Internal auditing and assurance of corporate social responsibility reports and disclosures: perspectives of some internal auditors in Ghana

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Abstract

Purpose – This study aims to examine the nature and extent of internal auditors’ (IAs) involvement in corporate social responsibility (CSR) assurance. It also ascertains the capacity building requirements to legitimise the role of IAs as a credible form of providing CSR assurance.

Design/methodology/approach – A qualitative research approach was adopted, where data were collected through semi-structured interview of IAs of companies in Ghana that produce CSR reports.

Findings – Findings suggest that companies appreciate the fact that the internal audit function could provide independent assurance on CSR reports. However, there is limited information on the nature and scope of the assurance procedures. Moreover, most IAs seem to lack the requisite knowledge and skills needed to effectively carry out CSR assurance engagements. These evidences suggest a relatively low level of reliance being placed on CSR assurance services provided internally.

Research limitations/implications – Findings are purely based on the perceptions of IAs. Future studies may include the views of those who appoint IAs (i.e. management).

Practical implications – Findings engender discussions on the need for IAs and regulators of IAs (e.g. the Institute of Internal Auditors), particularly those in developing countries to begin to conscientise practitioners on the changing roles of the IA in the areas of CSR and CSR assurance.

Originality/value – This study is one of the very few studies on CSR assurance from the perspective of IAs and it also based on evidence from an African context. Also, the study provides evidence on the need for a deliberate effort to equip internal audit practitioners to provide at least some minimal assurance on CSR disclosures and reports.

Keywords CSR, Ghana, CSR assurance, Internal auditors

Paper type Research paper

1. Introduction

There is no doubt about the growing interests in corporate social responsibility (CSR) reporting and disclosures by body corporates over the past few decades. Gray (2000) reports that CSR reporting is one of the fastest growing areas in modern corporate reporting other than the traditional reporting. This development is evidenced by the plethora of reports using labels such as corporate social responsibility reports, sustainability reports, integrated reports, social and environmental reports, corporate responsibility performance reports, sustainable development reports and many more. Associated with the growth of CSR reporting is the upsurge in CSR assurance (CSRA). Specifically, Owen (2007) reports of notable increase in CSR-related reports together with assurance statement. Though providers of the assurance are mainly the Big 4s, assurance of CSR reports is being conducted with an understanding of it being able to enhance the credibility and improvement in CSR reporting (Deegan et al., 2006; Jones and Solomon, 2010).
However, studies on CSR assurance have normally been narrowed to third-party assurance (Perego and Kolk, 2012). There have also been concerns about the credibility of external assurance providers in terms of variability and inconsistencies associated with the nature of assurance (Owen, 2007; Pava and Krausz, 2006). In recent years, it has been widely acknowledged that internal audit can improve the reliability of CSR information (International Integrated Reporting Council (IIRC), 2013). Similarly, Soh and Martinov-Bennie (2015) report that internal auditors (IAs) are currently more involved in environmental, social and governance assurance activities. In fact, evidence suggests that some stakeholders (especially internal stakeholders) prefer assurance by IAs to that by external auditors and perceive internal assurance as adequate (Jones and Solomon, 2010).

These developments have resulted in a resurgence of interest in IAs as assurance providers on CSR reports and disclosures. For instance, Soh and Martinov-Bennie (2011) explain that even though the areas of internal audit activity have been typically corporate governance issues such as risk assessment, control assurance and compliance work, areas such as health, safety and environmental audits have emerged over the years. Therefore, Soh and Martinov-Bennie (2011) recommended the need to further develop the IAs’ skills and expertise in these burgeoning areas of audit and assurance. Moreover, considering the role of IAs as independent advisors to management and the board, and taking part in enterprise risk management activities, they are uniquely positioned to support the implementation of CSR practices and reporting.

The Institute of Internal Auditors (IIA), in its revised standards, highlights two main roles of IAs: advisory (consulting) services and assurance services (IIA, 2012). However, evidences suggest that the potential of IAs to provide CSR assurance has not been promoted globally (Ridley et al., 2011; Soh and Martinov-Bennie, 2015). These scholars explain that IAs need to be informed about the risks associated with CSR practices and the reporting processes. This is because IAs contribute to CSR among other things; assist in the design/implementation of CSR management systems; create CSR awareness within the organisations and perform audit of specialised areas such as supply chain, compliance and social and environmental issues (Ridley et al., 2011; Soh and Martinov-Bennie, 2015). Therefore, Soh and Martinov-Bennie (2015) recommend the need to expand the scope of IAs to explicitly include CSR-related functions.

Based on this background, the current study seeks to assess the nature and extent of IAs’ involvement in CSR assurance in organisations and to ascertain the capacity building requirements to legitimise their role as credible assurance providers. This study has implications for the global attempts to provide more awareness among preparers and users of CSR reports on the need for integrated CSR assurance, particularly IAs. Also, users of CSR information would be aware of the burgeoning role of IAs in providing an integrated CSR assurance. Finally, both IAs and trainers of internal audit services would be aware of the need to prepare and equip an IA in enhancing the reliability and relevance of CSR-related reports. The remainder of the paper consists of four other sections. The first section reviews extant literature on the background and nature of CSR assurance practices. The section also reviews the few empirical studies on IAs’ role in the provision of CSR assurance services. The next section describes the research methods adopted for the study. The third section presents and discusses the findings from the data collected. The final section highlights conclusions made from synthesising the findings, the potential implications for the regulation and the practice of internal audit. It also includes recommendations for future studies.

2. Review of literature

2.1 Background and nature of corporate social responsibility assurance

The term assurance has been defined by many and is often used interchangeably with audit. However, comparing these two terms suggest that audit is a form of assurance. The American Institute of Certified Professional Accountants defined assurance services as
“independent professional services that improve the quality of information, or its context, for decision makers”. Also, the IIA defines assurance services as an “objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation” (IIA, 2012, p. 19), with the nature and scope of these engagements determined by the IA. These definitions suggest that assurance consists of establishing the integrity and validity of disclosures including statements and reports.

In the context of CSR, assurance is said to involve the production of assurance statement by an assurance provider on the reliability and accuracy of information disclosed in CSR reports (Park and Brorson, 2005). Similarly, Ackers (2011) defines CSR assurance as a process that measures value and subsequent progress in the three dimensions of CSR: social, environmental and economic. From these definitions, one can deduce that CSR assurance is the review of the reliability of a CSR report to establish the integrity and validity of its disclosures.

In practice, CSR assurance, relative to other forms of assurance, is an emerging issue because of increasing stakeholder concerns about the CSR practices and reporting of companies. Over the past few years, many companies are adopting CSR assurance because of the various benefits that they derive from it, such as enhancement of the credibility of information, risk minimisation, regulatory compliance as well as reputational considerations (O’Dwyer and Owen, 2005; KPMG, 2008; Perego and Kolk, 2012; Soh and Martinov-Bennie, 2015).

However, many variations and inconsistencies have been identified with CSR assurance practices. There are notable differences in the names of assurance statements, objectives, scope, use of assurance guidelines and standards as well as formats and approaches (Pava and Krausz, 2006; O’Dwyer and Owen, 2005; Perego and Kolk, 2012). These inconsistencies have been reported as having impacted negatively the credibility of CSR assurance (Pava and Krausz, 2006). Thus, a number of organisations, including accountability bodies, are issuing assurance guidelines and standards to standardise the process (Owen, 2007). Prominent among these are the AccountAbility Assurance Standard (AA1000AS) and the Global Reporting Initiative (GRI), which provide a comprehensive way of holding an organisation liable for its management, performance and reporting on CSR issues by evaluating its level of adherence to CSR and sustainability principles and the reliability of associated performance information.

Similarly, there is the International Standard on Assurance Engagements (ISAE) 3000 issued by the International Auditing and Assurance Standards Board (IAASB) and the Fédération des Experts Comptables Européens (FEE) (2002) guidelines. Although both the FEE and ISAE 3000 focus on accountants, the former focuses on all assurance providers (accountants and non-accountants). However, it is worth noting that many of these guidelines suggest some level of bias towards external assurance service providers, despite the presence of other assurance providers such as IAs, stakeholder panels and more (Perego and Kolk, 2012).

In the light of the above, the IIA argues that assurance from the internal audit function can help an organisation accomplish its objectives by bringing a systematic and disciplined approach to help evaluate and improve the effectiveness of risk management, control and governance processes (IIA, 2012, 2013). Therefore, the body proposes the use of AccountAbility’s AA1000 standards and other general guidelines (ISO or SA8000 standards) in CSR assurance engagements (IIA, 2010), though such guidelines do not explicitly focus on the role of IAs like the other assurance providers (IIA, 2013).

The foregoing perhaps explains the prevalence of empirical studies showing that many organisations prefer CSR assurance services provided by external firms. The common reason for this that such assurance reports would be seen as being more independent (Goldberg et al., 2011). Nevertheless, one could argue that the IA is well-positioned to
provide both assurance and advisory services, especially when he or she has attained a significant level of knowledge in CSR-related issues. Therefore, this study seeks to uncover the potential of the IA to provide equally reliable CSR assurance services as well as legitimise the provision of CSR assurance services by the IA.

2.2 The internal auditor and corporate social responsibility assurance

There is no doubt in the literature on CSR assurance that many of the studies have been largely confined to external providers, despite some evidence that internal stakeholders prefer CSR issues to be assured by internal audit functions (IAFs) and perceive internal assurance as adequate (Jones and Solomon, 2010). It is also worth noting that not much research has been conducted on the role of internal audit in CSR assurance, though international statements and recommendations for internal auditing to be involved in CSR programmes and reporting as assurers, consultants and facilitators have been around for many years. In fact, the calls have been more pronounced in recent years (Ackers, 2011; Ridley et al., 2011; Soh and Martinov-Bennie, 2015). Therefore, the IIA has built CSR assurance into its current international standards for the professional practice of internal auditing (IIA, 2012). Moreover, the IIA recognises a professional role for IAs, not just in assurance but also as facilitators, consultants and teachers in CSR management.

However, there are limited empirical studies on how IAs are performing their new roles (Ackers, 2011; IIA, 2013; Soh and Martinov-Bennie, 2015). Conceptually, Ackers (2011) posits that the use of the IAF in the assurance of CSR reports results in several benefits, namely, ensuring regulatory and legislative compliance; identification of potential problem areas, which could result in substantial remediation costs and penalties as well as possible litigation against the organisation; improving organisational stakeholder image because of conformance with legal requirements and ethical business practices and improved relationship with regulatory authorities because of effective self-regulation. Also, drawing on the internal auditing professional standards and other theoretical literature, Ridley et al. (2011) demonstrate how internal auditing has not always been promoted globally to provide CSR assurance.

Soh and Martinov-Bennie (2015) provide a seminal empirical study on the internal audit function and CSR assurance. Specifically, the objective of their paper was to examine IAs’ roles in the assurance of elements of CSR, that is, environmental, social and governance issues. Results from the study show that the elements of CSR that most IAs are equipped in and provide assurance on are governance issues, followed by social and environmental issues, respectively. Moreover, the area of CSR assurance that IAs need skills and expertise on is the environmental aspect of CSR (IIA, 2013; Soh and Martinov-Bennie, 2015).

Proposing a CSR maturity model for IAs, Deloitte (2011) postulates that at the first stage – follower stage – the focus of IA is compliance; meeting the organisation’s most basic expectations; developing, clarifying and updating the IA charter; mission statement; scope and broader objectives in relation to the elements of CSR and preparation through the acquisition of skills to assume CSR-related responsibilities. The mature stage requires an IA to begin recognising the growing importance of CSR-related risks to the organisation and integration into the organisation’s risk assessment and future audit plans. At this stage, IAs are required to instigate and facilitate CSR-related communications with top management and board of directors. The penultimate stage known as the leader stage is where CSR becomes a core part of the internal audit plan, covering all aspects of CSR. Finally, the stage where an IA provides guidance to top management by identifying trends and opportunities to create and/or protect value and revenues constitutes the innovator stage.

Despite the above, a combined assurance model which involves management, internal audit, external audit and other external assurance providers is highly recommended.
Integrated Reporting Committee of South Africa (IRC), 2011. However, for starters, IAs need to be aware of their potential in providing some level of CSR assurance.

3. Research method

3.1 Research design and approach

A qualitative approach is used for this research. This approach has been considered as the most suitable means of conducting research in the ethical and social responsibility scopes of accounting and finance (Parker and Roffey, 1997). Also, with this approach, there is no need to impose a sample size; rather the emphasis must be on reaching theoretical saturation, that is, when no new issue arises from the data collection (Jones and Solomon, 2010). In addition, within the qualitative approach, it is important to define the units of analysis for the study to make sense of the research objectives. This includes considering questions like who and where to collect data and the nature of the data (text, numbers and pictures) (Yin, 2003).

In view of the above and the objectives of the study, data collection focused on companies that publish any form of CSR report. This was to allow a concentration on the CSR assurance practices of those companies and the level of IAs’ involvement in the provision of assurance. However, there were no data on companies in Ghana that publish CSR report because of the voluntary nature of CSR reporting. Thus, based on anecdotal evidence from industry players (e.g. the big four accounting firms) and findings from a related study in Ghana (Simpson and Akyeampong, 2014), the sample universe was multinational companies in Ghana. This decision was taken because the evidences suggest the production of CSR report is usually associated with multinational companies because of the influence of their parent companies and external reporting requirements. However, there were no data on the total number of multinational companies operating in Ghana; therefore, using snowballing sampling technique, a total of ten firms made up of eight multinationals and two indigenous companies were identified. This was achieved by accessing respondents through contact information that is provided by other respondents. Noy (2008) argues that this sampling technique is the most widely used in qualitative research across the social sciences because of its ability to access and obtain information from “hidden” or difficult to access population.

3.2 Data collection and management

The research was mainly based on data collected through interviews. Interview is one of the most prevalent method of collecting data for qualitative research (Qu and Dumay, 2011). Moreover, it requires careful planning, including addressing issues like who to interview, how many interviewees, the type of interview to conduct and also the nature of analysis. Three main interview approaches were available to the authors of this paper: structured, semi-structured and unstructured interviews. However, considering the objectives of the study, including the strengths and weaknesses of each interview approach, semi-structured interviews were used.

The data collection process started by first sending letters to the identified companies, followed by phone calls to book appointments. During the first meeting with the participants, the researchers had to give a brief overview of the purpose of the study. Copies of the interview guide were also presented to them during the first meeting for the interviewees to familiarise themselves with the information required.

The interviews were conducted upon meeting the participants during the second appointment. The interview was organised into three main parts. The first part sought to obtain an understanding of the companies’ CSR practices and the participants’ view on CSR assurance. The second part sought to find out whether the IAF is involved in assurance of their respective companies’ CSR reports and if yes, to what extent? The researchers made enquiries about whether the IAs in the various companies have

undertaken CSR-related courses or obtained some certifications in CSR reporting or assurance. The final part made general enquiries about the participants’ views on the prospects of the IAF in assurance of CSR reports.

The data collection lasted for two months, that is, from February to March 2015 and each interview lasted, on an average, an hour and thirty minutes. The interviews were digitally recorded and subsequently transcribed. Codes were created for each interviewee, and the sector within which that company operates is shown in Table I.

Together with notes taken during the interviews, the data collected were micro analysed to reveal themes from the interviews. These allowed for a summarisation of the common views of the interviewees. Subsequently, thematic areas relating to the research objectives were derived from the interviews. Specifically, three broad themes arising from the analysis of interview data were identified. These are:

1. The existing assurance mechanisms;
2. The extent of assurance provided by the IAF, if any; and
3. The level of training acquired by IAs involved in the assurance of CSR reports.

4. Findings and discussion

This section presents findings from the evidences gathered via the analysis of data from primary and secondary sources. The findings are subsequently related to existing literature to establish whether they are consistent with or different from extant research.

4.1 Corporate social responsibility assurance mechanism

The study sought to initially establish whether the identified companies seek for assurance services and the nature of the CSR assurance mechanism adopted. Results as shown in Table II indicate that three of the companies do not seek for any form of assurance on their CSR reports. Also, although two of the companies use IAs only to provide some form of assurance, one of them uses an internal assurance mechanism only, while the other uses both internal and external assurance mechanisms. The remaining three companies use either internal or external assurance mechanisms.

### Table I | Details of interviewees

<table>
<thead>
<tr>
<th>Code</th>
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<tbody>
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<tr>
<td>C2</td>
<td>Telecommunication</td>
</tr>
<tr>
<td>C3</td>
<td>Oil marketing</td>
</tr>
<tr>
<td>C4</td>
<td>Oil marketing</td>
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<td>C6</td>
<td>Banking</td>
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<td>C7</td>
<td>Banking</td>
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<td>C8</td>
<td>Banking</td>
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<td>C9</td>
<td>Banking</td>
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<tr>
<td>C10</td>
<td>Banking</td>
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</tbody>
</table>

### Table II | Sector and CSR assurance mechanism

<table>
<thead>
<tr>
<th>Sector</th>
<th>CSR assurance mechanism</th>
</tr>
</thead>
<tbody>
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<td>Telecommunication</td>
<td>Internal and external</td>
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<tr>
<td>Telecommunication</td>
<td>None</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>None</td>
</tr>
<tr>
<td>Oil marketing</td>
<td>Internal</td>
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<tr>
<td>Oil marketing</td>
<td>None</td>
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<tr>
<td>Oil marketing</td>
<td>Internal</td>
</tr>
<tr>
<td>Banking</td>
<td>External and internal</td>
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<tr>
<td>Banking</td>
<td>External</td>
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<tr>
<td>Banking</td>
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assurance, one company engages only external assurance provider. The remaining four use both internal and external auditors for providing assurance on their CSR reports. In addition, though there were evidences of CSR disclosures, these disclosures were usually embedded in annual reports of the companies. Moreover, none of these companies had published CSR assurance reports.

The interviewees explained that the reason for the above results shown in Table II is because most of the organisations operating in Ghana are subsidiaries and, hence, do not publish their own CSR report, but it is rather consolidated into a group CSR report. They added that any form of assurance, if any, would be done at the group level. One of them noted:

Our audit procedures address some CSR-related issues [. . .] I believe that our parent company engages external assurers to provide assurance on the CSR reports (C3).

In the case of those organisations that use only internal assurance mechanism, one of the interviewees, i.e. from the oil marketing sector, explains that they consider internal assurance as an effective way of improving the quality of a CSR report, compared to the external auditors. One of them noted:

Our department (internal audit) provides assurance on our CSR issues and with adequate training on CSR reporting and assurance, we would be able to effectively deliver in this emerging area [. . .] (C6).

The foregoing evidences suggest that the IAs in some of these companies provide some form of CSR assurance, including their willingness to take up the new challenge of providing assurance for CSR disclosures. These evidences support the work of Jones and Solomon (2010) which suggests many organisations still see CSR assurance as a subject of internal control, a job for IAs, rather than being a subject for external assurance.

Despite the above, there are also evidences of companies adopting a combined approach. In fact, four out of the ten companies adopted the combined assurance approach where they utilised both internal and external assurance services. These evidences give some level of reassurance on the potential of the IAF in CSR assurance, if the relevant authorities within (management and board) and outside the organisation (e.g. internal audit regulatory bodies and associations) will promote the practice. These findings support calls for the need to internally and externally encourage and promote IAs to provide assurance on CSR disclosures (Ridley D'Silva and Szombathelyi, 2011; Soh and Martinov-Bennie, 2011, 2015).

4.2 Nature of assurance provided by internal auditors

From the literature, an assurance is generally an evaluation approach that uses some set of principles and standards to assess the quality of a subject matter of interest (in this case CSR disclosures, namely, economic, social and environmental). It also includes an assessment of the underlying systems, processes and competencies that underpin the generation and communication of results, including CSR results.

Starting with the subject matter of CSR, that is, the areas of CSR (social and environmental) covered by IAs, evidences gathered are shown in Table III. Clearly, the three main areas of CSR reporting are largely considered by the existing assurance providers (internal and external). However, from Table III, there is evidence of assurance not covering the environmental aspect of CSR. Moreover, even in cases where the combined approach was adopted, an observation that emerged from the responses of the interviewees suggests their assurance processes cover little or no assurance on the environmental aspects of CSR. One of the interviewees noted:

[. . .] per our (internal auditors) training, we are not introduced to environmental issues. Also, there are no demands for environmental information from the regulatory bodies under which we operate, so I think we will have little or nothing to do with environmental issues (C10).
Other interviewees noted as follows:

We do not have a good understanding of these environmental issues and so we almost always remain silent on them [. . . ] (C6, emphasis added).

For me, I think the process is not the same as our normal work (not straight forward). We need to be trained to be able to do that (C5).

The foregoing observations, among others, resonate with the seminal findings of Soh and Martinov-Bennie (2015) and, hence, the need to equip IAs with skills and expertise to provide CSR assurance, particularly the environmental aspect of CSR (IIA, 2013).

Finally, from Table III, it can also be seen that three of the companies do not use any CSR assurance mechanism, suggesting that though there were CSR reports, the content and presentation has not been assured both internally and/or externally. Providing explanations for this evidence, one of the interviewees noted:

I understand the external auditors charge a lot, so since there are no demand currently, we’ll be managing without assurance until it becomes mandatory in Ghana (C5). 

The other interviewees speculated as follows:

[. . .] working in a subsidiary, I believe that our parent company engages external assurers to provide assurance on the CSR reports (C3).

These findings are not different from other studies that suggest that CSR assurance is sometimes not undertaken due to cost and sophistications associated (Jones and Solomon, 2010). Specifically, one of the.

With regards to the nature of assurance services provided, that is, the methodology, the focus (disclosures, systems, etc). and the communication of CSR assurance, the findings are mixed. For instance, an interviewee explained that the nature is limited to the content of the published corporate or CSR reports. One of them from an oil marketing company noted:

Our reviews cover the content of our annual Corporate Social Responsibility (CSR) reports, which form part of our integrated reports as well as our ad hoc publications in the dailies. We just verify the figures and occurrence of CSR activities (C4).

Another interviewee in the banking sector that uses both external and internal assurance services explained that their IAF provides advisory services on CSR by recommending procedures that assure the integrity of information output and procedures that integrate CSR into the company’s operations. The following quote sums up this form of assurance.

We integrate CSR requirements into our company’s operational processes during our reviews [. . .] We ensure that safety rules are adhered to and our labour practices, favourable (C9).

Similar responses were provided by other respondents across all the three sectors covered by the study. One of them noted:

<table>
<thead>
<tr>
<th>Sector</th>
<th>CSR assurance mechanism</th>
<th>Category of CSR covered by the IAF's assurance</th>
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</thead>
<tbody>
<tr>
<td>Telecommunication</td>
<td>External and internal</td>
<td>Economic, environmental and social</td>
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<tr>
<td>Telecommunication</td>
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<tr>
<td>Oil marketing</td>
<td>Internal</td>
<td>Economic, environmental and social</td>
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Table III: Elements of CSR assurance covered
Apart from the routine audit procedures carried out during our audits to provide assurance on the veracity of information contained in our CSR reports [. . .] (C4).

In the specific case of communicating CSR assurance results, that is, issuing CSR assurance statement, the responses show that the IAs do not prepare separate assurance reports on CSR reports and disclosures. An interviewee, for instance, noted:

All we do is to provide our recommendations on CSR-related issues or make corrections to the CSR reports. These corrections are mostly accounting in nature. We do not produce or publish any CSR assurance statements (C8).

Another interviewee added:

[. . .] we do our work as usual, but we do not carry out any further work or present to top management any assurance reports (C4).

From the above, it can be seen that the methodologies adopted by various IAs for providing assurance are varied. Moreover, the approaches adopted appear simple, but may be complex as is in the case of studies on external assurance (Jones and Solomon, 2010). In fact, the IAs seem to have defined their own scope and nature of carrying out CSR assurance activities. These findings strengthen calls and efforts to standardise the methodology for providing assurance on CSR disclosures by external assurance via voluntary regulations and guidelines (Pava and Krausz, 2006; O’Dwyer and Owen, 2005; Perego and Kolk, 2012). Also, the findings confirm earlier studies which indicate that CSR assurance though external, is still at its formative stage, thus calling for further studies in different contexts (Perego and Kolk, 2012).

4.3 Preparing internal auditors for corporate social responsibility assurance

From the literature on CSR assurance, many of the advocates for CSR assurance by IAs suggest a deliberate effort, particularly in the area of training (Ackers, 2011; Ridley et al., 2011; IIA, 2013; Soh and Martinov-Bennie, 2011, 2015). Specifically, there are calls to prepare IAs through the acquisition of relevant skills and expertise to assume CSR-related responsibilities (IIA, 2013; Soh and Martinov-Bennie, 2015). From the data collected, nine out of the ten participants and the other auditors in their respective departments had neither pursued any certification nor attended any form of training course on CSR or related issues (e.g. sustainability and environmental). The respondent who admitted attending a related course is a major player in the telecommunications industry. She noted:

I have attended a training course titled “Internal Assurance on Annual CSR Reporting”. This course was facilitated by PWC South Africa [. . .] (C1, emphasis added).

Further interrogations revealed that her department was much more involved in the environmental aspect of CSR assurance.

The other respondents who had not undergone any form of training were indifferent about the relevance of preparing IAs for assurance services. One of them noted:

I have not considered attending any training on CSR assurance because CSR has never been highlighted as a key risk area in my risk assessments (C8).

The foregoing observation suggests that some IAs seem not to recognise their potential in providing CSR assurance. This can be attributed to the fact that they do not have adequate knowledge in this emerging area and the resultant know–how of performing CSR assurance procedures.

5. Concluding discussion

This study had two broad objectives: to examine the nature and extent of IAs’ involvement in CSR assurance and to ascertain the capacity-building requirements to legitimise their role as credible assurance providers. To achieve these objectives, a qualitative research approach was adopted where through purposive and snowballing
techniques, ten internal audit managers from companies spanning the oil, banking and telecommunication industries were interviewed. These firms were selected from a sample universe of multinational and indigenous companies who published any form of CSR reports.

Firstly, results from this study show that the IAF is seen as an independent unit that can be relied on to provide assurance on CSR reports. In fact, the interview responses show that some companies engage their IAFs in providing some level of CSR assurance. As can be seen from Table III, the CSR assurance is either provided singularly (internal or external auditors only) or using a combined approach (both internal and external auditors). In the specific case of CSR assurance provided by IAs, responses from the interviews suggest that IAs are exhibiting the characteristics of the first stage of CSR maturity model postulated by Deloitte (2011), the follower stage. The IAs seem to focus on compliance, meeting the organisation’s most basic expectations. This includes developing, clarifying and updating their scope and broader objectives in relation to the elements of CSR. It also entails capacity building through the acquisition of skills to assume CSR-related responsibilities. The observation made by one of the interviewees confirms this:

   Our department (internal audit) provides assurance on our CSR issues and with adequate training on CSR reporting and assurance, we would be able to effectively deliver in this emerging area [. . .] (C6).

The foregoing findings provide an opportunity to deliberately highlight the professional role of IAs in providing CSR assurance (IIA, 2012). Furthermore, discussions on the potential of IAs in CSR assurance must be intensified.

Secondly, on the nature and scope of CSR assurance, the responses indicate that IAs’ assurance procedures rarely cover environment-related issues relative to economic and social issues. Though this finding is similar to Soh and Martinov-Bennie (2015), this study adds that the assurance processes are corrective in nature; therefore, no report is prepared or generated at the end of any assurance review. For instance, an interviewee noted:

   Apart from the routine audit procedures carried out during our audits, we provide assurance on the veracity of information contained in our CSR reports, and provide our recommendations on CSR related issues or make corrections to the CSR reports. Though these corrections are mostly accounting in nature, we do not carry out any further work or present to top management any assurance reports (C4).

The above findings show that the nature of CSR assurance provided by IAs are largely on the economic and social aspects of CSR, and they do not present assurance report. So, it can be concluded that most CSR assurance engagements by the IAF (in Ghana) cannot be considered as having provided reasonable level of assurance to stakeholders (IIA, 2013). Moreover, because IAs are already addressing the economic and social aspect of CSR, they have the potential of providing CSR assurance if they are trained on the environmental aspect of CSR.

Thirdly, with regards to the nature of assurance processes, results show that IAs do not follow any uniform pattern as suggested in the literature (Soh and Martinov-Bennie, 2015). Some of these auditors are simply concerned with establishing the veracity of the contents of their CSR reports, whereas others attempt to review and recommend the integration of CSR or socially responsible practices into the operations of their respective firms. These findings support calls for formalisation and standardisation of the processes of CSR assurance. Although the IIA has built CSR assurance into its current international standards for the professional practice of internal auditing (IIA, 2012, 2013), IAs in Ghana, perhaps, have not yet identified those elements for use in providing CSR assurance, hence the need for CSR assurance-related training.
Finally, the admission by interviewees for not going through any form of CSR assurance-related training confirms the dearth of capacity of IAs, particularly in the environmental aspects of CSR assurance. Furthermore, IAs do not follow a standardised approach to CSR assurance. Even for those IAs who undertake some form of CSR assurance, it seems they have not received any training on assurance on CSR-related issues. In fact, nine out of the ten IAs had neither pursued any certification nor attended any form of training course on CSR assurance and any of the contemporary reports (e.g. environmental reports). Interestingly, some IAs do not consider CSR, particularly the environmental category of CSR, as a key risk area to their respective businesses. These evidences perhaps explain why many of the IAs are not too involved in the environmental category of CSR. Some interviewees specifically noted that the environmental aspect of CSR is technical in nature, compared to the economic and social categories. These observations and the apparent lack of training of IAs in CSR assurance is worth noting as that would impact the quality of assurance being provided and legitimising IAs’ role as CSR assurance providers.

Despite the above, it is safe to conclude that, there is a general acknowledgement of the professional role of IAs in providing assurance beyond economic issues and becoming facilitators, consultants and teachers in CSR management. On the involvement of IAs in CSR assurance, even though the findings are encouraging, it is quite shallow and needs to be developed. Therefore, following some recommendations may go a long way to improve the level of legitimacy being placed on CSR assurance by IAs. For instance, IIA has chapters across the globe; therefore, each chapter, particularly the Ghana chapter of the IIA, should begin organising seminars and workshops on the changing roles of the IA in the area of providing CSR assurance. This would create awareness and improve the know–how of CSR assurance by the IAF. During these workshops, IAs should be guided through how CSR assurance could be conducted using standardised approaches and guidelines such as the AA1000AS, GRI, FEE and many more.

Also, regulatory and stakeholder bodies such as the Association of Ghana Industries, Ghana National Chamber of Commerce and Industry, Bank of Ghana, National Insurance Commission, Securities and Exchange Commission, Environmental Protection Agency and many more can also play a role in encouraging companies to seek internal assurance services on CSR reports. They could do this by outlining the benefits of relying on internal assurance of CSR reports. They could also provide incentives such as awards for developing and using the IAF for CSR assurance. Moreover, users of IAs services, particularly management staff in companies, should be sensitised to develop their IAF in the area of CSR assurance. This is important because, for instance, where CSR assurance may not be fully conducted by the IAF because of its technical nature, management could consider supporting them with the services of external consultants.

5.1 Limitations and future studies

Every research has one form of limitation or another. However, many of the limitations relate to the methodology and research method adopted. In this study, the qualitative approach adopted does not allow statistical generalisation. However, theoretical or conceptual generalisation can be made. In fact, the consensus among majority of the interviews on the nature and scope of CSR-related assurance and the need for training in the environmental aspects of CSR suggest theoretical saturation (Jones and Solomon, 2010).

Another limitation of the study is that the findings are purely based on the perceptions of a few IAs. Future studies may increase the number of IAs and include the views of those who appoint IAs (i.e. management) and beneficiaries of IAs services. Moreover, given the rapid development of CSR-related issues, it would be extremely useful to replicate this study to
verify whether the involvement of the IAF in CSR assurance has improved over time. Further work is also needed to identify effective ways of carrying out CSR assurance on a sector-by-sector basis. Such studies, including the current study, are imperative in engendering discussions on the need for IAs and regulators of IAs (e.g. the IIA), particularly those in developing countries to begin to conscientise practitioners on the changing roles of the IA in the areas of CSR and CSR assurance.

References


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