

Audit risk factors in certification

How can risk-oriented audits improve the quality of certification standards?

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Abstract

Over the past few years, certification standards have become increasingly relevant as a marketing signal for agribusiness. Substantial parts of the value chain are already certified by standards such as QS, IFS or EurepGap. It is hardly researched, however, if these approaches can actually ensure a high quality control. In theoretical regards, the following contribution reverts to concepts from auditing theory. Since the 1970s and increasingly after the recent scandals, auditing theory has developed approaches that are geared to the risk potential of the audited company. The same basic parameters that led to the development of the risk oriented auditing concept similarly apply today to certification systems. Certifiers in agribusiness today are in severe competition for contracts, which are commissioned by the companies that are to be audited. Here the risk for faulty incentives and processes of adverse selection is high. The fast growth of the certification systems could lead to the suspicion that auditing procedures and staff qualifications are not yet sufficiently developed.

In empirical regards, this article is based on the analysis of the data base of the QS system with more than 100,000 businesses involved. It tries to deduce some first empirically rich hypotheses about the connection between auditing quality and the institutional framing of the certification.

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