

AA1000 APS & AS FAQs (September 2014)

Introduction

We have outlined below Frequently Asked Questions (FAQs) relating to the AA1000 APS (2008) and AA1000 AS (2008). These FAQs have been identified and based on issues raised directly with AccountAbility and the Standards Board over the past few years.

These FAQs are intended to be used by assurance providers, and may also be informative for reporting organizations and report users. These FAQs aim to address questions relating to AA1000 APS (2008) and AA1000 AS (2008) standards and do not cover AA1000 SES. For details of AA1000 SES please visit (<http://www.accountability.org/aa1000ses>).

We will update these FAQs regularly and welcome your input into this process. If you would like to submit a FAQ for consideration by the AA1000 APS & AS Technical Committee, please write to standards@accountability.org.

Technical Questions

AccountAbility Principles

1. To what extent should stakeholders be involved in organizational decision-making?

AA1000 APS (2008) states that the stakeholder participation process should establish ways for stakeholders to be involved in decisions that will improve sustainability performance. This involvement can range from articulating views through stakeholder engagement processes that inform decision-making to more formal involvement in decision-making (e.g. existence of non-executive directors etc). The involvement of stakeholders in decision-making does not mean that stakeholders should make organizational decisions.

2. What criteria can be used to assess the material issues for a complex and multi-sector organization (e.g. identify the most important products or services)?

AccountAbility recognizes that identifying material issues for complex and multi-sector organizations will need to take account of varied operating environments and diverse businesses (each with different issues relating to operations, products and services). AccountAbility recommends that reporting organizations develop criteria to determine materiality in a systematic way that is defensible to stakeholders. As such, the criteria for determining material issues can be applied in a consistent way across the organization; however, the material issues identified may vary from one part of the organization to the next. AA1000 APS (2008) outlines criteria for the determination of material issues and additional guidance can be found in Redefining Materiality and the Materiality Report. <http://www.accountability.org/about-us/publications/index.html>

3. Materiality is defined in both AA1000 AS (2008) and ISAE 3000, is it possible to use either of these definitions in conducting our assurance work and developing our conclusions?

Yes. In considering materiality, ISAE 3000 'requires the practitioner to understand and assess what factors might influence the decisions of the intended users'. Similarly, AA1000AS (2008) considers 'an issue, concern or impact material if it could influence the decisions and behaviour of stakeholders or the organization itself. The definition used by ISAE 3000 is more limited as it refers only to the intended users of a report, while the AA1000 definition applies to stakeholders more broadly. In whichever definition is applied, the determination of materiality needs to be systematic and defensible. The guidance for assurance providers discusses the definitions of materiality included in AA1000 AS (2008) and ISAE 3000. AccountAbility has also published two studies that look at the materiality determination process: Redefining Materiality, and The Materiality Report. These studies provide a benchmark against which processes for determining materiality may be evaluated.

4. What is the difference between the definitions of materiality in AA1000 AS (2008) and G4 Guidelines?

The principle of materiality is defined in different words in AA1000 AS (2008) and the G4 guidelines; however, the substance is not significantly different. The G4 guidelines definition of materiality is: 'The information in a report should reflect the organization's significant economic, environmental and social impacts; or substantively influence the assessments and decisions of stakeholders'. Whereas the AA1000 AS (2008) defines a material issue as 'an issue that will influence the decision, actions and performance of an organization or its stakeholders.' The AA1000AS definition of materiality can be applied more broadly and is not restricted exclusively to apply to the information in a report.

5. To what extent should organizations include their responses to material issues in their public reports?

AA1000 APS (2008) requires that reporting organisations 'respond to stakeholder issues that affect its performance' and communicate their 'responses in a manner that meets the needs and expectations of its stakeholders so they can take informed decisions'. As such, reporting organizations are required to outline their responses to material issues in their public reports and / or provide a link / reference to their responses. The level of detail for each response should be sufficient to allow stakeholders to make informed decisions; often this will involve outlining the organization's response, rather than the detailed plans for implementing the response.

Accepting an engagement: Level of Assurance

6. Are the terms high level assurance and reasonable assurance compatible?

Yes. The terms high level and reasonable assurance are compatible. AA1000 AS (2008) defines high level assurance as: 'The assurance provider achieves high assurance where sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error is very low but not zero. High assurance will provide users with a high level of confidence in an organization's disclosures on the subject'. ISAE 3000 defines reasonable assurance as: 'The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner's conclusion'. The guidance for assurance providers section 2.2 discusses levels of assurance included in AA1000 AS (2008) and ISAE 3000.

7. What is the distinction between high and moderate levels of assurance?

High assurance is intended to provide report users with a high level of confidence in an organization's disclosures. For high level assurance, the assurance provider's aim is for reliability, and they need to obtain sufficient evidence such that the risk of their conclusion being in error is very low but not zero. For moderate level assurance the assurance provider's aim is for plausibility, and they need to provide sufficient evidence such that the risk of their conclusion being in error is reduced, but not reduced to very low.

High and moderate level of assurance differ in their objectives, evidence characteristics and on the extent of their conclusions. Signpost to AA1000 AS (2008) section 3.1.3. p.11)

Conducting an engagement

8. For high-level assurance engagements, are assurance providers required to conduct external stakeholder interviews?

Although external stakeholder interviews are not a formal requirement for high-level assurance, they represent good practice and should be undertaken. Both the AA1000 AS (2008) standard and guidance note encourage good practice of conducting interviews with external stakeholders; however, it is the assurance provider's responsibility to determine the sufficiency and appropriateness of evidence. Signpost to AA1000 AS (2008) and Guidance for AA1000 AS (2008) Assurance Providers section 4.2.1)

9. How does an assurance provider determine whether sufficient appropriate evidence has been obtained on which to base their conclusions?

Appropriateness relates to the quality of evidence (i.e. relevance and reliability) and sufficiency relates to the quantity of evidence. The assurance provider uses professional judgment and exercises professional scepticism in evaluating the quantity and quality of evidence to support the conclusions outlined in the assurance report. Signpost to Guidance for Assurance Providers section 4.2.3)

Assurance Statement

10. If there were no limitations relating to an assurance engagement, is it still necessary to include a disclosure within the assurance statement on limitations?

No it is not necessary. However assurance providers may wish to include this information in their assurance statements if they so wish.

11. For assertion-based assurance, does the nature and extent of adherence to the principles need to be described in the assurance statement?

No. For assertion-based assurance, the reporting organisation states the nature and extent of adherence to the principles and the assurance provider provides a conclusion on the reliability of the reporting organisation's statements.

12. Does the assurance statement need to include recommendations and / or observations, even if these are normally included in the report to management?

Yes. AA1000 AS (2008) requires that recommendations and/or observations are included in the assurance statement. A more detailed set of recommendations and/or observations may be included in the report to management, but these should not be materially different from those included in the assurance statement.

13. Which recommendations should be included in the assurance statement?

The statement must include observations and/or recommendations in the most material areas. As noted in question 12, a more detailed set of observations and / or recommendations may be included in the report to management. Signpost to Guidance for AA1000 AS (2008) Assurance Providers section 4.3.1)

14. Does a statement indicating that the assurance work was conducted in accordance with the IFAC Code of Ethics comply with the AA1000 AS (2008) requirements for independence?

Yes. The IFAC Code of Ethics stipulates that assurance providers must comply with requirements relating to independence. A statement indicating that an engagement has been conducted in accordance with the IFAC Code of Ethics implies that the assurance provider has assessed and met these requirements. However, AccountAbility encourages assurance providers to provide an explanation of their independence within the body of the assurance statement.

Licensing Questions

Assurance providers who use AA1000AS (2008) are required to pay a licensing fee to AccountAbility for each commercial use of the standard.

15. How do I become licensed?

All Assurance providers wishing to use AA1000 AS (2008) commercially are required to become licensed. A licensing agreement (which is available on our website) must be completed and returned to AccountAbility. Once the agreement is fully signed, each licensed Assurance Provider will be assigned a license number, with a specific logo, which can then be used by the Assurance Provider.

16. What are the costs?

There is a nominal fee of £5 for completion of the licensing agreement. The license fee is then £500 per commercial assurance engagement when the annual turnover of the assurance client is £2 million or more. If the annual turnover of the assurance client is less than £2 million, the fee is £200. AccountAbility will invoice the assurance provider unless it is otherwise mutually agreed that the reporting organisation will pay directly. Non-licensed statements are not noted as compliant to the AA1000AS (2008).

17. Who can use the AA1000AS (2008) licensed assurance provider Logo?

All assurance providers who have signed a licensing agreement. Licensed Assurance providers are listed on the AccountAbility website under the link:
<http://www.accountability.org/standards/aa1000as/aa1000as-licensed-providers.html>

18. Where can I use the AA1000AS (2008) licensed assurance provider Logo?

The logo can then be used on any AA1000AS (2008) assurance statement that meets all the requirements of AA1000AS (2008). It can also be used on promotional materials and letterhead of licensed providers in good standing.

19. Who pays the license fee?

The fee is paid by the office conducting and signing off on the assurance engagement. If this is a local office within a multinational organization, the local office will pay the license fee, not the head office.

20. When do we pay the license fee?

The license fee becomes payable when the assurance report is published.

21. What happens if the assurance provider fails to pay the licensing fee?

All usage of the AA1000 AS will be invoiced to the Assurance Provider as appropriate. Every effort will be made to work with the Assurance Provider if there are difficulties in payment of this use, although if the payment remains outstanding, it will be necessary for AccountAbility to contact the reporting organisation directly to advise of the situation. A statement will not be considered as compliant if the fee remains unpaid.

If an unlicensed assurance provider publishes an AA1000AS (2008) Assurance Statement (either in print or in electronic/PDF format), they will be contacted and asked to sign the licensing agreement. If the assurance provider does not become licensed or does not pay its license fees, their clients will be contacted and informed that they are using an unlicensed provider.

22. Why is there a license fee to use AA1000 AS (2008)?

There are two reasons for a fee: a. to provide finance to continue developing and maintaining AA1000 standards and supporting materials; and b. through monitoring of reporting to provide the first step on the road towards increasing the quality and consistency of AA1000 assurance delivery.

23. What are the implications for non-licensed assurance providers referencing the AA1000 AS (2008) standard in their assurance statements?

An assurance provider must be licensed to use AA1000 AS (2008). AccountAbility actively monitors non-licensed assurance providers using AA1000 AS (2008). Same as question 21, if an unlicensed assurance provider publishes an AA1000AS (2008) assurance statement they will be contacted and asked to sign the licensing agreement retroactively. If the assurance provider does not become licensed or does not pay its license fees, AccountAbility will contact the reporting organization to inform them that they are using an unlicensed provider.

24. How regularly is the listing of licensed assurance providers updated?

The listing of currently licensed assurance providers appears at: <http://www.accountability.org/standards/aa1000as/aa1000as-licensed-providers.html> More assurance providers are joining regularly and this list is updated on a continuous basis, as and when new license agreements are signed.

25. What is the difference between a licensed assurance provider and CSAP?

AccountAbility AA1000 CIC as creator and proprietor of AA1000 AS (2008), can grant licenses to an assurance provider wishing to use the AA1000 AS (2008) standard for its sustainability assurance services. The license agreement stipulates that assurance providers must comply with the requirements of AA1000 AS (2008), including those relating to competency. Within the License Agreement, there are mechanisms for quality control and the licensee is expected to 'cooperate with AccountAbility AA1000 CIC, in good faith, by providing information that AccountAbility AA1000 CIC may reasonably require in order to ascertain compliance with the AA1000 Assurance Standard (2008) requirements'.

The CSAP qualification is available to assurance practitioners to develop, validate and communicate their competence in delivering AA1000 AS (2008) assurance engagements. CSAP certification is not currently a pre-requisite for licensing.

Monitoring assurance statement compliance

26. What criteria are used to assess assurance statements?

Each assurance statement is assessed against the 15 criteria outlined in the AA1000 AS (2008).

The criteria are :

- intended users of the assurance statement;
- the responsibility of the reporting organization and of the assurance provider; assurance standard/s used, including reference to the AA1000AS (2008);
- description of the scope, including the Type of assurance provided;
- description of disclosures covered;
- description of methodology;
- any limitations;
- reference to criteria used;
- statement of level of assurance;
- findings and conclusions concerning adherence to the AccountAbility Principles of Inclusivity, Materiality and Responsiveness (in all instances);
- findings and conclusions concerning the reliability of specified performance
- information (for Type 2 assurance only);
- observations and/or recommendations;
- notes on competencies and independence of the assurance provider;
- name of the assurance provider, and
- date and place.