

## Need for Sustainability Assurance and Role CMAs Need to Play Right Now!

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We might content ourselves saying that it is too early for Bangladesh to control the adverse impacts on climate due to its economic activities rather the western world should do it as they have more economic strength. But can we really afford to do that? If due to the global warming the southern part of Bangladesh gets submerged in the Bay of Bengal can we live with that and ask our western friends to make it good for us? If the northern Bangladesh near the river Padma becomes a desert or due to the Teesta barrage the flood in rainy season submerge us, what will be the use of our money under the water? Would the stock market run under the ocean water? Take a lesson from Maldives, where a big portion of their country have gone under the sea and for which they needed to buy land from Australia to migrate their own people and shift part of the country to somewhere else! Do we want this to happen and can afford this?

China has already recognised the issue and thus getting out of the carbon intensive industry to respond to it. We are happily grabbing their abandoned industry believing that we are over competing them with our own strength! Such a bliss! Yes, we need to develop in financial terms and grab this abandoned industry if we really cannot afford to avoid. But certainly there is no harm in becoming cautious and trying to reduce carbon emission even with the carbon intensive industry.

Climate change policies worldwide has created a significant external pressure on firms to respond appropriately and make disclosure on such responses through many communication channels including annual reports, independent sustainability reports, electronic and print media, and social media and others (Saha et al., 2019) to gain legitimacy with regulators, society and other stakeholders. Big companies worldwide publish disclosures in annual reports and separate independent sustainability reports. Bangladeshi firms are also very much actively producing such type of disclosures and separate sustainability statements in their annual reports in response to such legitimacy pressure (Saha, 2018). This is really an opportunity for accountants

worldwide and our country. CMAs need to decide whether they want to ensure their contribution in this opportunity as a profession to exert their responsibility to the society.

There are numerous accounting related standards coming up for the sustainability related issues. It might be tough for professional accountants to be on top of all those. Global Reporting (GRI) has issued three dozen of comprehensive standards, whilst Sustainability Accounting Standards Board (SASB) issued 77 industry specific standards. In addition to that 17 sets of Sustainability Development Goals (SDG) of the United Nations. Furthermore International Integrated Reporting Council (IIRC) has defined 15 components of integrated reporting, and the AICPA came up with their own sets of guide – Attestation Engagements on Sustainability Information. International Standards Organisation (ISO) also has their own guideline on sustainability reporting for accountants. Who can rather advocate in the country to have a single set of standards for reporting, auditing and assurance services more than professional accountants? Do CMAs want to take the lead at least once or again wait to see ICAB getting the sweeter part of the cake? You decide before it gets too late to respond again.

In global context the accounting firms extend their assurance services to this kind of sustainability reporting- in which the big4 accounting firms are currently leading the market. The scope of carbon related assurance services may include carbon emissions inventory, measurement of the carbon footprint, carbon activity, carbon reduction performances, and whether carbon activity conforms with climate change legislations (Tang, 2018). The importance of carbon emission assurance service has been highlighted by the International Auditing and Assurance Standards Board (IAASB) in the GHG assurance standard, ISAE 3410 Assurance on a Greenhouse Gas Statement. While there is a growing number of carbon disclosures becoming compulsory, carbon assurance services still remains largely voluntary

(Green and Li, 2012). In the United States, SEC does not require any third party assurance, while Environmental Protection Agency (EPA) requires and report on greenhouse gases (GHG). Whilst, the European commission does not require a sustainability assurance statement, but require that the statutory auditor check whether such non-financial statement has been provided. KPMG international survey of sustainability reporting shows that 67% of large international companies obtain an assurance statement for their sustainability reports to increase the quality of the reports and gain the trust of the stakeholders (<http://kpmg.com/crreporting>). In absence of any governmental requirement for assurance or audit, it remains to be voluntary and thus inconsistent.

Allegation is that these sustainability reports are filled with green washed public relation contents, without specifying any specific issues and thus of little use to the stakeholders reading the reports. To ensure the quality of the information content in these sustainability reports needs some sort of attestation by a third party so that it can improve on its reliability. Bangladesh needs this to ensure its part to be played to control global warming. Who is in a better position to advocate this rather than CMAs? Can we utilise the opportunity before someone else steals the show as always before? ICMAB has a green field in here to pioneer. Advocacy from now will give them an edge when carbon assurance services would become quite obvious in future. This pioneering would give them the lead over its competitors in the Accounting field e.g. ICAB and ICSB.

To add to the threat global study says that this kind of assurance service is largely provided by the international organisations other than public accountants. This international firms can largely be termed as consultancy firms and doing this for the companies in absence of any governmental regulations in those countries. CMAs can advocate or even join hands with other professional accounting bodies in the country to advocate for governmental regulations regarding this standardisation so that we do not suddenly face a new unwanted competitions. Investor Responsibility Research Center Institute (<http://www.irrinstitute.org>) indicated with their international survey in 2018 that only 23 sustainability assurance were issued by big4 accounting firms out of total 120 sustainability assurance statements they surveyed.

CMAs as well as other professional accountants need to equip themselves with appropriate knowledge of sustainability reporting protocols and attestation standards available to develop their capability to issue sustainability assurance reports.

## Sustainability Reporting Protocols

- ◆ Global Reporting Initiatives (GRI) – 23 statements.
- ◆ World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) – 7 statements.
- ◆ UN Sustainable Development Goals (SDG2030) – 2 statements.
- ◆ Sustainable Accounting Standards Board (SASB) – one statement.
- ◆ Internal standards by corporations
- ◆ EU non-financial reporting directive – four statements.
- ◆ Carbon Disclosure Project (CDP)

## Attestation Standards

- ◆ AICPA assurance standards – 2017
- ◆ ISAE 3000 – International Standard on Assurance Engagement by International Auditing and Assurance Standards Board – 28 statements
- ◆ ISO 14064-3 – issued by International Organisation for Standardisation – 10 statements.
- ◆ AA1000AA and AAA1000AS – issued by AccountAbility, an international not-for-profit organisation- 12 statements.
- ◆ Different country and company specific standards.

ICMAB should also go further to advocate for compulsory carbon audit as this would give a sense of reliability among the readers about what has been disclosed. As GHG assurance a different expertise than financial audit CMAs might exert a competitive advantage over their preliminary competitors CAs in the country. The objective of GHG assurance is to examine whether the GHG statement is free from material misstatement, due to fraud or error, and that the GHG statement has been prepared, in all material respects, in accordance with applicable criteria (ISAE 3410, IAASB). This can open up the opportunity to place the image of ICMAB to a new height in the country!

## References

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