drafts. The Panel consists of 16 members: 2 from IFAC; 5 from Big 4; 3 consultants, 3 from organisations

representing the accountancy profession and 1 retired individual. It is also interesting to note that 8 members were affiliated to GRI, 5 with AccountAbility and 4 were active in the FEE.^{xix} SEAP's analysis and comments of the NBA exposure draft served a two-fold purpose. First, it was in line with IAASB's strategy to build on the efforts of national standard setters. In the March 2005 meeting, NBA's ED3410 was viewed as *"one upon which IAASB would be able to build for wider international use"* as sustainability reporting and assurance were not a legal requirement in the Netherlands and therefore the standards would not be tailored the Dutch regulatory environment. Furthermore, it was *"well received"* and NBA had been involved in IAASB's work in that area.^{xx} Second, the IAASB in line with its commitment during the publication of ISAE3000 to keep the IFAE and ISAE3000 under review indicated that an analysis of NBA's ED3410 would highlight the practical implementation issues arising from guidance provided by IFAE and ISAE3000.^{xxi}

A task force^{xxii} set up by the IAASB steering committee for this purpose, with the advice from the Sustainability Experts Advisory Panel (SEAP)^{xxiii} were asked to comment on NBA's draft. The task force raised two matters to be discussed at the board meeting: the form of the feedback to be given to NBA and the major issues of concern identified by the task force and SEAP members. The task force proposed feedback in the form of a comment letter from the board using precautionary language to avoid expectations that IAASB is doing more than offering comments.

With deliberation, a member of the board commented:

"What struck me particularly was the number of issues and the very significant issues which the task force identified in a short time...I certainly have big concerns about the stakeholder group ...the identification of stakeholders... response needs to be fairly firm...probably the response should not be batched as a response from the board as such but perhaps from the panel ... learning as we go along...not necessarily have full authority of the board but input from the board and you will have the support of the board when sending the response" (Audio meeting 2005)

The task force proposed in the next meeting that feedback to NBA in the form of a comment letter was to be signed by the Chairman of the task force / SEAP Roger Simnett and Technical manager of the IAASB Michael Nugent^{xxiv}. A board member expressed that it was "entirely satisfactory" as the signatories gave recognition that the draft had been gone through thoroughly by "Roger and his group" and the board had not gone through the drafts in as great detail as one of their own drafts.^{xxv} It was worded in the comment letter to NBA that *"while members of IAASB have reviewed these comments they did not necessarily represent the views of IAASB"*.^{xxvi} IAASB also encourage other national auditing and assurance standard setters and other interested parties to respond to the draft. Among the respondents was the FEE stressing the importance of a more principles based approach to standard setting. The structure of the feedback to NBA clearly indicated IAASB's interest in the area but also intentions to exclude itself from the standard setting role in the space.

The second matter raised by the task force within the week were the major issues pertaining to NBA's ED: the scope of guidance, suitability of criteria, scope of engagement, stakeholder engagement, materiality and completeness, joint responsibility, reasonable and limited assurance, reporting and other matter such as quality, drafting style and fraud. The details were not discussed at the meeting. The IAASB board and technical members were encouraged to submit comments^{xxvii}.

The task force met in April, took into account issues identified by SEAP and feedback letters they received and prepared the comment letter paying attention to the EDs consistency with IFAE and ISAE3000.^{xxviii} It noted that the issues of criteria, engagement acceptance and responsibilities of practitioners were among the issues in the feedback received and were incorporated in the response to NBA. In both IAASB meetings, details of the major issues raised by the task force were not discussed. However, meeting attendees were given the opportunity to raise specific issues. In the March 2005 meeting, issues surrounding transparency of the criteria; supplementary criteria and identification of stakeholders were brought up as areas of concern. In the response to NBA, the task force supported the fact that suitable criteria are context sensitive and did not support having one sole criterion. It emphasized that the evaluation of the suitability of criteria should take into consideration the purpose of the engagement rather than for the purpose of the report and to perform assurance engagement. It opined that criteria which reports are prepared should be complete and made available to users of the report. The task force demarcated boundaries of assurance stressing that a supplementary criterion required in NBA's standard was inconsistent with IFAE and ISAE w.r.t role of criteria, assurance standards and assurance practitioners.

The role of stakeholder engagement was discussed in relation to the completeness assertion and implications on level of assurance. There was consensus that completeness was viewed to be broader than a cost benefits considerations. It was noted in the meeting that completeness consists two components: identifying relevant information which stakeholder engagement play a role and full disclosure in those areas. The latter was identified as a significant area of concern.^{xxix}

The task force prepared extensive comments to NBA in the area of engagement acceptance, practitioners' responsibility, completeness of the standard, editorial and other matters, drafting style structure and terminology in addition to the points raised in the March meeting which influenced the revision of ED3410. Among key issues are inconsistencies detected with regard to evidence gathering procedures, E.g. review engagements according to ED3410 does not have to test effectiveness of internal controls; the drafting style; the terms audit, review, materiality and relevance and the possibility to issue a qualified conclusion accompanied by negative assurance were not consistent with IFAE.

The IAASB through this initiative constructed NBA into the standard setting space, giving legitimacy NBA's sustainability standards, this initiative also essentially side-line the efforts of other national standard setters such as IDW which was issuing an exposure draft according to ISAE3000 a few months later. The board confirmed the marginal role IAASB intended to play (IAASB meeting June 2005) with claims that this type of engagement fell under the scope of ISAE3000 and given the IAASB workload, there was no guarantee that it would initiate assurance standards specific to sustainability reporting (ibid). It did however engage to defend the boundaries of assurance through "enforcement" to ensure NBA's draft complied with the principles laid out in ISAE3000. The IAASB, in separate effort evaluated GRI's G3 reporting standard against "suitable criteria" according to IFAE to assess if G3 fulfilled the requirements of relevance, completeness, reliability, neutrality and understandability (IFAE par 36). The table below provides a summary of IAASB's evaluation.

Characteristics of suitable criteria	IFAE	Evaluation of G3
Relevance	Criteria contribute to conclusions that assist decision-making by the intended users	Multi-stakeholder process Is it sufficient to ensure relevance? Are there circumstances where guidelines are irrelevant?
Completeness	When relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted	Are disclosure requirements complete? How will stakeholder engagement affect completeness? Immaterial core indicators may be omitted. Do such omissions undermine completeness?
Reliability	Allow reasonably consistent evaluation or measurement of the subject matter	G3 allow a number of choices on e.g reporting boundary, restating current disclosures, deciding on level of aggregation in the report. Will such choices undermine reliability?
Neutrality	Contribute to conclusions that are free from bias	Do components of G3 limit extent which preparers can introduce undue bias into report preparation that the professional accountant could still conclude in accordance with G3?
Understandability	Clear, comprehensive, and not subject to significantly different Interpretations.	Is each component understandable and drafted clearly?

With reference to the consultation paper, the FEE reaffirmed its position that criteria is dependent on specific needs of reporting company and intended users and therefore different sets of criteria would be appropriate for different types of engagements rather than a “one size fits all reporting criteria”. It also stressed the importance of consistent evaluation in assurance engagements.^{xxx} Although a consultation paper “Assurance aspects of G3” was published in February 2006 for comments by March, according to FEE, SEAP informed that IFAC would not pursue an IFAC/SEAP response to GRI.

An interesting observation was that the task force recommended sustainability report be defined along the lines of “*comprehensive information prepared by an entity about its economic, environmental and social performance. This information may be presented in a stand-alone report, or included as a separately identifiable part of a broader collection of information, e.g., in the entity’s annual report, or in a suitable form on its website*” (IAASB meeting June 2005 Agenda item 3B). The task force drew on the work of GRI in at least three

separate points to comment on NBA's exposure draft. First, it proposed NBA adopt the term "performance" in its definition of sustainability report instead of "aspects of the organization" and the "effects of its business activities on society" thereby aligning its terminology with GRI. Second, the definition made clear its applicability with regard to the source (where sustainability information is reported) and form of reporting and favoured the "incremental approach" which GRI promotes. Third, in defining the scope of the report the task force made reference to the "boundary protocols" for guidance on supply chains issues. The NBA published a revised standard in line with clarity conventions effective in 2007.

IFAC's priorities in fulfilling its role in the "new financial architecture" channelled significant resources to the Clarity project quoted as: "our highest standard setting priority"(IAASB Annual report p. 2). The clarity project involved the redrafting of existing IAASB standards to improve auditors' understanding of the pronouncements, through greater clarity enabling more consistent application to enhance the quality and uniformity of practice worldwide.^{xxxix} IFAC carried out extensive consultation with its stakeholders on whether resources were to be allocated to new areas of assurance or consolidating and improving current existing standards.(ibid p 6) In September 2007, IAASB stated its intention in 2009-2011 draft strategic plan to contribute to the development in sustainability reporting through the world capital market perspective. The IAASB justified its involvement stating that *"international investors expect greater focus on sustainability from participants in the world capital markets, annual reports include sustainability information and often auditors are involved in assurance engagements on corporate sustainability reporting. IAASB was called on to consider how to contribute to the development of such reporting and plans to do so."*^{xxxix}

It proposed revision of ISAE3000 as well as reviewing NBA's 3410N to determine whether it provided an appropriate basis for an international pronouncement in the third quarter of 2009 among the projects to contribute to developments in sustainability reporting. 52% of respondents commented on IAASB's involvement in sustainability assurance standards and 18% commented on using NBA standards as a point of departure. Respondents that supported IAASB's involvement^{xxxix} felt the need to consolidate the leading role of the accountancy profession and gain market share^{xxxix}, improve quality^{xxxix}, increase harmonisation^{xxxix} and supported the public interest argument^{xxxix}. There were also respondents that viewed it as a second priority (first to be given to the financial audit)^{xxxix} which need a separate strategic initiative^{xxxix}. Three respondents were in favour of IAASB reviewing N3410 as an initial point of departure reasons were to avoid duplication of efforts^{xl} and respond the threat of competition^{xli}. Other members caution that it could be early to set standards in this field and that could impede development^{xlii}; IAASB should adopt a wider view taking into account other approaches by other jurisdictions^{xliii} as well as outside the profession^{xliii}; and one respondent felt that there was no clear user demand of the service and thus did not meet the criteria to develop an international standard.^{xliii}

The above illustrates the struggles of IAASB in legitimising its role and extent of involvement in the standard setting space within IAASB, its board, task force, members and stakeholders. Though the FEE has called for IAASB to set standards, the weak responses by its stakeholders and issues identified through the task force commenting on NBA's draft resulted in legitimacy issues to push through its 2009-2011 work plan in this area. The IAASB decided to postpone development of sustainability assurance standards announcing in its latest work plan due to problems related to the criteria, the development of the International Integrated Reporting Framework (IIRF) and different demands on assurance by different jurisdictions (IAASB 2011, p.36-37).^{xliii} The unclear assurance boundaries defined in IFAE and ISAE3000 were also evident which resulted in differences in the interpretation of the elements of

assurance by practitioners as well as national profession associations such as in the Dutch case. The vague codification of the elements of assurance and weak knowledge structures of non-financial assurance was insufficient to synchronise members actions and keep other jurisdictions impinging on the definitions used by the profession.

FEE's efforts to defend the boundaries calling for standards

AccountAbility intensified efforts in the standard setting space through the publication of further guidelines^{xlvi} on application of the principles of materiality, completeness and responsiveness in 2006 and on how the different approaches to assurance can be combined in 2007. The latter report focused on the application of AA1000AS within the context of GRI's reporting standard G3 and ISAE 3000. In 2007, AccountAbility embarked on a project to revise AA1000AS launching Wiki standard setting where interested parties could participate, raise issues and voice concerns on current assurance practices through the web. In addition, it held worldwide consultations in about 20 countries to obtain feedback on concerns which were then published on the website. Concurrently, efforts were made to align AA1000AS to ISAE3000. The revision of AA1000AS resulted in the drafting of the AccountAbility Principles Standard (AA1000APS) and the Assurance Standard (AA1000AS(2008)).

The revision introduced three key changes. First, completeness was replaced by inclusiveness as one of the AccountAbility principles. Second, AA1000AS (2008) distinguished between two types of engagements, Type 1 required the evaluation of publicly disclosed information, systems and processes of the organisation to ensure adherence to the three AccountAbility principles and Type 2, required the additional evaluation of the reliability of specified performance information against a reporting framework. Third, the introduction of two levels of assurance: high and moderate which could be used in combination. High level of assurance referred to where *"sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error was very low but not zero"* whereas moderate referred to *"not reduced to very low but not zero"*. The evidence required to make conclusions were specified in the standard. For example, high level of assurance required extensive depth of evidence gathered including corroborative evidence and sufficient sampling at lower levels gathered from internal and external sources from all levels of the organisation. In addition, the AA1000AS specified in greater detail the perquisites of accepting an engagement (e.g., appropriate subject matter and criteria); requirements imposed on the assurance provider (e.g., clearer ethical and competence requirements, due care); assurance process (e.g., planning requirements, evaluation processes adherence for Type 1 & 2 engagements); output requirements (e.g. content of assurance report) and other requirements (e.g., , terms of engagement, engagement contract, use of standard). AccountAbility introduced a licencing fee to assurance providers for each commercial use of AA1000AS (2008).

FEE persisted on its efforts to call IAASB for a specific standard on sustainability assurance, responding to IAASB's intention of issuing merely short practice statement to guide sustainability assurance. FEE reiterated that ISAE 3000 was *"too general and high level for practical use"* and highlighted that it did not provide guidance on suitable criteria, particular to engagements of this nature as criteria could be determined through stakeholder dialogue observations which could only be assessed in the midst of the engagement.^{xlvi} It then made persuasive arguments in line with IAASB's objectives of protecting public interest and the interest of the accountancy profession. It asserted the benefits of a sustainability assurance standard and the made links between standards, quality of assurance services and the credibility and quality of sustainability reporting in this voluntary field. It also stressed that *"competing standards are finding their way to the market"*, AccountAbility was regarded as a

leader in this field and users needed to distinguish between the type of provider and assurance provided. Finally, it called for *“IAASB to allocate resources and fulfil professional leadership role in promulgating quality practices and sharing knowledge in developing a specific standard in relation to sustainability assurance”*. The call for standard was supported with a discussion paper published in June 2006 on “Key Issues in Sustainability Assurance - An overview” highlighting similarities and differences of country specific standards of four European countries (Sweden, Netherlands, Germany and France). The discussion paper also provided constructive comments the national standards from FEE’s viewpoint which could potentially contribute to the work of SEAP and IAASB standard setting activities in the future.

Following the discussion paper, a round table was held in November the same year consisting members from FEE, IAASB, GRI, AccountAbility, a representative from European Parliament and leading corporations. The following conclusions were reached. First, there is demand for assurance from the investors’ community and companies to raise the credibility of the sustainability reporting which completeness of the report and concentration on the relevant information were needed. Second, assurance report was identified as a key element to an effective approach however, current report issued by the accounting profession is not always clear to the readers. There was a need to work on the content of the report, what is meant, explain the work the accountants do and what the report can bring to the stakeholders. It was agreed that different levels of assurance for different elements of the sustainability report could be considered and assurance work should be carried out with multidisciplinary teams comprising experts on sustainability, specific sectors and accountants. Third, it was agreed that clear and recognized criteria of sustainability reporting need to be in place on which to provide assurance and the GRI G3 guidelines could serve as a reference. The accounting profession was to assess G3 as suitable criteria. Fourth, it was agreed that a global framework on sustainability assurance should be at principle level and different standards may be developed with the aim of converging over time.

The round table gave a particular stakeholder: the investor community special mention though no further elaboration was made, having a “dominant” stakeholder had implications on how relevant issues would be defined. It also reiterated the importance of the regulatory issues it introduced into the standard setting space including criteria, levels and communication of assurance and reaffirmed the accountancy approach through the use of multidisciplinary teams. This initiative reaffirmed issues (in phase one) in a new context taking into consideration developments and involving new actors in the standard setting space.

To facilitate activities and undertake a more prominent role in the sustainability field in 2007, the work group was restructured into 3 groups: Sustainability Advisory Panel consisting of external high level individuals e.g., CEOs to advice FEE’s work in the sustainability area at a strategic level; Sustainability Policy Group, to address political, policy and strategic issues and set direction for the group and Sustainability Working Party to undertake technical work such as preparation of discussion papers, comment letters etc.

FEE’s efforts to defend the terminology of the profession

In response to AccountAbility, as opposed to its previous call for collaborative efforts between IAASB and AccountAbility in standard setting, FEE took a different stand in July 2007. Following the AccountAbility’s publication of guidance notes on combining ISAE3000 and AA1000AS in 2007, FEE responded through a comment letter questioning the nature of assurance engagements performed according to AA1000AS and the compatibility of using

both standards. It commented that AccountAbility's guidance resembled agreed upon procedures performed by the accountancy profession under IAASB's International Standards on Related Services 4400 and therefore did not view both standards as complementary.^{xlix} FEE also commented on revision draft of AA1000AS published on 24 January and 17 July 2008 but made clear that comments did not constitute FEE's endorsement or any form of support for AccountAbility standard.¹ FEE's comments centred on: the different meanings of common terminology between AA1000AS and ISAE3000; the lack of distinction between reporting and assurance principles in standards and areas that were neglected or lacked clarity.

FEE commented on term "materiality" which had been commonly used in both IAASB standards and AA1000AS but had different meanings. It commented that AccountAbility did not distinguish between reporting and assurance materiality. FEE pointed out that AccountAbility's definition of materiality involved identifying issues relevant to performance and evaluating how important the issues are; relevance was therefore a subset of materiality.^{li} In comparison, materiality in financial audits could be viewed as threshold, tolerance or "tolerable rate of deviation or misstatement"^{lii} which put materiality as a subset of relevance. This point of view was not shared by AccountAbility. Based on its definition (reporting materiality) it regarded definitions as compatible. The difference AccountAbility claimed rested on the fact that ISAE3000 defined materiality in terms of the intended user whereas AA1000AS referred to stakeholders which required materiality to be defined from broader perspective.^{liii}

It also commented on the lack of distinction between reporting and assurance principles in standards AA1000AS. Assurance principles had been equated with reporting principles and the differentiation was needed to determine the suitability of criteria. It also commented on the lack of clarity as to whether subject matter referred to the content of sustainability report or process to compile the report; whether the standard catered to full report or parts that were subject to assurance. It expressed concerns with regard to leaving the reporting organisation to determine their own performance criteria in Type 2 assurance engagements which did not meet criteria stated in ISAE3000. It viewed that the requirement imposed on oversight by the assurance provider was insufficient in the revision draft and there was a need for a system of quality control and minimum requirements set out.

The FEE further requested for the FEE Discussion paper: "Key issues in sustainability assurance – an overview" to be taken out of reference of AccountAbility's publication as the discussion paper did not constitute guidance and the proposed guidance had been "taken out of context further the text had been paraphrased".^{liv} To improve the compatibility with ISAE3000, FEE suggested AccountAbility require the level of assurance to be decided upfront rather than allow the scope of an engagement to define an anticipated level of assurance adjusted during the engagement which tend to result in clean reports. It also suggested AccountAbility introduce common standard headings in assurance reports and recommend different forms of conclusion leaving the reporting organisation to report on implementation of previous recommendations. The revision draft introduced two levels of assurance, high and moderate. FEE opined that the chosen terminology were "outdated" and brought back the debate that the term "high" denoted achieving a level higher than the financial audit which was misleading. It recommended the terms reasonable and limited in line with IFAE and ISAE3000.

DISCUSSION AND CONCLUSION

Humphrey and Owen, 2000 explained Power's work on the construction of the audits by taking an inside and outside view. Making things auditable involves a determination of professional accepted auditing techniques and securing transformations in the environment subject to the audit (Humphrey and Owen, 2000). The two processes are not in order but are simultaneously carried out where auditors take on an active role to make things auditable. This paper explores the IAASB and FEE's role in the standard setting space, establishing, maintaining and defending legitimacy of the profession's knowledge base within the profession and to other parties which have a potential impact on shaping the auditable environment through activities in the standard setting space.

Drawing from the work of Peters and Black, it is recognised that standards can emerge from multiple sites; a decentred perspective of regulation would enable the capture of the dynamics of standard setting which highlights the fragmentation, interaction and patterns of influence between actors involved in the standard setting space and their attempts to deal with the complexity of sustainability assurance. The study shows why IAASB and FEE defend and define the boundaries of sustainability assurance services and how they legitimise their actions to appeal to the logics of their respective stakeholders in the standard setting space. An interesting observation is that the FEE has been consistently enthusiastic about sustainability assurance standards. The fact that FEE is a non-standard setter that represents the accountancy profession in Europe suggests that the call for standards have been driven by professional associations at the national level. IAASB, the standard setter of the accountancy profession constructed for itself a very limited role in the standard setting space. The IAASB's passive role could be due to its priority to complete the clarity project, its earlier investment in the drafting of ISAE3000 between 1997 and 2003 and the availability of this generic assurance standard to provide guidance. But, on the other hand, it is important not to understate its influence. IAASB formed the SEAP and a task force to comment (in its own capacity) on Dutch standard NBA's ED3410. The extensive comment letter to NBA highlighted the issues pertaining to sustainability assurance and drafting conventions, which today continue to give direction and to shape the development of standards.

Study of the patterns of interaction over the period 1995-2010 help capture the actors, patterns of influence and different logics highlighting the normative challenges of decentred regulation. Findings show that patterns of influence between actors in the standard setting space change over time driven by interactions between actors; practices in the assurance market and cross representation of members between actor groups. It also provides insights and explanations of the activities by IAASB and FEE. The analysis has been divided into three phases. In the first phase, FEE attempted to establish the sustainability assurance standard setting space through constructing problems, identifying issues and inviting, or excluding others into this space (1997-2002). To legitimise the professions knowledge structure, the FEE built on extending the financial auditing concepts and applying IAASB's generic assurance concept to a broader sustainability domain. The weak conceptual underpinning of the assurance concept, the lack of consensus as to the elements of assurance and positioning in relation to the financial audit within the accountancy profession were reflected in the interaction and negotiations in the space. It highlighted tensions within the profession on issues pertain to the assurance provider, objectives of sustainability assurance, the planning, level and commination of assurance as these issues continue to resurface. The novelty and voluntary nature of sustainability assurance brought elements of competition and learning among assurance providers. The breadth and scope of 'sustainability' makes it difficult a single group of actors to be equipped with the knowledge, information decide and

set standards on a single approach. FEE constructed the business case into the standard setting space and invited other actors including reporting organisations, users of reports, other assurance providers and standard setters to participate in the space. The introduction of the business case accentuated the shift of logic from that of professional trusteeship one that is driven by commercial logic creating tensions as to the role of the assurance provider and the nature of sustainability assurance engagements. In gaining pragmatic and moral legitimacy, it also challenges the taken for granted assumptions initially created through construction of overlaps between the issues and expertise required for financial audit and environmental / sustainability assurance.

In the second phase (2003-early 2005), the jurisdiction of the profession and standard setting space was challenged by AccountAbility, a non- accounting standard setter that published the first international sustainability assurance standard. The different conceptions of “sustainability”, “assurance” and “sustainability assurance” and the weak collective standing of the accountancy profession allowed AccountAbility to stake claims in the space broadening sustainability assurance to reflect the level sustainability is embedded in a reporting organisation’s structure and activities. Without the legal mandate, terminology used by the accountancy profession in this field could also be adopted and redefined by other institutions. AccountAbility brought to prominence the logic of reporting the “right “information in addition to the accuracy of information stressed by the accountancy profession. It redefined materiality, completeness and the role of stakeholders in the assurance process which the accountancy profession was forced to address. As sustainability assurance was at its initial stages of development, fragmentation of knowledge was recognised by FEE and there was an emphasis on cooperation and learning by institutions in the space. The dormant status of IAASB in setting standards on sustainability assurance after the publication of ISAE3000 led to tensions surfacing from different institutions of the accountancy profession on how AA1000AS should be regarded. To deal with competing logics, pockets of collaboration were traced in the standard setting space as actors seek to learn and reconcile differences between the different approaches. In this phase, FEE does not attempt to delegitimise competing logics but encourage collaborations whilst maintaining the profession’s identity. The IAASB however announced intention of using sustainability standards by NBA as a point of departure to set international standards. This initiative brought NBA into the international standard setting space as well as NBA’s more stakeholder oriented approach to interpreting of ISAE 3000. It also made crucial linkages with the GRI (GRI standards as the criteria of sustainability assurance engagements) which would strengthen the knowledge base of the providers and help to transfigure the auditable environment that support the profession’s knowledge base.

In the third phase (mid 2005-2010), actors reduced their cooperative efforts. Instead they refocused on their own institutional objectives, stakeholders and engaged in interactions, to protect their own discourse and terminology. The IAASB through its task force played a crucial role defining the boundaries of assurance through comments on NBA’s use and interpretation of ISAE3000 and de-legitimising activities that were outside the boundaries of their definition. The FEE, in particular focused on reiterating the issues it had established and defending key definitions and terminology. With the development in the details and scope of AA1000AS(2008) which intruded more into the standard setting space of the profession, the FEE engaged in greater efforts to protect the profession’s terminology and disassociated itself with AccountAbility. FEE stressed conflicting definitions and elements of assurance and highlighted the weaknesses of “other” standards.

There had been constant tension with FEE pushing for a subject specific sustainability assurance standard and IAASB's reluctance to codify this form of abstract knowledge. More interestingly, it reveals the challenges faced by IAASB and FEE to legitimise the profession as key providers of assurance services in standard setting space where fragmentation of knowledge among polymorphous actors, different patterns of influence and the shifting and competing logics that developed over time are evident. These factors contributed to unstable system of knowledge within the profession. The weak attempts to subjugate intra-professional differences further led to a standard setting deadlock and focused debates on defining and defending the boundaries of sustainability assurance services.

Findings of this study could be of interest and importance for future research. In light of developments in integrated reporting, the findings of this paper highlight issues and concerns of assurance on sustainability information. It also provides insights on why these standards do not provide sufficient guidance to practitioners in conducting sustainability assurance engagements and the challenges IAASB faces to develop sustainability assurances standards. It also provides brings to light the issues of standard setting for assurance engagements that lie outside the core competence of the profession.

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Feedback to NIVRA 2005 Meeting Agenda Item 3A and 7

IAASB Annual reports; IAASB Meetings 2002, 2003, 2005

NBA

ED 3410 Assurance Engagements relating to sustainability reports

3410 N Assurance Engagements relating to sustainability reports

Reports from other Organisations

KPMG “International Survey of Corporate Environmental Reporting” June 1999

KPMG “International Survey of Corporate Sustainability Reporting” June 2002

KPMG “International Survey of Corporate Sustainability Reporting” June 2005

KPMG “International Survey of Corporate Sustainability Reporting” June 2008

KPMG “International Survey of Corporate Sustainability Reporting” June 2011

United Nations Department of Economic and Social Affairs, Division for Sustainable Development: Agenda 21

ENDNOTES

- ⁱ Royal NIVRA in the Netherlands has recently merged with the Nederlandse Orde van Accountants-Administratieconsulenten (NOvAA) and has adopted the abbreviation NBA.
- ⁱⁱ Country specific standards have been published in the Netherlands, Sweden, Germany, France, Japan and Australia.
- ⁱⁱⁱ The European Union (EU) made a provision on international standards on auditing in the Statutory Audits of Annual Accounts and Consolidated Accounts Directive . The directive did not provide for the adoption of the International Standards on Auditing (ISA) by the IAASB, but gave the commission the option to adopt such standards within the EU provided certain criteria are fulfilled. (Directive 2006/43/EC of the European Parliament and of the Council 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, Article 26(1).)
- ^{iv} Tamm Hallström 2004 referred to standard setters. In this paper, the author has extended standard setter's participation to all actors participating the standard setting space.
- ^v FEE(1995) report gives examples in the UK, including ICAEW and ACCA. Other institutions include Canadian Institute of Chartered Accountants (CICA), Foreningen af Statsautoriserede Revisorer of Denmark.
- ^{vi} For example, the Centre for Environmental and Social Accounting Research in University of Dundee was at that point in time sponsored by KPMG and ACCA.
- ^{vii} ACCA, ICAEW and NIVRA cosponsored the Environmental management, accounting and auditing (EMAA) network workshop focusing on environmental accounting and sustainable development for researchers and practitioners: discussing research and practice in environmental management, accounting and auditing.
- ^{viii} For example, the University of Amsterdam 1990, introduced environmental accountancy in its curriculum to enable accountancy profession to specialize in environmental services.
- ^{ix} For example, Vereniging voor Milieu Accountancy (VMA) Association for Environmental Accountancy, a professional organization was founded in 1991, EMAA was formed in 94 by the Limperg institute to encourage research within and across Europe on environmental management, accounting and auditing.
- ^x FEE issued two other relevant papers: FEE(1999) Position Paper "Review of International Accounting Standards for Environmental Issues" 1999 and FEE(1999)Position Paper "Towards a Generally Accepted Framework for Environmental Reporting", which contributed significantly to the development of the GRI guidelines.
- ^{xi} Responses from ICAEW, IDW, APB, Royal NIVRA, CECCAR, DnR, Danish Commerce and Companies agency, Danish Confederation of Trade Unions and Carter, a CPA. The comments were considered and published by FEE in its Position paper (2000) Analysis to responses to FEE discussion paper "Providing assurance in Environmental Reports" published in October 1999 and Discussion Paper (2002) "Providing assurance on sustainability reports".
- ^{xii} The Sustainability conference was held In April 2002, organised by FEE and its Danish member body
- ^{xiii} The working groups role was to encourage standardization of verification methodologies; development of tools and it created a forum for reporters, users and verifiers to reach mutual understanding. A working paper "Overarching Principles for providing independent assurance on sustainability reports" was published.
- ^{xiv} <http://www.accountability.org/>
- ^{xv} AA1000 technical committee composition: 14 members. 5 practitioners, 2 representing big 5, 2 representing accounting organization, 1 independent consultant, 4 other organizations and research centre .FEE participated but stopped after 2005
- ^{xvi} Certification as a Sustainability Assurance Practitioner Including the Accountability Sustainability Assurance Competency Framework Built on AA1000 Assurance Standard platform (p7). There were three grades of certification(Associate sustainability assurance practitioner, sustainability and lead sustainability assurance practitioner) targets not only internal and external sustainability assurance providers but also consultants, novices and members of CSR departments working with this issue with the aim to improve stakeholders confidence in expertise and provide better understand of standards as such.
- ^{xvii} The draft recommendation published by Far (now Far) in 2004 was not based on ISAE3000 but drew from ISA100 and FEE discussion paper
- ^{xviii} (a) *Engaging directly with the Chair of the GRI Board and the Chair of the GRI Stakeholder Council, and GRI staff;*(b) *Nominating members for the GRI Technical Advisory Committee (TAC), which provides the GRI Board with high-level technical guidance on the Guidelines revision process, and working groups dealing with specific issues for the revision;*(c) *Providing technical background material for the TAC about what is meant by "suitable criteria," and how the accounting framework could relate to sustainability reporting;* (d) *Responding to a GRI exposure draft about determining a reporting organization's sustainability reporting boundaries;* and (e) *advise on the development of guidance for assurance on sustainability reports.*
- ^{xix} Analysis of the geographical composition, half the panel were from Europe (United Kingdom, Netherlands and Scandinavia), 3 from Asia, 2 from Canada and Oceania and only one member was from the United States.
- ^{xx} Audio recording meeting march Lima Discussion held on Thursday morning, March 10, 2005 Agenda item 7. It was raised in the meeting if comments would be given to IDW which would release its standard in May the same year. The board however clarified that also the board would be interested in the document, comments should not be an expectation. It

would however encourage people in the expert panel to submit feedback to efforts of national standard setters in that respect.

^{xxi} March Item 7, meeting 2005, par 7

^{xxii} Sustainability Task force has the task of developing formal response to ED 3410 3010 liaising with SEAP. Members of the Task Force are: • Roger Simnett, chair • Denise Esdon • Rogério Gollo • Cedric Gelard

^{xxiii} Sustainability Experts Advisory Panel (SEAP) as set up in April 2004. It's tasks include: to give advice on the development of guidance for assurance on sustainability reports and provide expertise to the sustainability task force in providing useful feedback to enhance NIVRA's developmental process pertaining to the 2 exposure drafts, 3410 and 3010, to provide IAASB with insights as to application of ISAE 3000, to liaise with GRI to have G3 as generally accepted reporting criteria by accounting community.

^{xxiv} And staff instead of Michael Nugent (minutes) inconsistency with audio recordings

^{xxv} Prior to this comment, Roger Simnett commented "I am getting mini nods" suggesting the general consensus of this approach by members attending the meeting

^{xxvi} (IAASB main agenda 2005:245 agenda item 7 and Item 3A 3rd paragraph page 1

^{xxvii} Draft minutes of 14th Meeting of the IAASB March 7-11 Lima pt 9 p 14-16 agenda Item 1-A

^{xxviii} Draft minutes of 15th Meeting of the IAASB June 13-17 Rome Agenda Item 1-A point 9 pa 17

^{xxix} Minutes June meeting 2005 par. 9 Agenda item 1A

^{xxx} Par 14-17 FEE correspondence with IFAC ref IAASB consultation paper on assurance aspects of G3 23/5/2006

^{xxxi} Improvements made through: •Identifying the auditor's overall objectives when conducting an audit in accordance with ISAs; •Setting an objective in each ISA and establishing the auditor's obligation in relation to that objective; •Clarifying the obligations imposed on auditors by the requirements of the ISAs and the language used to communicate such requirements; •Eliminating any possible ambiguity about the requirements an auditor needs to fulfil; and •Improving the overall readability and understandability of the ISAs through structural and drafting improvements. (IAASB)

^{xxxii} Draft consultation paper IAASB strategy 2009-2011pg 11 Section A.3.2 p. 7 (Agenda item 1.1 IAASB (March 2008).

^{xxxiii} CNR, KPMG, ACCA, Far, Australian Treasury

^{xxxiv} Institut des Reviseurs d'Entreprise, ICA Scotland, EY, Canadian public accountability board, European association of listed companies, FEE, PWC, Florida institute of CPA

^{xxxv} PWC

^{xxxvi} European Association of listed companies, Deloitte, EY, ICAEW

^{xxxvii} ICA Australia, EY, European Association of listed companies

^{xxxviii} IDW, International Organization of securities commissions (Spain)

^{xxxix} Australian government auditing and assurance standards board

^{xl} FEE and Institut des Reviseurs d'Entreprise

^{xli} FEE, Far simply supported the proposal

^{xlii} PWC

^{xliii} ACCA, PWC

^{xliv} Canadian Public accountability board

^{xlvi} APB

^{xlvi} IAASB Consultation Paper, Proposed IAASB Strategy and Work program for 2012-14, 2/1/2011, p. 36 – 37.

^{xlvi} E.g., AA1000 Guidance Note on the Principles of Materiality, Completeness and Responsiveness as they Relate to the AA1000 Assurance Standard 2006

^{xlvi} FEE comment letter to IAASB and SEAP on "Consultation paper on assurance aspects of G3 –The GRI 2006 Draft Sustainability Reporting Guidelines" May 2006

^{xlvi} FEE Comment Letter to AccountAbility on Consultation on Guidance Note on Assurance Levels & Statements as they relate to AA1000 Assurance Standard 26/7/2007

ⁱ FEE Consultation on AA1000AS revision draft 24/1/2007 par. 2

ⁱⁱ FEE Comment letter to AccountAbility, par 9-14 22/9/2008

ⁱⁱⁱ ED ISA 530 Audit Sampling. Tolerance in NIVRA ED3410, FEE Comment Letter to Mr. Alan Knight, Head of Standards and Related Services, AccountAbility Comment Letter on Consultation on AA1000 Assurance Standard Revision Draft issued on 24 January 2008 par 11-13.

ⁱⁱⁱ AccountAbility (2010) Frequently asked questions

^{liv} FEE Comment Letter to Mr. Alan Knight, Head of Standards and Related Services, AccountAbility Comment Letter on Consultation on AA1000 Assurance Standard Revision Draft issued on 24 January 2008 par. 12