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Sustainability assurance and corporate environmental accountability

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Abstract

This study explores the institutional field of sustainability assurance in South Africa to explain how this emerging practice, largely embedded in the mature field of auditing, operates. Employing the institutional pillars approach to analyze data obtained from in-depth interviews, archival sources, and documentary reviews, the study shows mechanisms by which governing norms of the sustainability assurance field in South Africa are maintained despite a conspicuous gap between the desired purpose of sustainability assurance and its actual practice. Building on prior research on capture of sustainability assurance field, we identify an institutional outcome of total—that is, managerial and professional—capture conditioned by (1) malleability of the objective and scope of sustainability assurance engagements and (2) inadequate regulative pillars that failed to manage the multiple and competing interests in the sustainability assurance field. We show that total capture enabled maintaining field norms of sustainability assurance that cater for the interests of assurors and clients with limited regard to enhancing corporate environmental sustainability. The study contributes to the literature by highlighting the institutional outcome of embedding the emerging practice of sustainability assurance in an established field of auditing in a setting with weak regulative pillars.

KEYWORDS

environmental accountability, institutional theory, managerial capture, professional capture, South Africa, sustainability assurance, sustainability reports, total capture

1 | INTRODUCTION

Sustainability assurance has received increased attention in recent years as a potential mechanism to enhance corporate environmental accountability by rendering credibility to corporate sustainability reports (e.g., Steinmeier & Stich, 2019; Cuadrado-Ballesteros et al., 2017; Quick & Inwinkl, 2020). Yet, sceptics contend that the practice is vulnerable to exploitation by corporate management and/or sustainability assurance providers (SAPs) who tend to pursue self-interest rather than advance the public interest (e.g., O'Dwyer & Owen, 2005; Perego & Kolk, 2012). Owing to the relatively emerging nature of sustainability assurance, a critical analyses of the interactions among institutional structures and agents at varying levels in the sustainability assurance field has not, however, been undertaken.[1] Using the context of South Africa, the present study examines how interactions among different elements of institutions and actors at varying levels enacted a sustainability assurance practice that is slanted toward the interests of assurors and reporting entities.

Abbreviations: ASAP, accountant sustainability assurance providers; CFAS, Committee for Auditing Standards; DMR, Departments of Mineral Resources; GRI, Global Reporting Initiative; IRBA, Independent Regulatory Board of Auditors; JSE, Johannesburg Securities Exchange; NASAP, non-accountant sustainability assurance providers; SAICA, South African Institute of Chartered Accountants.

[1]Nevertheless, studies exploring the efficacy of sustainability assurance reports in enhancing the quality, credibility, and decision usefulness of sustainability reports (e.g., Cheng et al., 2014) largely ignored the role of institutional determination.

As the emerging field of sustainability assurance is characterized by uncharted institutional structures and actors with competing interests, examining the interplay between institutions and agents embedded in this field would shed light on the emergence and development of institutional norms in the field (Delmas & Montes-Sancho, 2011; Purdy & Gray, 2009). Academic, policy, and regulatory debate has continued regarding the type of sustainability assurance regime that is effective in promoting corporate environmental transparency and accountability (Boiral & Heras-Saizarbitoria, 2020; Farooq & de Villiers, 2020; Ruiz-Barbadillo & Martinez-Ferrero, 2022). Prior research (O'Dwyer, 2003; O'Dwyer & Owen, 2005) shows that the sustainability assurance field could be dominated by some actors which may challenge the extent to which sustainability assurance promotes corporate accountability. Given the emerging practice of sustainability assurance (O'Dwyer, 2011; O'Dwyer et al., 2011) is embedded in the mature field of financial auditing, the institutionalization and operation of sustainability assurance warrants investigation to understand how the new practice is enacted. A consideration of the dynamics among key institutional structures and agents in shaping the nascent practice would advance this worthwhile debate on a socially relevant matter. Against this background, we address the following research question based on the South African empirical setting: *How do the institutional pillars and salient interests of dominant field actors shape the enactment of sustainability assurance practice?*

South Africa provides a suitable setting for the study. Heavy dependence of the South African economy on environmentally sensitive industries (Andreasson, 2017; Lemma et al., 2020; Negash & Lemma, 2020) makes sustainability assurance a potential consideration in an attempt aimed at enhancing corporate environmental accountability in the country. Indeed, unlike most stock exchanges around the world, the JSE has adopted the King's code of corporate governance, which recommends an independent assurance of sustainability reports, *albeit* on an "apply or explain basis."[2] South Africa presents a unique setting (Ackers, 2018) that enables exploring how the emerging practice of sustainability assurance, which has attracted policy attention, became enacted in the existing field of auditing. The post-apartheid socio-economic environment in South Africa has ushered the emergence of salient actors in the "minerals and energy complex" that have competing interests in the environmental policymaking arena (Baker et al., 2014), which in turn have implications for the sustainability assurance field in the country. Although South Africa boasts of its comprehensive environmental laws and policies (Baker et al., 2014), the legislative and policy achievements have yet to result in a satisfactory corporate environmental performance.[3] South Africa presents a suitable setting to examine how (if at all) institutional forces shape enactment of sustainability assurance practices, which are largely being embedded in the existing field of auditing in which members of the accounting profession have considerable sway.

We employ institutional theory, particularly, the institutional pillars framework and key agents proposed in Scott (2014). This theoretical view enables examining the structural influences that impact the enactment of assurance practices, whilst acknowledging the role of salient agents in this process. It offers conceptual tools to unpack the dynamics in the interaction among institutional elements in the sustainability assurance field and how salient agents in the field affect (and are affected by) institutional elements (Scott, 2014). We conceptualize sustainability assurance field as an emerging but complex field with numerous actors interacting with each other, within the framework of multiple institutional structures, vying to promote their own commercial, professional, and ideological interests (Smith et al., 2011). The institutional pillars approach illuminates alignments and/or contradictions among the institutional structures that provide meaning to the observed practice (Scott, 2014). Although the alignment and/or contradictions among the institutional pillars would influence the conduct of field actors, we take a view that actors too play a nontrivial role in the construction of structures, procedures, processes, and routines (Battilana, 2006).

Our analysis shows that the sustainability assurance field in South Africa is epitomized by deficient coercive/regulative institutional pillars and multiple normative standards that facilitate control of field norms by dominant actors of the financial auditing field, to which the new practice of sustainability assurance is embedded. This institutional field is characterized by a "weak" regulatory system overshadowed by sustainability assurance providers hailing from the auditing profession (ASAPs) dominating the institutional field. We highlight total capture as the institutional mechanism that shaped the sustainability assurance field in favor of assurance providers and corporates; thus, setting norms of assurance practice whose alignment with claimed ideals of enhanced environmental accountability remained questionable. Two institutional conditions enabled total capture: (1) malleability of the objective and scope of sustainability assurance engagements and (2) inadequate regulative elements which failed to manage the multiple and competing interests in the sustainability assurance field.

The present study contributes to our understanding of sustainability assurance practices in their institutional context. The study sheds light on how the interactions among institutional pillars and actors in the sustainability assurance field in South Africa facilitated power asymmetry in favor of assurors. The power asymmetry enabled the constitution of field norms that cater for the interests of assurors and their clients rather than advancing the collective interest in line with the declared purpose of sustainability assurance as a tool for promoting corporate environmental accountability. Understanding how the interactions among institutional structures and agents at varying levels in the sustainability assurance field mutually influence the emergence and development of sustainability assurance practice ostensibly reveals the gaps between the declared aim of sustainability

[2] Although South Africa has adopted a fourth series of King report at time of this writing, since the data was collected while the third series was in effect, we refer to the third series in this study.

[3] For instance, in terms of environmental performance index (EPI) in 2018, South Africa was ranked 142nd out of 180 countries, based on Environmental Performance Index (EPI) developed jointly by Yale University, Columbia University, and the World Economic Forum. It can be accessed at https://epi.envirocenter.yale.edu/about-epi. Also, the 2011–2014 strategic plan of the Department of Mineral Resources (DMR, 2010) indicates that most of the mines in South Africa do not have adequate financial resources to rectify environmental damages caused by their operations.

assurance and the actual operation of sustainability assurance regimes (Delmas & Montes-Sancho, 2011). Prior studies adopt a research approach that focusses on the recurrence of certain themes in sustainability assurance reports (Boiral et al., 2019) but mostly overlook the role of institutions and actors in shaping the assurance practice in general and the content of assurance reports in particular (e.g., Farooq & de Villiers, 2019a, 2019b). Based on in-depth qualitative analysis of interview and documentary evidence, our study builds on the work of Smith et al. (2011, p. 427) on total capture. It does so by identifying mechanisms that enabled emergence of institutionalized sustainability assurance practices in South Africa with norms slanted toward the interests of assurors and clients, but not necessarily aligned with the goal of advancing public interest.

The balance of the paper is organized as follows. The second section highlights key prior studies and develops a theoretical framework to frame the research focus. The third section provides contextual and institutional background of the study. The fourth section details the research design, data collection and analysis procedures. The fifth and sixth sections, respectively, present the findings and the discussions thereof. The final section concludes.

2 | THEORETICAL FRAMEWORK

Several prior studies employ variations of institutional theory to gain insights into the emerging field of sustainability assurance (e.g., Channuntapipat, 2021; Farooq & de Villiers, 2020; Silvola & Vinnari, 2021; Smith et al., 2011). We particularly employ the institutional pillars framework described by Scott (2014) who asserts that institutions comprise regulative, normative, and cultural-cognitive elements, to explore how institutions interact with actors "through manifest rules and sanctions, as well as legitimacy and socio-cognitive mechanisms that affect what is taken to be real and relevant" (Abdelnour et al., 2017, p. 1778). In this section, we conceptualize the sustainability assurance practice as an organizational field and explain key theoretical concepts we employ in our analysis.

2.1 | Sustainability assurance field: conceptualization

We draw on the concept of organizational field, a central construct in institutional theory (Wooten & Hoffman, 2008), to map the sustainability assurance field in South Africa. DiMaggio and Powell (1983) define a field as "a recognized area of institutional life [including] suppliers, […] consumers, regulatory agencies, and other organizations that produce similar services and products" (p. 148). Relatedly, Fligstein and McAdam (2012) conceive a "field" as a "contested area" where multiple types of players pursue their interests and defend their turf. Consistent with these views, the current study conceptualizes sustainability assurance field as a complex institutional field where several groups of actors interact leading to the construction of assurance practices that could favor a dominant actor (Smith et al., 2011) depending on how the pertinent institutional pillars operate (Scott, 2014). In other words, we view the assurance field as a nascent field with multiple institutional structures and competing and/or collaborating agents, which aim to advance their own commercial, professional, and ideological interests (Smith et al., 2011). This conceptualization permits examining how actors in the field are influenced by (or influence) "varying vectors of force depending on their location in the field and their relation[ship] with other actors as well as the larger structure within which these relations are embedded" (Scott, 2014, p. 220).

2.2 | Sustainability assurance field and institutional structures

Scott (2014) conceptualizes institutions as being comprised of "regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life" (p. 56). As vital pillars of institutions, these elements, although mutable, provide structure to an organizational field and play a substantial role in governing the conduct of actors in a sustainability assurance field. The pillars would serve as "social facts" that actors would have to consider in determining an appropriate course of action in a situation (Zucker, 1977). While the pillars contribute, in "interdependent and mutually reinforcing ways, to a powerful social framework," (Scott, 2014, p. 59), they rely on "distinctive basis of compliance and order, mechanism of diffusion, type of logic, cluster of indicators, affective response, and foundation for legitimacy claims" (Scott, 2014, p. 84).

The regulative pillar denotes a set of rules and laws that regulate, monitor, and govern the conduct of actors (Scott, 2014). In addition to direct sanctions for non-compliance, regulative pillars constitute the schemata of interpretation and practice with which credible actors are required to comply to signal conformance with the institutionalized domain (DiMaggio & Powell, 1983; Meyer & Rown, 1977). The regulative pillar provides a legally sanctioned basis of legitimacy for actors and operates primarily through coercive mechanisms using the logic of instrumentality (Scott, 2014). Nonetheless, the effectiveness of the regulative pillars in directing the conduct of actors is partly a function of the clarity of the demand, effectiveness of the surveillance, significance of the sanctions and effectiveness of the mechanisms used by the coercive agent to elicit compliance (Scott, 2014).

The normative pillar comprises the expectations, norms, values, and standards advanced by key actors including professional bodies, standard-setters, and/or assurance providers (Scott, 2014). It "introduces a prescriptive, evaluative, and obligatory dimension into social life" through normative mechanisms that use the logic of situation appropriateness (Scott, 2014, p. 222). This pillar is associated with professionalization and "operates through the establishment and reinforcement of values and norms that shape desirable ends and means of action" (Zhang et al., 2014, p. 822). Actors, including assurors, would seek legitimacy by aligning their activities and processes with well-established standards, traditions and rituals of authority and competence (O'Dwyer et al., 2011; Suchman, 1995). As a result, even in the absence of coercive pressures, the normative pillar both enables and constrains behavior according to rights, responsibilities and mandates associated with well-established norms, conventions, and codes of professional conduct (Scott, 2014).

The cultural-cognitive pillar refers to the shared conceptions, schemas, frames, beliefs, and other symbolic representations which provide the lens with which actors view the field and guide their conduct (Scott, 2014). It deals with those aspects of the organizational field which have attained a taken-for-granted status and become generally accepted as a logical, rational, and desired feature in the assurance field (Scott, 2014). It provides legitimacy to actors through comprehensible, recognizable, and culturally supported schemas which constitute the orthodox ways of doing things that are reproduced through the process of mimicry and imitation (Scott, 2014).

When the institutional pillars are aligned, the field would have "practices that persist and are reinforced because they become taken-for-granted, normatively endorsed, and backed by authorized powers," which is likely to lead to a dominant norm (Scott, 2014, p. 71). In such a situation, actors would adopt practices that are considered socially acceptable, "right," or "proper" (Meyer & Rown, 1977, p. 430; also see Purdy & Gray, 2009). In contrast, weakly correlated structures with competing or conflicting requirements and perception result in ambiguity and more variegated practices across a fragmented field (Meyer & Scott, 1983). In addition, misaligned institutional structures "provide resources that different actors can use for different ends" (Strang & Sine, 2002, p. 499). Since emerging fields tend to have "underorganized, pluralistic, or inconsistent" structures (Purdy & Gray, 2009, p. 357), the uncertainty regarding the acceptable norms and the knowledge base for practice (Purdy & Gray, 2009) would create a situation in which actors would be conflicted and confused (Scott, 2014). In addition, emerging fields lend themselves to the possibility that multiple structures, rather than a single dominant arrangement, become taken-for-granted (Purdy & Gray, 2009).

2.3 | Sustainability assurance field: actors and their agentic role

As an organizational field, a sustainability assurance field may include a nation-state, corporations, professions, and associations (Scott, 2014). A *nation-state*, through its legislative and regulatory prerogatives, may define the legal and regulatory environment within which other actors in the assurance field operate (Scott, 2014). Likewise, *commercial actors*—such as assurance clients and assurors —have vested individual and collective interest in the direction that the construction of the assurance field would take (Smith et al., 2011) and would try to influence institutional norms (Farooq & de Villiers, 2020) by establishing alliances and networks, negotiating contracts, and designing and redesigning governance frameworks (Scott, 2014).

The *professional community* is "influential in translating ideas, perceptions, and beliefs of those with […] regulatory power to operationalize" changes to an organizational field (Potter, 2005, p. 278). Both Dezalay and Garth (2016) and Scott (2014) highlight the role of the *professional community* in the creation, preservation, and diffusion of institutional structures. Likewise, Lovell and Mackenzie (2011) highlight the role of the [accounting] professional body "in identifying and modifying existing […] practices in response to" stakeholder demands (p. 725). Drawing on Young (1995), we argue that the "[…] professional bodies, as one of the key actors with much say about the normative structures of a sustainability assurance field, can influence the credibility and efficacy of a given […] routine, technique, or approach. Professional communities "due to the strategic location of their members, in both national and international organizations, and their sharing of common values and beliefs," can have a considerable influence on the field (Potter, 2005, p. 279). In this regard, the accounting profession is likely to exert considerable influence in shaping how sustainability assurance is enacted largely within the mature field of auditing.

Prior studies suggest that the efficacy of sustainability assurance reports in promoting the credibility of sustainability reports, and thereby corporate accountability is, inter alia, a function of the institutional context (Cuadrado-Ballesteros et al., 2017; Kolk & Perego, 2010). Variations in institutional structures that underpin the assurance field could lead to differences in understanding, knowledge, expertise, resources, capabilities and taken-for granted assumptions among different actors including assurors (Martínez-Ferrero et al., 2018; Wallage, 2000; Zorio et al., 2013). Nonetheless, assurors and other actors in the field may shape the structures that give meaning to acceptable assurance practices (Bepari & Mollik, 2016; Channuntapipat et al., 2019; Farooq & de Villiers, 2020; Smith et al., 2011). As a result, sustainability assurance is practiced in an institutional field with multiple agents pursuing competing interests.

Highlighting the agentic response of actors to institutional pressures, Bepari and Mollik (2016) show that assurors shun their responsibility to engage stakeholders in the assurance process and that clients tend to place limitations on the scope of assurance engagements. In a similar vein, Farooq and de Villiers (2020) demonstrate how assurors may influence the scope of assurance engagements by educating clients about sustainability reporting norms. Although these studies enhance our understanding of the agentic power of actors and the malleability of institutional structures in sustainability assurance fields, they do not consider actors' location in and connection to the field (Scott, 2014). Using institutional pillars framework and salient institutional actors proposed in Scott (2014), our study seeks to examine how the alignments and/or contradictions among institutional structures and the agentic role of actors promote or impede corporate environmental accountability.

2.4 | Sustainability assurance field and potential capture of enacted field norms

Institutionalization of a practice is "a product of the political efforts of actors" who have the resources and interest to modify or create institutional structures (DiMaggio, 1988, p. 13). This conceptualization of institutionalization recognizes the active role of actors in the creation or transformation of practices that will reflect, protect, and advance their interests (Weingast, 2002). It also highlights actors' potential for reconstructing the rules, norms, and beliefs that guide their actions (Scott, 2005). DiMaggio (1988) contends that organized actors with sufficient resources would engage in activities that promote the realization of their interests, if presented with an opportunity to create or transform institutions. The effect of such entrepreneurial activity is that an institution backed by an actor with the strongest power would become institutionalized (DiMaggio, 1988). In emerging fields like sustainability assurance field, the most powerful entrepreneurs tend to be actors who occupy positions that earn legitimacy from diverse groups of stakeholders, which in turn gives them access to diverse set of resources (Maguire et al., 2004).

Sustainability assurance, as an emerging field with multiple structures and actors, is susceptible to efforts aimed at constructing or reconstructing the field, with a view to frame issues and set premises that would ensure systematic collective gains for interest groups (Lazega, 2016), rather than promoting corporate environmental accountability and the public interest (Adams & Evans, 2004; Gürtürk & Hahn, 2016). In this vein, Power (1991, 1997) argues that the assurance practice has the potential to succumb to "capture" by managers of clients and assurance providers. The commercialization of assurance practice may facilitate that managers of the client company control the assurance process and provide only information that presents their company in favorable light. This is called managerial capture (O'Dwyer, 2003; Owen et al., 2000). Likewise, professional capture occurs when an assurance provider tries to create and protect its commercial interests and positions in the "market for expertise" by legitimizing a "private and invisible expert activity" (Power, 1994, p. 26).

Depending on the type of capture that epitomizes a sustainability assurance field, assurance outcomes would serve the interests of dominant actors, but not necessarily promote corporate accountability. For instance, if the field is marred by both managerial and professional capture (i.e., total capture), the assurance process would focus purely on the validation of data provided by the client, catering to the commercial interests of the client and the professional interest of the assuror, in a consultancy-type engagement. On the other hand, if the field is captured by a client's management, the interests of the client would override those of the assuror. The assurance process would involve assessment of client supplied data, resulting in a social responsibility audit engagement. Likewise, if the assurance field is characterized by professional capture, the assurance process would essentially be a professional verification of client supplied data (Smith et al., 2011).

3 | INSTITUTIONAL BACKGROUND OF SOUTH AFRICA

South Africa is epitomized by institutional features that have special bearing on the interactions among business, the environment and society (Lemma et al., 2019). Although there are no regulative statutes mandating the provision of third-party assured sustainability reports, the use of such assurance has gained significant traction largely because of the operation of so-called "soft laws" (Ackers, 2017). For instance, the Global Reporting Initiative (GRI) is a popular framework guiding sustainability reporting globally and in South Africa (Ackers, 2017). The GRI recommends that reporting companies identify their stakeholders and discuss how the expectations and interests of these stakeholders have been addressed (Boiral et al., 2019). As part of this process, the GRI recognizes the important role played by assurors in bolstering reliability of sustainability information for internal use and its credibility in the eyes of key constituents. Also, it provides "reference points" used by organizations and their constituents to differentiate "good" from "bad" practice.

The institutional power inherent in GRI's publications is amplified by the operations of South Africa's code of corporate governance. The governance "Code" calls on a company's board to consider the principles outlined in GRI in preparing financial and extra-financial disclosures (IoD, 2009). It recommends a joint use of the ISAE3000 and AA1000AS standards so as "to ensure the needs of the stakeholders and those of the company are met in a single process … and that all auditing professionals in South Africa must comply with ISAE3000" (IoD, 2009, p. 110). Like accounting professional bodies elsewhere (Deegan et al., 2006), the Independent Regulatory Board of Auditors (IRBA)[4] requires that ASAPs in South Africa comply with ISAE3000 in performing sustainability assurance (IRBA, 2018). The two standards originate from very different professional and ethical perspectives (O'Dwyer & Owen, 2005; Perego & Kolk, 2012) informed by divergent normative and cultural-cognitive templates. Neither standard mandate some key aspects of the assurance practice (e.g., scope of assurance engagements; criteria, processes, and procedures to be used in the assurance process; and components of sustainability reports to be assured) (see Ackers & Eccles, 2015). The ambiguity and conflicting expectations highlighted in the two standards are likely to induce assurors into some form of strategic and agentic behavior (Scott, 2005).

Although the Code is a voluntary governance code, the Johannesburg Securities Exchange (JSE) mandates that all listed companies observe the principles outlined in the Code or explain why they have not (Ackers & Eccles, 2015). Thus, it reinforces the status of the Code (and the provisions dealing with sustainability-related assurance) as a type of "soft-laws." Nonetheless, the efficacy of the "soft laws" in shaping the sustainability assurance field hinges partly on the reinforcements from other regulative, cultural-cognitive, and normative structures (Scott, 2014) and the costs and benefits of complying to the recommended practice (Channuntapipat et al., 2019; Westphal & Zajac, 1994).

In terms of actors in the assurance field, there are two types of assurors that operate within the South African market—accountant sustainability assurance providers (ASAPs) and non-accountant sustainability assurance providers (NASAPs). In this vein, Ackers and

[4]IRBA is the agency that regulates the conduct of auditors in South Africa.

Eccles (2015) report that ASAPs, which tend to use ISAE3000 as the primary standard, dominate the assurance market in South Africa. This suggests that most assurors in South Africa are likely to be shaped by the normative pressure stemming from "expectations, norms, and roles" advanced by the accounting profession, auditing firms, and professional bodies. It also implies that the interpretation of environmental sustainability issues by assurors in South Africa is mostly informed by "conceptions, schemas, frames, beliefs, and other symbolic representations" that are found in the assurors' cultural and professional background tied to the auditing profession.

The state, as another important actor in the South African sustainability assurance field, imposes regulative pressures via the Constitution, various legislations, acts, and regulations. The "hard-laws" that form the regulative institutions include, inter alia, the National Environmental Management Act, Minerals and Petroleum Resources Development Act, National Water Act, Air Quality Bill, and Mine Health and Safety Act (see Tawiah et al., 2023; Visser, 2005). These legislations assign the role of monitoring sustainability issues mainly to two agencies—the Departments of Mineral Resources (DMR) and Environmental Affairs (DEA). However, these agencies are challenged by (1) inadequacies in human resources at various levels; (2) poor coordination within the agencies; (3) the government's focus on polluting sectors to bring about socio-economic equality; (4) collusion between government and industry; and (5) failure of government to mainstream sustainability issues (Fig, 2005). These predicaments in the coercive agencies could lead to a situation where assurors and clients would reconstruct the meaning of institutional structures to align with their own *efficiency* goals than the public interest (Edelman et al., 1999).

Professional accounting bodies play an active role in institutionalization of professional services (Greenwood & Hinings, 1996). The South African Institute of Chartered Accountants (SAICA) plays active role in the construction of the structures that shape the assurance field in the country. For instance, SAICA influences the field via its engagements in the screening, licensing, and monitoring of professional accountants and membership in key standard setting committees and regulatory agencies (de Villiers & Venter, 2010). Furthermore, the strategic position that SAICA holds in local and international organizations offers it the opportunity to shape the diffusion of assurance practices that are aligned with the accounting profession's beliefs, values, and norms (Potter, 2005).

4 | RESEARCH DESIGN, DATA COLLECTION AND ANALYSIS

4.1 | Research design

We qualitatively analyze data obtained from in-depth interviews, archival sources, and documentary reviews, to uncover insider and local views (Creswell, 2013) regarding the institutional architecture (Bell et al., 2018) of the sustainability assurance field in South Africa. Through our examination of the experiences, understandings, perceptions, and imaginings (Edwards & Holland, 2013) of eminent accounting professionals including assurors and users of assurance statements, we attempt to draw deeper insights about mechanisms that underpin the institutional basis of sustainability assurance practices in South Africa.

In the present study, we had 17 one-on-one in-depth interviews. In addition to the 17 one-on-one interviews, we had three focus-group discussions. The interviewees and participants in the focus group discussions included registered auditors, audit clerks, assurance professionals, environmental scientists, academics, industry insiders, regulators, and insurance and bank officers. Table 1 provides summary information on the background of participants of the one-on-one interviews and focus group discussions. Consistent with qualitative research procedures the participants were purposefully selected, primarily based on their organizational affiliations and status within the community of auditors and assurors in South Africa. Sixteen of the 17 interviewees had at least 10 years of experience in sustainability education, reporting and/or assurance space. Care was taken to avoid engaging only with auditors from the large South African firms or regulators. Participants were selected to ensure a diverse range of professional qualifications, experiences, and positions necessary for providing a balanced account of sustainability assurance practices in South Africa.

Without a priori setting the precise number of interviews to be conducted (Lincoln & Guba, 1985), our initial plan was to carry out circa 25 one-on-one interviews. After conducting 15 interviews, the researchers noted that the core discussion points and how they related to the institutional pillars' framework presented in Section 2 were being repeated, *albeit* in different words. This was confirmed by completing two further interviews. We also conducted three focus group discussions.

TABLE 1 Summary of the participants.

Group	Number of participants	Background
One-on-one interviews	17	Chartered accountants, auditors, assurers, regulators, academics, and environmental scientists (see appendix for details)
Focus group 1	9	Chartered accountants, audit clerks, junior lecturers, & finance officers taking graduate level capstone course in the theory of finance and corporate policy (June–July 2016)
Focus group 2	10	Chartered accountants, audit clerks, junior lecturers, & finance officers taking graduate level capstone course in the theory of finance and corporate policy (June–July 2017)
Focus group 3	17	Audit partners, associate directors, representatives of the local professional accounting body, sustainability reporting experts and non-audit assurance providers

The first two focus-group discussions were run with post graduate students in accounting at a leading university in South Africa in separate cohorts. The focus groups were comprised of registered auditors, audit clerks, assurors, preparers and users of sustainability reports, and academics. The interview with Focus Group 1 was conducted at about the time when the one-on-one interviews were conducted (June–July 2016). On the other hand, the interview with Focus Group 2 was held approximately 12 months after all interviews had been conducted (June–July 2017). A third focus group was run approximately 24 months after the completion of all the other interviews. Like the one-on-one interviews, Focus Group 3 included assurance providers, preparers of sustainability reports and representatives from South Africa's professional accounting bodies. Findings from the three focus group discussions corroborated those from the one-on-one interviews and suggested that saturation point has been reached (Hennink & Kaiser, 2022). In addition, we use findings from focus group discussions to address the concern that insights into sustainability assurance practices gained during the interviews may have changed over time as the assurance market continues to develop and expand.

In addition to the interviews and focus groups, we conducted documentary reviews and archival searches to augment and triangulate our data sources, which enabled us to exploit the strength "of each type of data, cross-check data collected by each method, and collect information that is available only through particular techniques" (Hopper & Hoque, 2006). The documentary reviews involved reading sustainability assurance statements included in annual reports of select companies to obtain information concerning the nature of assurance engagements, stakeholder engagements, and levels of assurance services. Finally, we explore data obtained from the GRI database, for periods 2010 to 2015, to gain insights regarding the diffusion of the assurance service. Overall, the wealth of information obtained from the interviews, focus group discussions, documentary reviews and archival searches were key to our ability to gain deeper insights concerning the interactions among the institutional pillars and the role of the powerful actors in shaping the sustainability assurance field in South Africa.

4.2 | Data collection and analysis

The research protocol and research questions for the in-depth interviews and focus group discussions were approved by the Institutional Review Board of the university to which one of the authors is affiliated. The protocol that described the nature and purpose of the study was e-mailed to potential participants ahead of the interviews.[5] All of the in-depth interviews, except one which was administered via telephone, were conducted face-to-face during the months of June and July 2016, in the Johannesburg and Pretoria areas. Focus group discussions with two separate cohorts of graduate students in accounting—the first focus group comprised nine participants and the second had 10 participants—were conducted in a classroom setting toward the end of an advanced course.

To maintain a degree of uniformity in the scope of issues discussed across participants and yet have a room to raise follow up questions, and in the process, uncover variety of views and perspectives (Channuntapipat et al., 2019), the study relied on semi-structured interviews as its primary data collection method. The interviews were guided by 13 broad questions targeting numerous issues including: sustainability reporting; sustainability assurance versus financial statement audits; approaches to sustainability assurance; the IRBA's role in sustainability assurance practice; provisions for corporate environmental obligations; the relationship among the professional accounting body, auditing firms, and regulators; and the role of sustainability reporters in sustainability assurance process. The interview questions were sequenced. Each interview, which took about 50–80 min, was recoded and transcribed into a text as soon as the interviews were completed.

The researchers used the same interview questions as the basis for each of the three focus groups. The order in which points were discussed were consistent. During each focus group discussion, the researchers took care to allow participants to speak freely and engage in dialogue. This allowed participants to confirm or refute the views of peers; challenge assumptions and provide examples to support different positions being taken during the discussions. To encourage participation, the discussion with the third focus group was not recorded other than affiliations which were used to populate Table 1. Field notes/minutes were taken by research assistants. These were discussed among the researchers shortly after each focus group was completed to highlight key principles, themes, or issues. Findings were cross-referenced to those generated during the detailed interviews.

The study takes an interpretive approach for both the interviews and focus groups as it aims not only to make sense of the nature of sustainability assurance engagements but also to provide reflective accounts of professionals in the field by connecting our interpretations of their accounts to the broader institutional considerations of social power and control (Doolin, 1998). We subject the data to thematic analysis that involved "identifying, analyzing, and reporting patterns (or themes) within the data" (Braun & Clarke, 2006, p. 79). We read the transcribed and de-identified text in its entirety several times, looking for repeated answers and manually labelling or coloring important words, phrases, sentences, etc., to find patterns or themes (Creswell, 2007). The codes were grounded in institutional theory, IAS 37 and ISAE3000 (Scott, 2014:60). We ensured "dependability" of the study through data integrity, IRB protocol and accurate transcription of the interview; and careful maintenance of records of contacts, interview dates, times, and venues (Gelman & Basbøll, 2014; Tucker et al., 2016). We present our analysis of evidence in the section that follows.

[5]The protocol was read out for the three groups that participated on the focus group discussions.

5 | SUSTAINABILITY ASSURANCE PRACTICE IN SOUTH AFRICA

5.1 | Interplay of interests in the south African sustainability assurance field

Before we delve into the analysis of the sustainability assurance field in South Africa, it is appropriate to have an overview of how widely sustainability assurance is practiced in this setting. Considering that widespread use of a practice occurs in a gradual process (Selznick, 1957; Zucker, 1977), we explore the GRI database for the period between 2010 and 2015 to assess how widely sustainability assurance is practiced in South Africa. As summarized in Table 2, only 18 of JSE listed companies obtained independent assurance for their sustainability reports in 2010; however, this number surged to 44 companies by 2015. Of this, the most significant growth was in the year that followed the issuance of King III; the growth rate has slowed down in the subsequent periods (Ackers, 2018; Ackers & Eccles, 2015). The proportion of JSE listed firms that obtain third-party assured sustainability reports jumped from 8% (18 out of 223) in 2010 to 18% (38 out of 217) in 2011. The rate stabilized at about 20%, hitting a maximum of 22% (44 out of 199) in 2015.

Several prior studies suggest that actors in a field may respond to institutional pressures differently, owing to actor-specific, sector-specific, and other differences (Scott, 2014). Table 2 also presents a summary of the prevalence of third-party assured sustainability reports by sector. The results show firms in the mining sector are the leaders in obtaining third-party assured sustainability reports; 92 of the 229 third-party assured sustainability reports in the sample were obtained by firms in the mining sector. The industrial manufacturing (23 out of 229), energy (20 out of 229), and constructions and materials (20 out of 229), respectively are sectors in which obtaining third-party assured sustainability reports is the second, third, and fourth most prevalent. These observations show that more than two-thirds of the third-party assured sustainability reports (about 68%) were obtained by firms operating in just four industries, all of which are typically regarded as "pollution intensive" industries. Our analysis further shows that the share of firms in the mining and energy industries that obtained third-party assured sustainability reports during the study period is about 47% and 38%, respectively.

The interview data shows that the "soft-laws," a component of the *regulative pressure*, are driving the initial hike in the demand for sustainability assurance service in South Africa. The relatively higher demand for sustainability assurance services by companies operating in "pollution intensive" sectors—which tend to be subject to tighter regulation and scrutiny (Ackers & Eccles, 2015; O'Dwyer & Owen, 2005)—underscores the role of the *regulative pillar* in institutionalizing the practice.

To identify the dominant professional interests in the sustainability assurance field in South Africa, we examine the type of assurors operating in the market. Table 2 indicates there are two major types of assurors which operate in the sustainability assurance field: ASAPs and NASAPs. In terms of market share, only six clients (out of 18) in 2010 and 15 (out of 44) in 2015 obtained third-party assured sustainability reports from NASAPs. Of the total 229 companies which had third party-assured reports, 62% (143) engaged ASAPs while 38% (86) hired NASAPs. Although ASAPs appeared to have lost some market share in 2011 and 2012, they seem to have regained it in subsequent years. The dominance of ASAPs is most prominent (i.e., have greater than 74% market share) in the mining; constructions and materials; information, communications, and telecommunications; chemical; and retail industries (see Table 2).

To explore whether the dominance of ASAPs in the assurance market is also replicated in the assurance standards setting/adoption and enforcement processes, we probed participants on the interactions between major auditing firms and the regulative agency. Participant #7, an academic member of the Committee for Auditing Standards (CFAS), one of the statutory committees as per the Auditing Profession Act No. 26 of 2005, of IRBA highlights the dominance of representatives from the local affiliates of Big-4 audit firms in the CFAS structures as follows:

> "I am not saying that we have bad relations. It is at IRBA's discretion, and I represented the disfranchised … a representative from PWC chaired the committee and before that it was a representative from KPMG."

Participants #5, #6, and #7, all affiliated with IRBA's CFAS, were quick to point out that the board of directors of IRBA are independent of Big-4 audit firms but concede the challenge in IRBA's structures and state that "there were concerns, we have had stand-offs, we are aware, [and] we sense a Big-4 push."

Auditor participants from outside the regulator's office and participants in the first two focus group discussions concurred that the influence of Big-4 audit firms in the standard adoption process was conspicuous. For instance, participant #14, a registered auditor who had significant experience sitting on the boards of several local and international accounting and auditing standards setting bodies, articulates the challenge as follows:

> "Although practicing auditors do not constitute more than 25-30 percent of SAICA's membership, because the other members are not well organized, the professional organization [SAICA] has not been able to focus on advancing the *public interest* audit. The voice of Big-4 auditors is important. In IRBA's case the situation is complex. It [IRBA] lacks both technical and financial capacity and Big-4 audit firms are too powerful … IRBA must develop rules for institutional reform that corrects the regulatory failure and should prevent a scenario where capitalists are 'regulating' other capitalists."

Further explaining the circumstances under which IRBA is operating, participant #1, who is a registered auditor and member of the King Committee, has the experience of leading a local affiliate of one

TABLE 2 **Descriptive summary:** The table presents an industry-by-industry of the number of companies that obtained third-party assured sustainability reports along with the percentage assured by accountant assurance providers (ASAP), for the period 2010–2015.

	2010		2011		2012		2013		2014		2015		2010–2015	
Row labels	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**	**Total assured**	**ASAP assured (%)**
Mining	9	0.67	15	0.73	15	0.67	17	0.76	18	0.78	18	0.78	**92**	**0.74**
Industry manufacturing	2	0.00	5	0.60	5	0.60	4	0.50	4	0.50	3	0.33	**23**	**0.48**
Energy	3	0.67	4	0.50	4	0.50	3	0.33	3	0.33	3	0.33	**20**	**0.45**
Construction and materials	1	1.00	4	0.50	5	0.60	3	1.00	3	1.00	4	0.75	**20**	**0.75**
Services and others	0	0.00	2	0.00	4	0.25	3	0.33	4	0.25	4	0.25	**17**	**0.24**
Information communication and telecom	1	1.00	2	0.50	2	0.50	4	0.75	4	0.75	3	1.00	**16**	**0.75**
Food and beverage	0	0.00	2	0.00	3	0.33	2	0.00	2	0.00	3	0.33	**12**	**0.17**
Transportation	0	0.00	2	0.50	2	0.50	2	0.50	2	0.50	2	0.50	**10**	**0.50**
Chemicals	1	1.00	1	1.00	1	1.00	1	1.00	1	1.00	2	1.00	**7**	**1.00**
Retail	0	0.00	1	1.00	1	1.00	1	1.00	1	1.00	1	1.00	**5**	**1.00**
Health and pharmaceuticals	1	1.00	0	0.00	2	0.50	2	0.50	1	1.00	1	1.00	**7**	**0.71**
Total	**18**	**0.67**	**38**	**0.58**	**44**	**0.57**	**42**	**0.64**	**43**	**0.65**	**44**	**0.66**	**229**	**0.62**
Number of firms listed on the JSE	**223**		**217**		**216**		**214**		**206**		**199**			
Annual growth rate in assurance(%)	–		**111.1**		**15.8**		**0.00**		**2.4**		**2.3**			

of Big-4 audit firms and has served in various roles at IRBA, states the following:

> "Bear in mind, IRBA is a statutory body which is meant to serve the interest of the public whereas SAICA is a professional club that serves the interests of its members like a golf club. Although we understand that SAICA members have the professional commitment to serve the public interest, there is an element of capture. In every country, the Big-4 have strong influence [on the assurance practice] but the question is whether your regulatory bodies are strong. All these committees of IRBA and SAICA are populated by representatives from the audit firms; thus, the standard setting and enforcement processes get captured."

Our review of IRBA's website (https://www.irba.co.za/about-us/who-is-the-irba/statutory-committees) corroborates the observations made by the participants. We find that the CFAS is dominated by representatives from the local affiliates of Big-4 auditing firms. Out of the twenty-four (24) committee members, eight (8), including the chairperson, were representatives of these firms. None of the committee members appear to have specialty in environmental science/climate change related issues, nor are there representatives of government agencies tasked with the oversight of sustainability matters.

Participants from the audit firms as well as those from IRBA point out that ISAE3000 had been in use by ASAPs long before it was adopted by IRBA. Participants #2 and #3, both of whom are registered auditors working at local affiliates of Big-4 audit firms, concur that their firm had been using ISAE3000 for, at least, ten (10) years, before it became the required standard. Participant #14 felt that the local affiliates of Big-4 audit firms are happy with IRBA's adoption of ISAE3000 as it legitimized what they have been using for so long, on one hand and drives the relatively smaller NASAPs out of the assurance market, on the other. The participant adds: IRBA's adoption of ISAE3000 "takes the debate on what standard to use off the table."

The two sets of standards that underpin sustainability assurance originate from distinct professional and ethical perspectives (Smith et al., 2011). Furthermore, several assurance statements make reference to the sustainability principles outlined in GRI (Ackers, 2017) *albeit* GRI is not an assurance standard (Farooq & de Villiers, 2019a). Even though ASAPs generally tend to use ISAE3000 while NASAPs tend to use AA1000AS; King III does not mandate the type of assuror, assurance standard, criteria, processes, procedures, and the assurance scope (Ackers & Eccles, 2015). Considering that sustainability assurance practice is not regulated by "hard-laws" in South Africa, the active use of multiple (and differing) standards by SAPs would create a situation where they could "use aspects of the various standards on an *ad hoc* 'pick and mix' basis" (Smith et al., 2011, p. 427). Stated otherwise, such a situation would "provide resources that different actors can employ for different ends" (Scott, 2014, p. 71). This could lead to the creation of a sustainability assurance field in which different groups of assurors would view their roles differently or even the same assurors would consider playing different roles for different clients (Channuntapipat et al., 2019).

O'Dwyer and Owen (2005) highlight an overriding managerial influence on the assurance process, which may potentially impede corporate environmental transparency and accountability. We asked participants their views regarding the existence of such dominance in the sustainability assurance field in South Africa. Participant #3, a director of sustainability assurance at one of the Big-4 auditing firms, states assurance seekers "chop and change every time," and "… if they [the clients] do not get what they expect from you, come back next year, things are different … there would be another assuror in your place." Likewise, participants #5 and #6 concur that SAPs only assure certain key performance areas chosen by the client and that this practice is the norm.

Our review of selected annual reports of companies traded on the JSE shows that SAPs work within the scope limitations provided by the reporting organizations. For instance, a 2015 assurance report presented in the integrated annual report of Gold Fields Limited, a mining sector company, addresses these limitations as follows:

> "We are ***required to provide reasonable assurance*** on the selected sustainability performance information set out in the table below. The selected sustainability information described below has been prepared in accordance with Gold Fields' reporting criteria that accompanies the selected sustainability performance information …"
>
> Gold Fields, 2015, Integrated Annual Report, p. 139.

We observe a similar language included in the assurance report presented in the annual reports of several other companies. For example, the 2015 assurance report of another mining company stated the following:

> "We have been engaged by the directors of Kumba Iron Ore Limited ('the Company' or 'Kumba') to perform an independent assurance engagement in respect of ***Selected Sustainability Information reported in the Company's Sustainable Development Report*** for the year ending 31 December 2015 (the 'Report'). This report is produced in accordance with the terms of our contract with the Company dated 4 September 2015 …"
>
> Kumba Iron Ore Limited, 2015, Sustainability Report, p. 70-71.

The overriding dominance of client's interest in the determination of the scope of assurance is also observable in the popularity of the demand for limited (or moderate) level of assurance. Our analysis in Table 2 shows that out of the total 229 third-party assured sustainability reports, only 21 (13%) were at the reasonable (or high) level of assurance and the remaining 155 (74%) were at the limited (or moderate) level of assurance. We note that both groups of SAPs seem to be inclined to providing limited (or moderate) level of assurance; specifically, about 88% of reports issued by NASPs and 66% of those issued by ASAPs provided a limited (or moderate) level of assurance. The interview data corroborates SAPs' tendency to provide limited (or moderate) level assurance reports. For example, participants #2 and #3 cite the absence of mandatory standards and the broad nature of existing guidelines as factors that contribute to the higher preference to provide limited (or moderate) level assurance. The participants defend the inclination of SAPs to provide limited level assurance as something driven by the nature of the demand for the services; they declare that "the assurors provide the service that the clients want."

Ethical issues such as lack of independence could induce assurors into conducting "superficial and symbolic rather than substantial verifications" and thereby into managerial capture of the assurance process (Boiral et al., 2019, p. 1113). To explore the extent of familiarity that SAPs had with their clients and the potential risk for economic dependence, we probed the GRI database to determine if auditing firms which performed the financial statement audits were also the ones that provided the sustainability assurance services to the same client and whether assurors typically have longer tenure. Again, untabulated results show, the same auditing firm provided both the sustainability assurance and financial audit services in 113 of the 229 firm-years with third-party assured sustainability reports. Furthermore, the assurors had a tenure of two (three) or more years in more than 46 (37) of the 55 companies which issued third-party assured sustainability reports during the study period.

5.2 | Assurance as enacted in practice: malleability of objective and scope of assurance

GRI *recommends* that reporting entities should identify stakeholders and discuss in the sustainability reports how they have addressed stakeholders' expectations and interests (Boiral et al., 2019). Likewise, there have been several calls for greater stakeholder engagement in the sustainability assurance process (Channuntapipat et al., 2019; Edgley et al., 2010; Smith et al., 2011). We reviewed selected annual reports to assess if SAPs engage environmental stakeholders during the assurance process and find that they do not engage external stakeholders. For instance, the assurance statement provided by Anglo Ashanti Limited (2015) indicates that it is the Directors' responsibility, not that of the assuror, to identify stakeholders' and shareholders' requirements; however, the assuror conducts site visits, interviews client's management, and inspects documents to evaluate and corroborate client's assertions. Likewise, the assurance statement presented by Kumba Iron Limited (2015) indicates that the report is prepared "solely for the directors of the Company as a body" and the assuror does not "accept or assume responsibility to anyone other than the directors as a body" (p. 71).

In the absence of SAPs' engagement with external stakeholders during the assurance process, it is imperative that we ask whether assurors verify the veracity of provisions for corporate environmental obligations presented on clients' financial statements as these figures are critical for ensuring accountability to stakeholders. In this regard, participants #2, #3, and #4 contend that "the scope of sustainability assurance does not necessarily include verification of corporate environmental obligations and such verification falls within the scope of financial statement audit." (#4). The participants further state that the relevant standard applied in carrying out sustainability assurance is ISAE3000, which is a general standard for assurance of non-financial information. Likewise, participants from IRBA (participants #5, #6, and #7) concur that only ISAE3000 is the relevant standard that SAPs should use in providing assurance of sustainability reports. In the same vein, participant #14 adds "the [assurors] leave the assurance of financial statement figures to the financial statements auditors" and focus on "tick[ing] the GRI 4 boxes." This participant further elaborated that SAPs "look at it [the practice] from a reporting guideline perspective" as follows:

> "I suspect they [the assurors] visit factories [the client's organization]; but you do not understand what goes on, just by walking through. They rely on the company specialist; they do not quantify the monetary value, even if they could. Auditors do not want to recognize it as a liability."

Our review of selected sustainability assurance reports shows that the assurors typically limit their scope of investigation to verifying the veracity of the quantum (but not their dollar/rand values) of such items as materials, energy, water and effluents, biodiversity, emissions, effluents and waste, environmental compliance, and supplier environmental assessment. For example, key sustainability performance items commissioned for assurance, by a major mining company in South Africa (as shown in its 2015 annual report) included: total carbon dioxide emissions (scope 1, and 2), electricity consumption, number of environmental accidents—level 3 and above, total water withdrawal, diesel, total water recycled/reused, and water intensity (see also Maroun & Prinsloo, 2020).

We reviewed the 2013/14 annual reports of 91 JSE-listed companies operating in "pollution-intensive" sectors and observe that 26 companies (including major mining companies) had inadequate provisions for rehabilitation and restoration of the environment. Several participants on the focus group discussions also highlighted that "provisions reported on balance sheets appear to be inadequate and that there is a risk of unrecorded liabilities." We asked participants to offer a plausible explanation for the situation. The lack of capacity to enforce existing laws on the part of the regulative agencies and/or limitations in the measurement basis used to evaluate environmental rehabilitation and restoration costs are the themes that emerged from the interviews. For instance, participant #14 provides the following account:

> "Provisions are set using cost basis to cover the cost of measures required for ongoing and final environmental restoration and rehabilitation …. [I]f environmental

liabilities are going to be re-measured using fair values [IFRS 13], the liability is [going to be] massive and shifting. [R]ealistically, if you read the environmental law, it is clear. [A]uditors do not want to go beyond what is required in the environmental law. It is a time bomb, [however]."

Participants #13, an environmental scientist at a large global mining company, described the process for dealing with environmental rehabilitation obligations, and underscored the importance of Government Gazette of November 2015 in determining the financial provisions for environmental obligations set aside by companies. Participant #17, a director at an insurance company with a background in geology, concurs with participant #13 and states that "experts first look at the legal requirements for mine closure and rehabilitation costs in determining the financial provisions that need to be set aside as a guarantee."

After examining the extent of assurance practices and the potential for field capture, we asked participants about their perceptions of the credibility of sustainability reports. Several participants (including participant #9, #10, #11, #12 and many of the participants in the focus group discussions) expressed doubts about the veracity of information disclosed in sustainability reports, arguing that "outside consultants, often mechanically, prepare the sustainability reports." In this vein, both participants #11 and # 17 who, respectively, are senior executives at a local bank and insurance company, assert that they do not rely on sustainability assurance reports for their lending and insurance decisions. The two participants concurred that the closer relationships that they tend to maintain with their clients allow them "to know them better" and "audit their [client's] strategies and systems often using third party consultants." The first two focus groups also concurred with the banker and the insurer and indicated that they "would give some consideration to sustainability assurance statements but would not use them as critical sources of information for equity valuation and/or liability determination." The participants in the focus groups who were also chartered accountants/auditors (eight out of the 19 participants) indicate that they use estimates made by mining geologists and engineers, not information reported in sustainability reports, to determine environmental obligations of their clients.

6 | DISCUSSION OF FINDINGS

By employing the institutional pillars approach to analyze data, the preceding section has investigated how the practice of sustainability assurance in South Africa is enacted *vis-a-vis* the desired role of the practice in advancing corporate environmental accountability. The study highlights a conspicuous gap between the desired purpose of sustainability assurance and its enacted practice. Our study builds on the theoretical framework of Smith et al. (2011) in which they explained how professional and managerial (i.e., total) capture of the institutional field on sustainability assurance may emerge. Through empirical analysis of how sustainability assurance is practiced in the South African setting, we identify two mechanisms by which total capture is realized: (1) malleable determination of the objective and scope of sustainability assurance engagements and (2) inadequate regulative pillars that are yet to restrain dominance of powerful interests in the sustainability assurance field.

Given that the nascent practice of sustainability assurance was embedded in the mature field of auditing, ASAPs in South Africa were able to shape the norms of sustainability assurance. The sustainability assurance field suggests that assurance policies and practices drawn from the regulative, normative, and cultural-cognitive pillars that underpin ASAPs. Policies and practices that originate from the accounting and auditing profession tend to dominate the field. Sustainability assurance reports are also prepared with a view to protect the assurance provider rather than a focus on stakeholder accountability dominate the assurance field (O'Dwyer & Owen, 2005, 2007; Perego & Kolk, 2012).

In terms of malleability of the objective and scope of assurance engagements, the data obtained from both the interviews and documentary reviews reveal that the scope of a typical sustainability assurance engagement in South Africa exhibits a scope that is consistent with interests of assurors and clients. First, assurors usually limit their assurance service to certain key performance areas "cherry-picked" by the clients' management. This could be due to any number of reasons including clients' view of the role of the assurance service, the level of stakeholder scrutiny the client faces, negotiations that take place between the assuror and the client, and the perceived benefits and costs of the assurance service (Channuntapipat et al., 2019; Farooq & de Villiers, 2020). Regardless, such scope limitations have the potential to limit the assuror's ability to investigate aspects of the sustainability report that might project the client in a negative light. Second, clients get to decide what level of assurance they want on their sustainability report, limiting "the extent of assurors' work." Again, this could be due to clients' view of the role of assurance services or due to cost benefit considerations (Channuntapipat et al., 2019). Nonetheless, limitations on engagement scope have the potential to encumber the degree of confidence that stakeholders may have on sustainability reports, which in turn, could cast doubt on the role of sustainability assurance in enhancing the credibility of sustainability reports and corporate accountability (Cuadrado-Ballesteros et al., 2017).

Assurance clients have considerable sway in the determination of purpose of sustainability assurance. Although there have been pleas for greater participation of stakeholders in the assurance process (Channuntapipat et al., 2019; Edgley et al., 2010; Smith et al., 2011), SAPs do not seem to engage stakeholders directly. They rather tend to relegate the responsibility of engaging external stakeholders (such as the DMR, DEA and other agencies), who have direct interest in the subject being assured (e.g., the client's environmental obligations), to the clients. This could be taken as another evidence of assurors ignoring the call for greater stakeholder engagement which could lead to a lack of corporate environmental accountability. As contended by Channuntapipat et al. (2019), the motivation for this shunning of stakeholder engagement could be assuror's cost–benefit considerations, assuror's perception that directly engaging stakeholders would impair independence and duty of care, or clients' demands. The absence of direct stakeholder engagement could also be a result of the dominance of ASAPs, who are inclined to use ISAE3000 which calls neither for an extensive participation of stakeholders (Channuntapipat et al., 2019) nor for verification of the veracity of the provisions set aside for corporate environmental obligations. While the first two situations of scope limitations can be taken as evidence of managerial capture (O'Dwyer, 2003), the third instance could be taken as evidence of existence of both professional and managerial capture.

Our analysis also shows malleability of the objective of assurance as the other condition that facilitated the capture. Most assurance statements (68%) are of limited (or moderate) assurance level. In a study that covered an earlier period (2007–2011) in South Africa, Ackers and Eccles (2015) document that the percentage of "limited assurance" statements in their sample was circa 50% in 2011/12. Our findings highlight a considerable shift in favor of limited (or moderate) assurance statements in recent years and suggest that assurors tend to exclude reasonable (or high) assurance and strongly prefer limited assurance. It appears that both groups of assurors in South Africa have become more inclined toward providing assurance reports with lesser level of assurance (Ackers, 2009). Prior studies document that the perceived credibility of an assurance statement is higher when the level of assurance is higher (e.g., Cuadrado-Ballesteros et al., 2017). Thus, the dominance of the demand for (or supply of) limited (or moderate) level assurance statements suggests that neither the clients nor the providers in South Africa are seriously concerned about the perceived credibility of the assurance statements associated with providing higher levels of assurance.

Flexibility in the choice of standards, which are part of the normative pillars, serves as another mechanism that facilitates professional capture. Sustainability assurance providers in South Africa employ ISAE3000 and, to a lesser extent, AA1000AS (Farooq & de Villiers, 2019a). The implication of such a situation is that assurors could *act strategically* to promote their commercial interests (Scott, 2014). The use of multiple standards with distinct perspectives and the existence of disparate groups responding to differing normative and/or cultural-cognitive pressures would result in limited usefulness of assurance reports and undermines the credibility of the sustainability assurance practice (Smith et al., 2011; Channuntapipat et al., 2019; Farooq & de Villiers, 2019a). This would lead to a limited use of sustainability assurance statements as inputs in capital allocation decisions as reflected in their limited use by banking, insurance companies, and auditors for assessing a firm's environmental liability.

Our evidence illustrates the limitations of the regulatory pillar of the sustainability assurance field as the other enabling condition for the total capture. The South African government—through its parliament, judiciary, and agencies—constitutes the *nation-state* actor that participates in the sustainability assurance field. The specific agencies delegated with environmental, sustainability, and assurance matters include the DMR, DEA and IRBA. In terms of legislative and policy accomplishments, South Africa boasts of its comprehensive environmental laws and policies (Baker et al., 2014). Nonetheless, the enforcement of these laws and policies has been weak due to predicaments within the *nation-state* actor. That is, delegated enforcement agencies of the *nation-state* actor (i.e., DMR, DEA, and IRBA) appear to have challenges associated with availability of human resources, problems of coordination and conflicts of interest, and lack of prioritization (Fig, 2005). These challenges could render the *nation-state's* role of monitoring the conduct of actors ineffective (Scott, 2014); and could create an environment whereby actors negotiate and reconstruct the meaning of regulative institutions in ways that are in sync with their own *efficiency* objectives rather than adhering to the spirit of officially sanctioned scripts (Edelman et al., 1999). In Scott's (2014) parlance, the existence of a "weak" *nation-state* actor could allow enactment of assurance practices that are not necessarily coherent with the desired objective of the practice.

The dominance of auditing firms in the committee structures and the concurrent absence of representatives of agencies tasked with environmental matters (e.g., DMR, DEA, etc.), especially within the CFAS of IRBA (a primary regulator) highlights the strategic location that auditing firms occupy in the sustainability assurance field and the potential for "what they think, the perceptions and beliefs they form" becoming the agenda of the committee structures, and eventually morphing into a dominant regulative institutional pillar (Potter, 2005, p. 278). It creates a condition for the regulatory agency to often endorse the rules, standards and policies that promote the commercial interests of auditing firms. The practical outcome of this skewed representation in key committee structures in the sustainability assurance field suggests the enactment of regulative institutional elements that tend to protect the commercial interests of the auditing firms—that is, *professional capture*—than those that promote the public interest agenda. In addition to the auditing firms, SAICA—the foremost and only accounting body endorsed by IRBA—has a considerable sway over the construction of regulative and normative pillars through its influence on standards-setters, enforcement agencies, and other actors in several ways, including through its members' direct or indirect representation on the various local and international committee structures.[6]

7 | CONCLUSION

Although most prior studies paint a fairly positive picture of the potential efficacy of sustainability assurance in enhancing the credibility and decision usefulness of sustainability reports, critical studies contend that the sustainability assurance field is vulnerable to threats of institutional capture by powerful actors in the field. In response to calls for research to examine the perceptions, understandings, and conduct of sustainability assurors and other actors in the sustainability assurance field (O'Dwyer & Owen, 2005), this study has explored the institutional field of sustainability assurance in South Africa and illustrated how this emerging practice is enacted, largely embedded within

[6] such as IRBA, King Committee, IASB and IAASB.

the mature field of auditing. Building on prior studies that identified the institutional process outcome of managerial capture (O'Dwyer, 2003), we show both managerial and professional capture (Smith et al., 2011) was enabled by malleability of the objective and scope of the sustainability assurance engagements, and weak regulative elements that failed to manage the multiple and competing interests in the sustainability assurance field.

From a theoretical standpoint, our study builds on the conceptual formulation of Smith et al. (2011) that elaborates total capture as an outcome of institutionalization of sustainability assurance. By drawing on insights from Scott's (2014) institutional pillars approach, we illustrate conditions that enabled total capture in the enactment of sustainability assurance in practice. First, the study identifies that malleability of the scope and objective of assurance engagements allows flexibility to pitch the level of assurance to a minimally rigorous level that would optimize risks and opportunities for assurors and clients but not necessarily promoting corporate environmental accountability. Second, we highlight that weak regulative institutions and multiple competing normative standards offer flexible cultural-cognitive templates that allow assurors to employ standards that favor their own interests which are not necessarily aligned with advancing corporate environmental accountability. Such an institutional infrastructure empowered ASAPs to dominate the field by capitalizing on the established field of financial auditing, the field norms of which the accounting profession can continue to shape, especially in a "weak" nation-state, through control of the regulatory system. Overall, the weaknesses in the elements of institutions and the dominance of powerful actors unbridled by the coercive agencies in the field has created a situation in which the assurance field in South Africa is less inclined to deliver on the desired goal of enhancing corporate environmental accountability.

Our findings have implications for researchers/academics, business, standard-setters, and regulators. The study sheds light on how the interactions among institutions and actors in the sustainability assurance field in South Africa have led to *total capture*, which in turn have encumbered the practice's ability to promote corporate environmental accountability. Standard-setters should consider instituting provisions which require assurors to refrain from accepting sustainability assurance engagements with severely limited scopes. Regulation to promote consistent levels of assurance, reasonable scopes for assurance engagements and balanced stakeholder representation on regulatory agencies overseeing the execution of sustainability assurance engagement should be considered. More broadly, there is a clear need to explore suitable mechanisms for re-enforcing cultural-cognitive templates which shape the sustainability assurance field such as expanded higher education accounting curriculum and professional education.

Managers and governing bodies of organizations seeking assurance are also encouraged to pay careful attention to the scope of assurance engagements, the standards used to conduct them, and the levels of assurance being provided. The malleability of the professional space makes it possible to have only certain "elements" of sustainability reports assured and to choose a lower level of assurance as a means of avoiding an unfavorable conclusion from an assurance provider. This may yield short term benefits, but the current paper's findings suggest that investors, regulators, and other stakeholders are becoming aware of the fact that sustainability assurance can be used for "impression management" rather than serve as a signal of accountability or transparency. The adverse reputational, operating, and legal implications of an organization being implicated in a strategy of constraining assurance services to mislead market participants and other constituents will probably outweigh the short-term gains from using sustainability assurance as an impression management tool.

A similar logic applies to the choice and term of assurance provider. As is the case with financial statement audits, the decision to appoint a particular firm to test all or parts of a sustainability report can serve as an important signal about management's confidence in and commitment to sustainability initiatives. As the sustainability assurance market matures, the demand for high-quality engagements which improve underlying sustainability performance and reporting is likely to increase. Organizations which have assurors applying robust risk assessment and testing methodologies will benefit from the reputational association as well as the operational, control and compliance insights offered by a competent assurance provider.

A balance will need to be struck between independence and the benefits of having a long-serving assuror. In the absence of regulation, companies can appoint and remove sustainability assurors as they see fit. Care must be taken to avoid creating the impression that an assurance provider has been removed because of technical disagreements with management or as a means of avoiding an adverse outcome from an assurance engagement. At the same time, stakeholders must be confident that the assurance provider adheres to the highest ethical standards in assuring public goods, irrespective of length of service, in order for the assurance report to be accepted as credible by third parties.

Finally, governing bodies should play an active role in ensuring that the benefits of sustainability assurance are fully realized. Given ongoing technical and regulatory uncertainty, audit committees, senior managers and in-house specialists should ensure that sustainability assurance is used to maximize coverage of the key risk areas at the operational level and the most material issues being addressed in sustainability reports. They should work closely with assurance providers to implement recommendations and improve the data and accounting systems necessary for enabling more effective strategic direction, internal control, and monitoring by independent executives. Rather than treating sustainability assurance as an ancillary part of a reporting process, it should be viewed as an integral element of an organization's overall governance structure and the approach it follows to drive sustainable development.

The de facto mandatory setting proffered by the South African sustainability assurance regime allowed us to exploit its peculiarities in our examination of the institutional pillars and how salient actors interact among each other and the pillars for dominance in the field. There are, however, limitations. Our analysis is based on a purposefully selected group of respondents conducted over a limited period and in the context of a single jurisdiction. While important insights have been gained, further research is required. For example, although the current study was carried out in the context of King III, the King Committee has issued the fourth edition of its corporate governance code, which is one of the integral elements of the regulative pillars governing sustainability assurance practice in South Africa. Recommendations of King IV, unlike its predecessor, suggest that clients ought to "apply and explain" their sustainability reporting practices. Research efforts that explore how the introduction of King IV have impacted the dynamics of the interaction between salient institutions and actors would provide additional insights into the ongoing debate on the type of sustainability assurance regime that is effective in promoting corporate environmental transparency and accountability. The same is true considering recent developments taking place in the European Union. The decision to mandate sustainability reporting and assurance, effective from 2024, will provide an excellent opportunity for researchers to explore how the promulgation of "hard-laws" impacts the scope, extent and nature of assurance and how this varies compared to other regions. An alternate approach is to examine the features of the assurance market in settings where sustainability reporting and assurance are entirely voluntary. While South Africa does not have a statutory requirement to report on and assurance extra-financial information, its codes on corporate governance and listing requirements of the local stock exchange may have a similar effect to "hard-laws". It is possible that the institutional features of assurance differ in settings where codes of corporate governance are not as developed and the relevant actors have even more flexibility for designing, implementing and overseeing assurance engagements.

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