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AICPA Guide: Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information)

Timothy Coville

The Peter J. Tobin College of Business, St. John's University

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Organizations are increasingly seeking to add credibility to sustainability information. According to the Certified Financial Analyst (CFA) Institute, 73 percent of portfolio managers and research analysts surveyed take sustainability matters into account when making investment decisions and 69 percent believe it is important that such information be subject to independent assurance (CFA Institute, 2015). These CFA findings have only grown in importance, since then.

This new American Institute of Certified Public Accountants (AICPA) issued guide is intended to assist Certified Public Accountants (CPAs) with interpreting and applying recent clarified attestation standards. By recent clarified attestation the AICPA is referring to three relatively short foundational documents: the AT-C Section 105, 25 pages, “Concepts Common to All Attestation Engagements;” AT-C Section 205, 48 pages, “Examination Engagements;” and AT-C Section 210, 31 pages, “Review Engagements.” All of these became effective May 1, 2017. The reader is referred often throughout this guide to also comply with prescripts contain in these 3 freely available documents.

The Attestation Engagements on Sustainability Information Guide (Including Greenhouse Gas Emissions Information) (AESIG) itself is only 192 pages and was developed by the AICPA Auditing Standards Board’s (ASB) own Sustainability Task Force. It is intended to assist practicing accountants in dealing with attestation engagements of any entity’s sustainability information. As it is directed at practicing accountants, it does demand of its readers some base line professional knowledge of what attestation engagements of any entity’s traditional financial information would entail. One of the things I will address in this book review, is how useful it will be for a non-practicing accountant, and those in the midst of studying to become one, to understanding the work involved without needing to constantly refer to other documents.

I found the AESIG to be very sensibly structured. Its usefulness was also enhanced by numerous substantive appendices and its glossary. The structure I am referring to is:

Chapter 1 “Introduction to Sustainability Examination and Review Engagements”

Chapter 2 “Planning the Examination or Review Engagement”

Chapter 3 “Performing Examination or Review Procedures”

Chapter 4 “Reporting on an Examination or Review Engagement”

Chapter 5 “Performing an Examination or Review Engagement on Greenhouse Gas Emissions Information”

This book review continues by providing some insights into what a reader can expect to learn, organized by these same chapters. That will be followed by a few additional comments on the numerous appendices and lastly some closing remarks about this book’s overall usefulness and readability

Chapter 1 “Introduction to Sustainability Examination and Review Engagements”

As one would expect from the chapter’s title, it provides important fundamental introductions to concepts that will be important for anyone looking to provide attestation services for an organization’s reported sustainability related information. This knowledge would be useful for members of the organization that prepared a report on their sustainability information and are seeking to increase its credibility by hiring a practitioner to perform either an examination or a review of their sustainability report. Numerous concepts definitions and their synonyms are provided, starting with the term sustainability itself.

Despite its dry technical nature, it is also packed with information that even a non-practitioner would find enlightening about the attestation service and about the subject of sustainability. The term sustainability was first developed in 1987 in a United Nations (UN) sponsored study entitled, “Our Common Future.” There it was described as an approach that, “*meets the needs of the present without compromising the ability of future generations to meet their needs*” (WCED, Chapter 2, 1987). As interest in the concept of sustainability has grown, so also has the recognition that organizations have a part to play in this. That combined with the old business adage that “what is not measured is not managed,” led to a growing demand for all types of entities commercial and otherwise to use internally and report externally on the Key Performance Indicators (KPIs), a.k.a. metrics that they use to develop, guide, and monitor their sustainability as an organization.

Another useful concept addressed in chapter one, beyond the term sustainability and KPIs, was the need to clarify the meaning and importance of the term *boundaries*. The reader learns that consideration has to be given to not only the

traditional legal ownership-based definition used for traditional financial reporting, referred to as the *organizational boundary*, to look beyond that to the entity's *operational boundary*, before deciding what reporting *boundary* is to be used for any particular sustainability report and its attestation engagement.

Lastly, the concept of a *criteria* is raised. Criteria here meaning the established source being referenced by the reporting entity, which could be a government supported regulation or a voluntary reporting framework or standard. The authors do not mention any one of the numerous frameworks or standards that are out there. A few examples would be those issued by the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI) or the UN's International Standards of Accounting and Reporting (ISAR).

Chapter 2 “Planning the Examination or Review Engagement”

This chapter is also short, dense and structured to maximize precision, not smooth narrative flow. Fairly frequent referrals to other paragraphs in the book can cause some challenging navigation and of course interrupt any narrative flow. None-the-less the reader once again learns of numerous fundamental concepts and definitions.

A couple of the most important of these are what is meant by an *Examination Engagement* versus a *Review Engagement*. These are the two levels of attestation engagements addressed by the AESIG. Examinations provide positive assurance, whereby the practitioner has done enough to report positively about the sustainability information covered versus Reviews that provide negative assurance, whereby the practitioner has only done enough to express an informed view that they see nothing to contradict.

Other new considerations raised in this second chapter that stand out were: dealing with measurement uncertainty; risk assessment procedures; materiality in planning and performing these engagement; considerations when selecting and using the work of a scientist or engineer a.k.a. a practitioner's specialist and the potential need to decline an attestation engagement altogether.

Chapter 3 “Performing Examination or Review Procedures”

As this chapter's title suggests, it is very much about what procedures are to be performed and how. As such, it is the longest of this book's chapters. One of its strengths is that it provides clear side-by-side contrasts of what is expected for

examinations versus reviews. It also provides guidance on how the work performed should be documented.

Chapter 4 “Reporting on an Examination or Review Engagement”

This chapter begins with a focus on how to form an opinion or conclusion, after having completed the procedures explained in chapter 3. It provides further guidance over “measurement uncertainty” a potential issue first raised in chapter 2. Having first led the practitioner over how to arrive at an opinion or conclusion, it then focuses on the appropriate content and form of any reports to be issued to express their opinion or conclusion. This chapter, like chapter 3, is also clear about the differences that should exist between reporting on an examination versus reporting on a review.

One of the strengths of this book is how well this chapter is supplemented by the numerous example reports, provided for a broad array of possible conditions, in appendices D through F.

Chapter 5 “Performing an Examination or Review Engagement on Greenhouse Gas Emissions Information”

This chapter does not stand on its own. It is intended to be supplemental to the guidance already provided by chapters 1 through 4. The authors point out that the reason behind dedicating a chapter to the specific sustainability topic of Greenhouse Gas emissions (GHG) is purely due to the “prevalence of such engagements in comparison to other sustainability information.” This greater prevalence is itself then explained as being due to the “number of global and national initiatives to reduce GHG emissions” having caused many entities to quantify their GHG emissions both for internal management purposes and to provide reports of their emissions for a broad array of reasons, e.g., emissions trading programs, carbon tax programs, regulated mandatory disclosures, stockholder and community relations reports and more.

The reader might be tempted to choose to simply focus on the guidance available in chapters 1 – 4, as responsibly applied they would guide a practitioner towards producing a professional report on GHG and other possible sustainability related KPIs. Still chapter 5 does offer some valuable new terms and concepts. One of the first of these was pointing out that engineers and scientist can provide “validation”

of an entity's GHG emission reduction projects, whereas CPA practitioners should not hold themselves out as competent to provide a validation service. Practitioners are also instructed not to use the term "verification," even though an examination or review as covered by this guide may satisfy the requirements of a regulator for a verification.

This last chapter goes on to provide numerous additional definitions and explanations of existing regulatory schemes. All of which serve as useful forewarning and background.

Conclusion

This book, though dry and lacking in narrative flow, delivers what its title promises, quality guidance on how a CPA practitioner may responsibly attest to another entity's sustainability information. My studies and lectures to others on aspects of sustainability over the past half-decade leave me with no doubt as to the current relevance and future growth of that relevance for the material covered by this book. I would just caution any reader to consume it in small increments.

References

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[Dr. Timothy Coville](#)