

Report verification – verification process

CLIENT INFORMATION NOTE

Overview

This Client Information Note explains the main stages of an assurance engagement to verify the data and information published in an annual report. The annual report may be an Environmental, CSR, Sustainability, or Integrated Report - or maybe just a description of a company's environmental impact or carbon footprint. Our assurance service verifies, in full, in part, or a specific section of, the data and information published.

An assurance engagement normally includes two stages, which themselves may have several site visits, as well as off-site document reviews. We call these two stages:

Stage 1 – Initial Review and Verification Planning - where we finalise the terms of our engagement, identify material issues (those issues that are of interest to your stakeholders) and generate a Verification Plan.

Stage 2 – Verification – where we implement the verification plan and write our Assurance Statement.

At each stage, our verifiers will be open, helpful, and practical and will follow an approach designed to provide value to your verification. A significant amount of time will be spent interviewing people involved in the reporting process and reviewing the accuracy of data and information.

Before we start an assurance engagement, we will discuss and agree with you the:

- dates of the engagement, including deadlines for publishing,
- locations we will visit and any logistical arrangements,
- assurance criteria to be used, for example, AA1000 Assurance Standard, Global Reporting Initiative
- level of assurance¹ required and the materiality to be applied.

If required, an optional Pre-Verification Planning visit can be undertaken before the Stage 1 and Stage 2 visits. This provides a gap analysis on where you stand in terms of readiness and completeness of reporting processes. For verification involving significant amounts of information and data, these visits can be very valuable.

Stage 1 – Initial Review and Verification Planning

Purpose of the visit

We do this visit to:

- confirm the terms of engagement and any exemptions or restrictions to the assurance
- collect initial information about your company and its reporting processes
- complete a Strategic Analysis / Risk Analysis (SARA)
- prepare a Verification Plan
- prepare the Data / Information Sampling Plan
- answer any questions you may have about our service.

The visit will help identify any potential problems, such as weaknesses or omissions, which will prevent a positive Assurance Statement being written.

Carrying out the visit

This may be one or several visits undertaken at your site(s) or remotely. The visit starts with an opening meeting in which the verifier will explain to you how we carry out an assurance engagement, and you will be able to introduce your company.

The verifier will then:

- finalise the terms of engagement

- begin the initial delivery of the verification by reviewing the report or data and information to be assured (at this stage, this may be in draft or summary form only, or may not be available beyond a contents list, for example) and understanding how the reporting processes are implemented and the way that the reported data and information is calculated
- research those material issues of interest to your stakeholders using relevant information sources, for example, internet, social media, peer reports, government papers, etc; the extent and depth of this research will vary with the terms of engagement, assurance criteria, and the reporting boundaries
- consider what you have determined as material issues, whether there is a process for identifying them and responding on them
- produce a verification plan for Stage 2 which reflects the level of assurance and materiality to be applied²
- produce a detailed report which describes both positive findings, and any issues requiring your attention before the Stage 2 visit takes place.

The visit ends with a closing meeting to present the Stage 1 report and agree the next stage of the verification process, including any health and safety, security, and administrative issues. If additional time is required to complete the assurance engagement, this will be agreed with you at this stage.

Stage 2 - Performing the assurance engagement

Purpose of the visit

We do this visit to:

- follow the verification plan and Data / Information Sampling Plan to complete the assurance engagement
- obtain sufficient appropriate evidence

on which to base our opinion that is expressed in the Assurance Statement

- obtain the client 'self-declaration' on data and information accuracy and completeness
- produce a draft Assurance Statement.

Carrying out the visit

During this visit(s), the Verifier will implement the Verification Plan prepared during Stage 1 and make conclusions that are then written into a draft LRQA Assurance Statement.

During this visit(s) you have the responsibility of providing evidence to support any claim, whether it be information or data, which is being disclosed in your Report. We then use professional judgment, and exercises professional scepticism, to evaluate the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the opinions / conclusions presented in our Assurance Statement.

It is important to remember that even though a problem may not have been identified in an area of activity, it does not necessarily mean that there are no problems. As verification is based on sampling techniques, statistically there is always a possibility that issues will not be identified during an engagement.

LRQA's Assurance Statement

LRQA's Assurance Statement is the main deliverable resulting from an assurance engagement. Each Assurance Statement is tailored to the specific contract and is designed to facilitate effective communication to the intended end-users. An Assurance Statement documents:

- the terms of engagement between LRQA and you, our client
- management responsibilities
- LRQA's approach
- level of assurance and materiality

- LRQA's opinion, and, where necessary
- LRQA's recommendations for improvement.

LRQA's Assurance Statements will contain the following as a minimum:

- the name of your company
- the title of your Report
- a statement describing both the reporting organisation's (that is, your) and LRQA's responsibilities
- a description of LRQA's terms of engagement referencing scope, assurance objectives, assurance criteria, level(s) of assurance, and materiality

Any limitations will also be described.

- a description of LRQA's approach
- LRQA's opinion describing our findings, conclusions, and qualifications in relation to the level of assurance and materiality applied during the assurance engagement
- LRQA's recommendations for improvement
- date and signature of the Lead Verifier
- Legal Disclaimer.

The draft LRQA Assurance Statement is sent for technical review after Stage 2 to be authorised by LRQA personnel who are independent of the assurance engagement. This technical review confirms that the opinions and recommendations expressed in LRQA's Assurance Statement are justified and traceable back to the verifier's working papers.

On completion of the technical review, we issue the Assurance Statement for you to publish in your Report.

Reporting

If specified by the contract, Verifiers can provide other deliverables beyond the Assurance Statement, for example, an LRQA report, presentations to the client's

top management which communicate relevant matters of governance, areas for improvement, and other interests arising from the engagement.

The reporting process for all our visits is similar. We fill in visit reports to record verification findings, progress against the verification plan, positive comments, and also points of clarification or interpretation.

We record and grade our findings as follows:

Material Misstatement, A misstatement, (omission, misrepresentation or error) in an assertion, data, or information that, in the professional judgment of the verifier, could affect the decision of the intended user. If such a finding is outstanding at the end of the verification then the misstatement must be corrected or a positive Assurance Statement will not be possible

Material Nonconformity, A nonconformity with the requirements of the assurance criteria (including the terms of engagement) that, in the professional judgment of the verifier, could affect the decision of the intended user. If such a finding is outstanding at the end of the verification then the nonconformity must be corrected or a positive Assurance Statement with regard to the assurance criteria will not be possible.

Misstatement, A misstatement (omission, misrepresentation or error) in an assertion, data, or information that, in the professional judgment of the verifier, is unlikely to affect the decision of the intended user. If such a finding is outstanding at the end of the verification, a positive Assurance Statement will be possible, although qualifications, limitations, and/or recommendations may be included in the Assurance Statement.

Nonconformity, A nonconformity with the requirements of the assurance criteria (including the terms of engagement) that, in the professional judgment of the

verifier, is unlikely to affect the decision of the intended user. If such a finding is outstanding at the end of the verification, a positive Assurance Statement will be possible, although qualifications, limitations, and/or recommendations may be included in the Assurance Statement.

Scope for Improvement (SFI), An opportunity for improvement that may be considered by the client. If such a finding is outstanding at the end of the verification, this will result in a positive Assurance Statement without qualification or limitation. However, recommendations may be included in the Assurance Statement, although these should only relate to root causes and not to one-off issues.

xLR, An issue which LRQA will follow-up at the next visit and which does not impact on the conclusions of the verification.

Confidentiality

We will not pass on any of the data or information we gather during the assurance engagement to any other party without written consent. This confidentiality will be maintained during the term of, and after termination of our Agreement, with the exception of information that is in the public domain, or that which is made available to LRQA from an independent source.

Further information

To find out more about how LRQA can help you to increase performance and reduce risk, please visit our website [lrqa.com](https://www.lrqa.com). From here you can also visit one of our country specific websites to find out about LRQA in your country.

Get in touch

Visit [lrqa.com](https://www.lrqa.com) for more information

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The LRQA logo consists of the letters 'LRQA' in a bold, sans-serif font. The 'R' is stylized with a blue and green gradient. The logo is enclosed in a blue square border.

YOUR FUTURE. OUR FOCUS.