



# User Note on the Application of the Principles of Materiality, Completeness and Responsiveness as they Relate to the AA1000 Assurance Standard

## Executive Summary

*“The User Note provides very useful and practical insight into the everyday reality of conducting an assurance engagement. It should not only help accelerate improvements in practice, but also provide the basis for further discussion.”*

*Alan Knight, Head of Standards and Related Services, AccountAbility*

### Introduction

In 2006, in response to requests for further guidance, AccountAbility published a Guidance Note on the Principles of Materiality, Completeness and Responsiveness as used in AA1000AS. During the development of this Guidance Note it was suggested that we provide examples of how the principles were applied in practice. It was agreed that the Guidance Note was not the right place for these examples. We have therefore developed this User Note to provide examples of the application of the principles in practice.

The User Note is an opportunity for assurance practitioners and other users of AA1000AS to further explore questions of practice based on the work of leading assurance practitioners, including KPMG Sustainability, Deloitte, Bureau Veritas, the Reassurance Network and Banarra Sustainability Assurance and Advice. Three of the case studies are written from the perspective of the assurance provider while the Reassurance Network-Camelot and the Deloitte-Vodafone cases present both the reporter and assurance practitioner’s view of the assurance process.

### The case studies include:

- KPMG Sustainability: An Approach to Assurance Engagement Using AA1000AS and ISAE 3000
- The Banarra Assurance Methodology: A Hybrid Approach to Assurance
- Bureau Veritas and British American Tobacco: Developing Global Consistency
- The Reassurance Network and Camelot: Partnering to Add Value
- Deloitte and Vodafone Group: Reporting on the Subjects that Matter – Assurance Delivered in Accordance to Both AA1000AS and ISAE 3000



### General findings

The case studies described in the User Note demonstrate that:

- ❖ The AA1000AS principles were adopted by the assurance provider to determine the quality of the reporting organisation's systems and processes, to ensure the right issues were reported and to ensure that the information on these issues was correct. The principle of materiality came out strong in all cases and was fundamental to the successful outcome of the engagements.
- ❖ Although the assurance providers used different methodologies, their processes were all recognizable and provided an outcome that was similar. Use of the AA1000AS did not limit their ability to develop and implement their own processes and methodologies that give them a competitive advantage.
- ❖ The assurance providers used a balance of objective evidence and professional judgement to evaluate performance and assertions of the reporting organisation.
- ❖ In addition to applying the AA1000AS, the assurance providers possessed client and sector knowledge, competencies in related reporting standards and guidelines, as well as knowledge of the reporting organisation's peers and competitors. These additional skills and competencies ensured that the assurance providers effectively addressed company or sector-specific issues.
- ❖ The assurance engagements provided the reporting organisations with information that would assist in continual improvement.
- ❖ There is a trend for assurance practitioners to develop their own materiality analysis and to evaluate the organisation's process and results in relation to their own findings.
- ❖ Practitioners look at the underlying systems and processes as well as the report and not the underlying systems and processes only as they relate to the report.

### Some of the challenges faced by the assurance practitioners included:

- ❖ Defining the scope in a way that meets the principle of completeness yet still has the focus needed to enable the depth of investigation required to provide an adequate level of assurance.
- ❖ Effectively investigating and providing assurance on commercially sensitive and confidential issues in a way that meets the principle of completeness. Some material issues, by their very nature, are confidential which precludes the inclusion of detailed information in public reports. In some cases it is also clearly not in the public interest for a company to disclose its activities or risks (e.g. relating to security arrangements). This presents a challenge for the assessor. However, it can also provide an opportunity to reassure stakeholders in the form of an independent assurance statement that confidential risks are being managed responsibly without having to reveal details.
- ❖ Making sure the necessary competencies are represented on the team.
- ❖ Determining materiality consistently for different types of issues. The significance of some issues can be measured quantitatively. Others must be evaluated qualitatively. But there must be a sense of equivalence.
- ❖ Since AA1000AS focuses on principles rather than the assurance process there is the need to find process guidance elsewhere or to develop it.

### About AccountAbility

AccountAbility's mission is to promote accountability for sustainable development. As a leading international professional institute, AccountAbility provides effective assurance and accountability management tools and standards through its AA1000 Series, offers professional development and certification, and undertakes leading-edge research and related public policy advocacy. AccountAbility is based on an innovative, multi-stakeholder governance model, enabling the direct participation of its organisational and individual members who span business, civil society organisations, and the public sector from different countries across the world.

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