

Basis for Conclusions
Prepared by the Staff of the IAASB
June 2012

*International Standard on Assurance
Engagements*

ISAE 3410, Assurance Engagements on Greenhouse Gas Statements

IAASB

International Auditing
and Assurance
Standards Board

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

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BASIS FOR CONCLUSIONS:

ISAE 3410, ASSURANCE ENGAGEMENTS ON GREENHOUSE GAS STATEMENTS

This Basis for Conclusions has been prepared by staff of the International Auditing and Assurance Standards Board (IAASB). It relates to, but does not form part of, International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*, which was approved by the IAASB in March 2012, with the affirmative votes of 17 out of 18 IAASB members.¹

Background

1. Many professional accountants practice in the field of assurance on sustainability and similar reports, such as reports on carbon emissions information. For a number of years the IAASB has been asked to consider developing assurance standards specifically addressing engagements for such work. Significant demands for reliable carbon emissions information include:
 - Emissions reporting schemes as part of a regulatory disclosure regime;
 - Emissions trading schemes such as the European Union (EU) Emissions Trading System; and
 - Informing investors and others on a voluntary basis. Voluntary disclosures were becoming increasingly common. Such disclosures may, for example, be published as a stand-alone document, included as part of a broader sustainability report or in an entity's annual report, or made to support inclusion in a carbon register.
2. In 2007 the IAASB commenced a project to develop a standard for assurance engagements on greenhouse gas (GHG) statements (which is a statement setting out the constituent elements and quantification of an entity's GHG emissions (including carbon emissions)). The initial task force set up for this project comprised a majority of subject matter specialists. The composition of the task force evolved over the life of the project to include more assurance specialists towards the finalization of the standard. The change in the task force composition was to reflect the skills and needs at the various stages of the project, although a number of the task force members remained on the project for its duration. In addition to IAASB and task force discussions, and other specific consultations, the task force also had the input of an expert Project Advisory Panel (PAP).
3. During 2008, four roundtables were held at different venues around the world, in order to gain an understanding of the various demands and regulatory requirements. Roundtable participants included a diverse range of stakeholder groups, including: accounting firms and accounting bodies; government regulators and policymakers; reporting companies; public sector auditors; non-accounting assurers and standard setters; institutional investors; non-governmental organizations; academics; and legal professionals.

¹ One IAASB member was not in attendance at the March 2012 IAASB meeting because of visa problems and was therefore ineligible to vote. See minutes of the March 12–16, 2012 IAASB meeting at www.ifac.org/auditing-assurance/meetings/50th-meeting-iaasb-march-12-16-2012-toronto-canada under the heading "Minutes."

4. Following deliberations on the feedback received at the roundtables, the IAASB released a Consultation Paper accompanied by a working draft of proposed ISAE 3410 in October 2009. The Consultation Paper sought feedback from stakeholders on a number of issues identified at the roundtables and the manner in which they had been dealt with in the working draft.
5. The comment period on the Consultation Paper closed in February 2010, and thirty-five submissions were received. Many respondents noted that the working draft only dealt with reasonable assurance engagements and indicated that there was an urgent need for a standard that covered both reasonable and limited assurance engagements. In light of the detailed comments received on the Consultation Paper, the IAASB considered a series of revisions to the working draft, including its expansion to include limited assurance engagements.
6. In December 2010 the IAASB approved proposed ISAE 3410 (ED-3410) for exposure. The comment period for ED-3410 closed on June 10, 2011. Forty-one comment letters were received from various respondents, including IFAC member bodies, firms, non-accounting GHG assurers/consultants/organizations, national standard setters, regulators and oversight bodies, individuals, public sector auditors and other professional organizations. This Basis for Conclusions explains the more significant issues raised by respondents to ED-3410, and how the IAASB has addressed them.
7. The IAASB has also discussed this project with the IAASB Consultative Advisory Group (CAG) on five occasions, including: prior to the issue of the October 2009 Consultation Paper; prior to the issue of ED-3410; and prior to the finalization of the standard.

ISAE 3000

8. ED-3410 was written in the context of extant ISAE 3000². ISAE 3000 is an overarching assurance standard which addresses all assurance engagements (both reasonable and limited) other than audits or reviews of historical financial information. It is the “umbrella” standard under which the subject-matter specific assurance standards, including ISAE 3410, operate.
9. Consistent with other subject-matter specific assurance standards issued by the IAASB, ED-3410 did not repeat requirements which, for the subject-matter specific standard (ED-3410), are adequately covered in ISAE 3000. ISAE 3000 therefore contains a number of specific requirements which are not fully covered in ED-3410, and ED-3410 appropriately required that a practitioner comply with the requirements of both ISAE 3410 and ISAE 3000 (see paragraph 14 of ED-3410).
10. While the IAASB was developing the new ISAE 3410, a project to clarify and refine ISAE 3000 was also commenced. The objective of that project was to clarify and refine the overarching assurance standard, but not to significantly change the underlying principles. In April 2011, the IAASB released a draft of proposed ISAE 3000 (Revised)(ED-3000) which included proposed consequential amendments to ED-3410, none of which were substantive in nature.
11. A few respondents to ED-3410 expressed some concern in regard to the inter-relationship between ED-3410 and extant ISAE 3000. It was questioned whether practitioners would be able to clearly identify the additional requirements of ISAE 3000 that would need to be complied with in an ISAE 3410 engagement.

² ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

12. In relation to ISAE 3410 and the revision of ISAE 3000, some respondents suggested that the IAASB finalize ISAE 3410 at the same time as, or only after, the finalization of ISAE 3000 to avoid the risk of substantive changes to ISAE 3410 shortly after it has been issued, and to reduce the risk of inconsistency between the standards.

IAASB Decisions

13. The IAASB re-affirmed that the structure of ISAE 3410 and its relationship with ISAE 3000 should remain consistent with how other topic specific ISAE's interact with the overarching standard. Accordingly, ISAE 3410 also requires compliance with ISAE 3000 (see paragraph 15 of ISAE 3410³) but does not repeat every requirement of ISAE 3000. In deliberating the matter, the IAASB considered whether to include a reconciliation in ISAE 3410 of the requirements in ISAE 3000 for which there was no directly corresponding requirement in ISAE 3410.
14. The IAASB concluded that this reconciliation would not be included in the standard as the presentation of such information may be confusing to practitioners or would not want this to be used as a substitute for reading and maintaining compliance with ISAE 3000.). Nevertheless, the IAASB accepted that in the early implementation of the standard it would be helpful to emphasize the relationship between ISAE 3000 and ISAE 3410 notwithstanding that practitioners carrying out these types of engagements would be professional accountants who would understand the need to comply with the requirements of both standards. It was therefore decided to include as an Appendix to this Basis for Conclusions, a full reconciliation of the requirements of ISAE 3000 to those in ISAE 3410 as a reference to be used by practitioners as appropriate. However, the IAASB stressed that this would not be a substitute for reading and maintaining compliance with the requirements of both standards.
15. The IAASB considered, but rejected, the option to delay the finalization of ISAE 3410. The IAASB has accepted the urgent need for an assurance standard in this area voiced by many respondents, and in the public interest has finalized this project prior to finalization of ISAE 3000 (revised). The IAASB also noted that the proposed conforming amendments to ED-3410 contained in ED-3000 were not substantive, and as a result, ISAE 3410 would be amended when the final ISAE 3000 (revised) is finalized.

Limited Assurance in ISAE 3410

General Approach to Limited Assurance

16. In developing ED-3410, the IAASB considered a number of possible approaches to how limited assurance engagements on GHG statements should be conducted. The main issue related to whether ISAE 3410 should require certain types of procedures (such as inquiry and analytical procedures) as the primary means of obtaining evidence, or whether it should acknowledge a broader range of procedures selected by the practitioner based on an assessment of risks of material misstatement in the circumstances of the engagement. Either approach would be consistent with the Assurance Framework⁴ and extant ISAE 3000, both of which allow for the approach adopted to limited assurance in a subject matter-specific ISAE to be tailored to suit the particular subject matter.

³ Paragraph numbers refer to the final ISAE 3410 unless otherwise noted.

⁴ International Framework for Assurance Engagements

17. The approach adopted in ED-3410 requires the practitioner to select procedures appropriate to the circumstances of the engagement based on an assessment of risks of material misstatement. The IAASB was of the view that, in order to obtain a meaningful level of assurance, an explicit risk assessment was necessary and that mandating certain types of procedures (such as inquiry and analytical procedures) as the primary means of obtaining evidence was not appropriate. The IAASB was aware that this approach was different to that for limited assurance engagements on historical financial information.
18. A majority of the respondents to the ED-3410 agreed that: (a) a risk assessment was necessary in order to obtain a meaningful level of assurance; and (b) in responding to the assessed risks, the standard should direct the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks having regard to the level of assurance to be obtained.
19. A few respondents expressed concern with the proposals for the approach to risk assessment in a limited assurance engagement, including that:
 - (a) The nature and extent of the procedures undertaken, together with the resulting evidence and consequently the assurance obtained would not be consistent across limited assurance engagements in this area, and would also not be consistent with other limited assurance standards such as ISRE 2400; and
 - (b) The approach in ED-3410 to identify and assess risks of material misstatement at the GHG statement level for material types of omissions and disclosures would not be robust enough to be able to design meaningful procedures to address the risks. These respondents were supporters of performing the risk assessment at the assertion level.

IAASB Decisions

20. The IAASB concluded that ISRE 3410 should continue to adopt the risk assessment approach for limited assurance engagements, at the level proposed in ED-3410 (i.e., not at the assertion level). The IAASB noted the broad support by respondents to this approach, particularly as several had affirmed that it was not appropriate in these types of engagements to prescribe or limit the evidence gathering to specific types of procedures. The IAASB was also persuaded by several factors, including the following:
 - The nature of GHG information, which is quite different from historical financial information. For example, GHG information is not capable of being subject to the rigor of a double entry bookkeeping system, and is susceptible to different risks than historical financial information. Accordingly, while in many cases the fixed nature of physical or chemical relationships between particular emissions and other measurable phenomena allows for the design of powerful analytical procedures, there may be cases where analytical procedures (alone or in combination only with inquiry) may be less applicable and therefore less effective in obtaining evidence in support of a meaningful level of assurance.
 - The nature of assurance engagements on GHG statements, which could vary greatly. For example, a limited assurance engagement may relate to emissions from electricity use at a single office only, or it may relate to emissions resulting from complicated physical or chemical processes at several facilities, or it may relate to emissions using information collected from various entities in the supply chain. These different engagement

circumstances may warrant a particular type(s) of procedure in order to effectively respond to assessed risks.

- The approach incorporated in the proposed ISAE was consistent with the advice of the GHG specialist members of the Task Force and PAP. It was also consistent with current practice as evidenced by publicly available limited assurance reports on GHG statements.

Main Differences between Limited Assurance and Reasonable Assurance Engagements on GHG Statements

21. Unless otherwise stated, each requirement of ED-3410 was applicable to both reasonable assurance and limited assurance engagements. Requirements that applied to only one or other type of engagement were presented in a columnar format with the letter “L” (limited assurance) or “R” (reasonable assurance) after the paragraph number. ED-3410 proposed different requirements for reasonable and limited assurance engagements in the following areas:
- **Understanding the Entity and Its Environment:**⁵ The understanding required as the basis for identifying and assessing risks of material misstatement in a limited assurance engagement on a GHG statement would vary in nature from, and be less in extent than for, a reasonable assurance engagement. In particular, the practitioner in a limited assurance engagement on a GHG statement is not required to obtain an understanding of all of the components of the entity’s internal control, and is not required to evaluate the design of controls and determine whether they have been implemented.
 - **Identifying and Assessing Risks of Material Misstatement:**⁶ The nature and extent of procedures performed by the practitioner to identify and assess the risks of material misstatement between a limited and a reasonable assurance engagement may also be different. For example, in a limited assurance engagement on a GHG statement, the practitioner’s identification and assessment of risks of material misstatements with respect to material types of emissions and disclosures need not be at the assertion level.
 - **Overall Responses to Assessed Risks and Further Procedures:**⁷ ED-3410 included different requirements for the overall responses and further procedures for reasonable and limited assurance engagements on GHG statements. The application material⁸ also included additional guidance, including discussion of:
 - The emphasis placed on the nature of various procedures;
 - The extent of further procedures; and
 - The nature of analytical procedures.
22. The majority of respondents to ED-3410 supported the columnar format used to distinguish between reasonable and limited assurance requirements. Presenting requirements in this way made clear which requirements applied only for limited assurance engagements or for reasonable

⁵ ED-3410, paragraphs 22–23

⁶ ED-3410, paragraph 31

⁷ ED-3410, paragraphs 35–47

⁸ ED-3410, paragraph A86

assurance engagements, and facilitated identifying the main differences between these two types of engagements.

23. The majority of respondents also agreed with the specific differences between the procedures required for limited assurance and those for reasonable assurance. However, some respondents were concerned as to whether there was sufficient clarity in distinguishing between procedures for limited assurance and reasonable assurance engagements, in particular in relation to work effort for obtaining an understanding of the internal control. A few respondents were also of the view that the practitioner should be required to obtain an understanding of all the components of internal control (the same as in a reasonable assurance engagement), which would therefore include the requirement for the practitioner to evaluate the design of controls and determine whether they had been implemented.

IAASB Decisions

24. The IAASB acknowledged the importance of promoting a clear understanding of the differences between a reasonable assurance engagement and a limited assurance engagement, particularly in relation to obtaining an understanding of an entity and its environment, and identifying and assessing the risks of material misstatement. As the majority of respondents had agreed with the columnar approach to this differentiation, the IAASB considered the appropriateness of the flow of the section *Understanding the Entity and Its Environment, Including the Entity's Internal Control, and Identifying and Assessing Risks of Material Misstatement*, and also whether there was anything else that would make the requirements clearer.
25. As a result, the IAASB also restructured the section to improve the flow. In particular paragraph 23 on the components of the practitioner's understanding (such as the industry, nature of the entity, nature of operations, requirements of applicable criteria, climate change objectives and strategy etc.), and paragraph 24 on the types of procedures to be performed (inquiries, analytical procedures and observation and inspection), were moved to the front of the section as introductory paragraphs. This now follows the flow of similar paragraphs in ISA 315.⁹
26. To further address some of the concerns, application guidance was added to assist practitioners to understand that although they are required to perform all the procedures in paragraph 24 in the course of obtaining the required understanding of the entity, they are not required to perform all of them for each aspect of that understanding (see paragraph A62). In addition, the IAASB clarified the introductory wording in paragraph 25L that explains that in a limited assurance engagement the practitioner performs inquiry to obtain the understanding of internal control to enable the practitioner to identify and assess risks of material misstatements.
27. In relation to obtaining an understanding of internal control, the IAASB did not agree with the suggestion from a few respondents that practitioners should be required to obtain an understanding of all the components of internal control in a limited assurance engagement. The IAASB was of the view that it would impose significant additional costs which, in its view, would be both unnecessary and not justified in the face of the overwhelming support of both practitioners and all other categories of respondents for the approach in ED-3410; an approach discussed at some length during the IAASB's deliberations prior to approving the ED-3410. As a result, it was agreed that in a limited assurance engagement the inquiry is limited to the following components of internal control:

⁹ ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

- The control environment;
- The information system, including related business processes, and communication of emissions reporting roles and responsibilities and significant matters relating to emissions reporting; and
- The results of the entity's risk assessment process.

“Trigger Point” for Additional Procedures in a Limited Assurance Engagement

28. ED-3410 contained the following requirement for limited assurance engagements on GHG statements:

If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the GHG statement may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to:

- (a) Conclude that the matter(s) is not likely to cause the GHG statement to be materially misstated; or
- (b) Determine that the matter(s) causes the GHG statement to be materially misstated.¹⁰

The threshold at which the practitioner is required to perform additional procedures (i.e., that the GHG Statement “may be materially misstated”) has been informally referred to as the ‘trigger point.’

29. The trigger point in ED-3410 was consistent with that proposed in the IAASB's exposure drafts of proposed ISRE 2400 (Revised)¹¹ and proposed ISAE 3000 (Revised). Extant ISAE 3000 does not contain this requirement for limited assurance engagements, though that does not preclude topic-specific ISAEs from specifying such a requirement, as appropriate, in the context of the engagement addressed by an ISAE.
30. The majority of respondents to ED-3410 generally agreed that the trigger point proposed by the IAASB was appropriate. Some of these respondents and others noted, however, that additional guidance on the nature and extent of the additional procedures would be useful. A few respondents did not agree with the proposed trigger point. The concern expressed was that the proposed wording of the requirement, in particular the use of the wording “may be materially misstated”, might set too low a threshold and therefore potentially lead to an excessive amount of work being performed for a limited assurance engagement. It was also noted that the related application material was not sufficiently clear to mitigate this potential risk.

IAASB Decisions

31. The IAASB re-affirmed its view that the proposed trigger for additional procedures in a limited assurance engagement on GHG statements, as set out in ED-3410, is appropriate, including the use of the wording “may be materially misstated”. The IAASB also noted that the intent is for this requirement to apply only if the practitioner becomes aware of a relevant matter(s) that causes the practitioner to have this belief. This is in contrast to, for example, merely being aware of a risk of

¹⁰ ED-3410, paragraph 47L

¹¹ Proposed ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

material misstatement when planning the engagement. Therefore no changes were made to the requirement in paragraph 49L.

32. The IAASB agreed with respondents' observations that additional guidance in relation to the actions of the practitioner once they had become aware of a matter that may cause them to believe that the GHG statement is materially misstated, would be useful. As a result, additional application material was added in paragraph A110 to make clear that the extent of procedures to be performed would be a matter of professional judgment, and would be based on the likelihood of material misstatement - the greater the likelihood of material misstatement the more persuasive the evidence to be obtained would need to be.

Summary of Procedures in the Independent Practitioner's Assurance Report

33. For both reasonable and limited assurance engagements on GHG statements, in accordance with extant ISAE 3000, ED-3410 required that the independent practitioner's assurance report include a summary of the practitioner's procedures. In the case of a limited assurance engagement, the practitioner's report was also required to "include a statement that the procedures vary in nature from, and are less extent than for, a reasonable assurance engagement, and as a result the level of assurance is substantially less than the assurance that would have been obtained had a reasonable assurance engagement been performed."
34. ED-3410 included illustrative practitioner's reports for both reasonable and limited assurance engagements to demonstrate how the reporting requirements of ED-3410 could be applied. The illustrative practitioner's report for a reasonable assurance engagement was presented in the short-form; that is, it followed a standard wording and only briefly described procedures performed. This was because describing the specific procedures performed in detail would not assist, and may even detract, users in understanding that, in all reasonable assurance engagements where an unmodified report has been issued, sufficient appropriate evidence has been obtained to enable the practitioner to express a conclusion in the positive form.
35. In a limited assurance engagement, however, the level of assurance that the practitioner obtains could vary significantly depending on the procedures performed in the individual circumstances of the engagement. Accordingly, in ED-3410 some customization of the limited assurance report was proposed, with the illustrative practitioner's report for a limited assurance engagement providing the following further guidance on how to articulate the procedures:

Insert a summary of the procedures written in an objective way that allows intended users to understand the work done as the basis for the practitioner's conclusion. In most cases this will not involve detailing the entire work plan, but on the other hand it is important for it not to be so summarized as to be ambiguous, nor written in a way that is overstated or embellished.
36. In respect of the illustrative practitioner's report for a reasonable assurance engagement, the majority of respondents to the exposure draft were of the view that the form and content in ED-3410 was appropriate. A few respondents had the view that the reports for both limited and reasonable assurance should be consistent and include a description of the procedures performed.

37. In respect of the illustrative practitioner's report for a limited assurance engagement, however, respondents expressed mixed views regarding the description of procedures in the illustrative limited assurance report. Some respondents variously expressed concern, including:
- (a) The risk of "boilerplate" language: Others acknowledged this as a risk, but agreed that it would be difficult for a standard to guard against this.
 - (b) The risk that because the procedures described in limited assurance reports are more detailed than those described in reasonable assurance reports, users may have the erroneous perception that limited assurance conveyed a higher level of assurance than reasonable assurance.
 - (c) The risk of confusion because: different situations are described similarly in the assurance report, leading to users having the perception that the level of assurance obtained is similar when in fact it is not; similar situations are described differently in the assurance report, leading to users having the perception that the level of assurance obtained is different when in fact it is not; or users simply being unable to understand a potentially vast array of differently reported procedures or receiving only a partial picture of the assurance obtained if some, but not all, procedures were described.
38. Several respondents, however, supported the description of the practitioner's procedures in the limited assurance report. It was noted that there would be benefit of transparency to users of GHG limited assurance reports, and that it would also be consistent with current practice.

IAASB Decisions

39. In respect of the illustrative practitioner's report for a reasonable assurance engagement, the IAASB acknowledged the broad general support for the proposal in ED-3410. Except for some minor editorial matters, the IAASB agreed to make no further amendments to the reasonable illustrative report in Appendix 2, Illustration1, of ISAE 3410.
40. In respect of the illustrative practitioner's report for a limited assurance engagement, the IAASB acknowledged respondents views that there are various advantages and disadvantages to the different approaches to describing the procedures performed in the limited assurance report, and reflected on which approach would be most appropriate to illustrate the requirements. Some IAASB members were of the view that the limited assurance report should only include standardized procedures, with no ability to further tailor. Others were of the view that the limited assurance report should allow the practitioner to use professional judgment in describing the procedures and, in their view, was consistent with ISAE 3000.
41. In further deliberating the form and content of the illustrative limited assurance report the IAASB considered three alternative approaches to describing the procedures:
- (a) A standardized approach, in which only common standardized procedures are listed, with the ability to delete a procedure if it was not performed because it was not relevant to the engagement;
 - (b) A customized approach, which included the same basic procedures as the standardized approach, but allowed for further detail to be provided on procedures performed; or
 - (c) A free-form approach, in which there are no standardized procedures listed. This approach would allow for more narrative on the nature and extent of the procedures performed.

42. While some Board members expressed a preference for the "free-form" approach, the majority of members agreed with respondents that such an approach would add to the concerns that this type of report may result in some users (incorrectly) taking more assurance from a limited assurance engagement than from a reasonable assurance engagement. It was therefore concluded that this type of approach would not be further pursued.
43. In considering the other approaches noted above, the IAASB considered including two illustrative reports in the final standard in order to address the needs of those with different views, i.e., both a 'standardized' and 'customized' report be included. This would allow practitioners to use the report most appropriate for their circumstances. However, it was noted that there was significant overlap in the area of the standardized procedures in the proposed reports (these were the same in both), and the only difference between them was the "customized" procedures that could be added.
44. After further deliberation, the IAASB concluded as follows. Firstly, ISAE 3410 should include only one customized illustrative limited assurance report. This report contains standardized procedures which would be performed in every engagement, and allow for further customization of those procedures the practitioner believes would provide users of the assurance report with more information as to the work performed as a basis for understanding the level of assurance.
45. The IAASB believed that this approach would achieve an appropriate balance between concerns that some users may take inappropriate assurance when the procedures are described, and the need for transparency, comparability and an understanding of the basis for the practitioner's conclusion. Moreover, this approach would be consistent with market practice and also meet current regulatory reporting requirements.
46. Secondly, to further address the risk that users may take inappropriate assurance from the report because of the way the procedures have been written, the IAASB added three examples of illustrative procedures to supplement the guidance to practitioners on how they may articulate their procedures. This change was consistent with suggestions by some respondents to provide examples of procedures. The examples are not meant to be indicative of all situations nor represent an exhaustive list of those procedures that would be described. Rather, they provide samples of the way to describe the nature and extent of the procedures performed.
47. The IAASB also included in the example procedures a description of what was not done, that would ordinarily be done in a reasonable assurance engagement. This addition was intended to make clear to users of the limited assurance report that the procedures are less than those that would have been performed in a reasonable assurance engagement. This was only added for those procedures listed and not for all procedures that would be performed had a reasonable assurance engagement been undertaken, because the understanding of the entity for a limited assurance engagement would be less than for a reasonable engagement, and therefore the practitioner would not know what other procedures would have been performed.
48. Thirdly, the illustrative limited assurance report in ISAE 3410 now includes a statement that "a limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and those procedures performed in response to the assessed risks."
49. Finally, the IAASB amended the application material of ISAE 3410 to make clear that (i) customization is for the purposes of elaborating on the standardized procedures already included in the practitioner's report which allows users to better understand the context of the assurance

conclusion based on the procedures that were performed, and (ii) the description of the procedures should not appear to constitute an agreed-upon procedures engagement, or that reasonable assurance has been obtained.

50. See Appendix 2, Illustration 2 of ISAE 3410 for the illustrative limited assurance report and paragraphs A142 to A144 in respect of the application material referred to above.
51. As reporting, in particular on limited assurance engagements, continues to evolve, the IAASB acknowledges the benefits of monitoring implementation in this regard.

Other Issues

Comparative Information

52. ED-3410 paragraph 60 required the practitioner, for comparative information presented, to agree the comparative information with amounts and other disclosures presented in prior periods, and if restated to evaluate whether it had been appropriately restated and adequately disclosed; and to evaluate whether quantification policies were consistently applied, and changes properly applied and adequately disclosed.
53. Several respondents commented that more guidance should be provided on comparative information, including consideration around initial engagements, restatements of comparative information and the practitioner's responsibilities when comparative information was included in the scope of the opinion and when it was not.

IAASB Decisions

54. The IAASB accepted the view that further guidance to practitioners in relation to addressing concerns raised regarding comparative information would be beneficial. Accordingly, ISAE 3410 included additional requirements and explanatory guidance that:
 - (a) Requires a practitioner to respond if a possible misstatement was identified in the comparative information, distinguishing between whether the comparative information was within the scope of the practitioner's engagement or not, taking into account the ethical obligations of the practitioner to not knowingly be associated with misleading information;¹²
 - (b) Provides additional context on comparative information in a GHG statement. In considering whether it was appropriate to provide further guidance, the IAASB noted that the nature of comparative information in GHG statements is different from comparative information in financial statement audits. Law or regulation, or the terms of the engagement specify the requirements for comparative information, and whether it needed to be assured. As a result, additional context was provided to explain the nature of comparative information in a GHG statement;¹³ and
 - (c) Explains the practitioner's responsibility in considering the appropriateness of comparisons, particularly where there were significant changes in operations or conversion factors, or inconsistent sources or methods of measurement.¹⁴

¹² ISAE 3410, paragraphs 63 and A122-A123

¹³ ISAE 3410, paragraph A118

¹⁴ ISAE 3410, paragraph A119

55. Given the broad range of applicability of comparative information in different jurisdictions and circumstances, the IAASB was of the view that the requirements and guidance for comparative information should be retained at a more general level. The IAASB also noted that further requirements and/or guidance in this area may add disproportionate length and complexity to the overall standard.

Performing Procedures on Location at Facilities (“Site Visits”)

56. Paragraph 29 of ED-3410 set out the requirement in relation to performing procedures on location at facilities (site visits). It was proposed that this was not a mandatory procedure but that the practitioner should determine whether it was necessary in the circumstances of the engagement to perform procedures on location at significant facilities. The application material in ED-3410 paragraphs A70 to A73 further explained when it was appropriate, or not, to perform procedures on location at significant, or other, facilities.
57. A few respondents expressed the view that the ISAE should acknowledge the primacy of regulation/schemes, which often require site visits. In this regard, it was suggested that for reasonable assurance engagements the ISAE should require site visits at regular intervals.

IAASB Decision

58. The IAASB concluded that it is neither necessary nor appropriate for ISAE 3410 to require the practitioner to perform procedures on location at significant facilities in all cases for reasonable assurance engagements. The IAASB noted that there are situations where performing assurance procedures at sites would not be necessary, effective or efficient. For example, if the engagement related only to emissions from electricity use and reliable records of electricity used at facilities were available at head office, it would be unnecessary to perform procedures on location at the site. Accordingly, the IAASB retained the requirement to determine whether it is necessary in the circumstance (see paragraph 31 which remains unchanged), and did not believe it appropriate to specify the performance of site visits as mandatory for reasonable assurance engagements.
59. In deliberating this matter, the IAASB noted that paragraphs A74 to A77 of ISAE 3410 provides relevant and practical guidance regarding the requirement for the practitioner to determine whether it is necessary in the circumstances of the engagement to perform procedures on location at significant facilities.

The Role of Uncertainty

60. ED-3410 included a requirement to provide a statement in the assurance report identifying the uncertainties relevant to emissions (see ED-3410 paragraph 73(e)). Explanatory guidance distinguishing between scientific uncertainty and estimation uncertainty was provided in paragraphs A22 to A27.
61. The IAASB noted, and agreed with, respondents comments that noted it was important for practitioners to understand the distinction between scientific uncertainty and estimation uncertainty, and that it is appropriate for the assurance report to include a reference to uncertainty regardless of what, if any, disclosures had been included in the explanatory notes to the GHG statement. No further changes were made to the requirements and explanatory guidance (See paragraphs 76(e), A54 to A59 and the illustrative reports in Appendix 2 of ISAE 3410).

ISAE 3000 Requirements Mapping to ISAE 3410 Requirements

As required by paragraph 15 of ISAE 3410, the practitioner is prohibited from representing compliance with ISAE 3410 unless the practitioner has complied with the requirements of both ISAE 3000 and ISAE 3410. ISAE 3000 contains a number of specific requirements for which there is no directly corresponding requirement in ISAE 3410. The following has been presented in this Basis for Conclusions to assist practitioners in identifying those requirements in ISAE 3000 which have not been fully covered in ISAE 3410 and may be used as a reference as appropriate. However, this should not be a substitute for reading and maintaining compliance with the requirements of both standards.

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|--|---|-------------------------|-----------------------------|-------------------------------|
| Relationship with the Framework, Other ISAEs, ISAs and ISREs | | | | |
| 3 | The practitioner should comply with this ISAE and other relevant ISAEs when performing an assurance engagement other than an audit or review of historical financial information covered by ISAs or ISREs. | 9, 15 | | |
| Ethical Requirements | | | | |
| 4 | The practitioner should comply with the requirements of Parts A and B of the <i>Code of Ethics for Professional Accountants</i> , issued by the International Ethics Standards Board for Accountants (the IESBA Code). | 10 | | |
| Quality Control | | | | |
| 6 | The practitioner should implement quality control procedures that are applicable to the individual engagement. | 10, 67, 71 | | |
| Engagement Acceptance and Continuance | | | | |
| 7 | The practitioner should accept (or continue where applicable) an assurance engagement only if the subject matter is the responsibility of a party other than the intended users or the practitioner. | | 17(c) | |
| 8 | The practitioner should accept (or continue where applicable) an assurance engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the practitioner to | | | ISAE 3000 requirement applies |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|--|--|-------------------------|-----------------------------|-------------------------------|
| | indicate that the requirements of the IESBA Code or of the ISAEs will not be satisfied. | | | |
| 9 | The practitioner should accept (or continue where applicable) an assurance engagement only if the practitioner is satisfied that those persons who are to perform the engagement collectively possess the necessary professional competencies. | 16 | | |
| Agreeing on the Terms of the Engagement | | | | |
| 10 | The practitioner should agree on the terms of the engagement with the engaging party. | 18 | | |
| 11 | A practitioner should consider the appropriateness of a request, made before the completion of an assurance engagement, to change the engagement to a non-assurance engagement or from a reasonable assurance engagement to a limited assurance engagement, and should not agree to a change without reasonable justification. | | A37 | |
| Planning and Performing the Engagement | | | | |
| 12 | The practitioner should plan the engagement so that it will be performed effectively. | 19 | | |
| 14 | The practitioner should plan and perform an engagement with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter information to be materially misstated. | | | ISAE 3000 requirement applies |
| 15 | The practitioner should obtain an understanding of the subject matter and other engagement circumstances, sufficient to identify and assess the risks of the subject matter information being materially misstated, and sufficient to design and perform further evidence-gathering procedures. | 17, 23-32 | | |
| Assessing the Appropriateness of the Subject Matter | | | | |
| 18 | The practitioner should assess the appropriateness of the subject matter. | 17(a) | | |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|--|--|-------------------------|-----------------------------|------------------|
| Assessing the Suitability of the Criteria | | | | |
| 19 | The practitioner should assess the suitability of the criteria to evaluate or measure the subject matter. | 17(b) | | |
| Materiality and Assurance Engagement Risk | | | | |
| 22 | The practitioner should consider materiality and assurance engagement risk when planning and performing an assurance engagement. | 20-21, 35-49 | | |
| 24 | The practitioner should reduce assurance engagement risk to an acceptably low level in the circumstances of the engagement. | | 35-49 | |
| Using the Work of an Expert | | | | |
| 26 | When the work of an expert is used in the collection and evaluation of evidence, the practitioner and the expert should, on a combined basis, possess adequate skill and knowledge regarding the subject matter and the criteria for the practitioner to determine that sufficient appropriate evidence has been obtained. | | 16(b) | |
| 30 | The practitioner should be involved in the engagement and understand the work for which an expert is used, to an extent that is sufficient to enable the practitioner to accept responsibility for the conclusion on the subject matter information. | | 19(e) | |
| 32 | The practitioner should obtain sufficient appropriate evidence that the expert's work is adequate for the purposes of the assurance engagement. | | 16(b), 57(b) | |
| Obtaining Evidence | | | | |
| 33 | The practitioner should obtain sufficient appropriate evidence on which to base the conclusion. | | 35-75 | |
| Representations by the Responsible Party | | | | |
| 38 | The practitioner should obtain representations | 58 | | |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|---------------------------------------|--|-------------------------|-----------------------------|------------------|
| | from the responsible party, as appropriate. | | | |
| Considering Subsequent Events | | | | |
| 41 | The practitioner should consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report. | 61 | | |
| Documentation | | | | |
| 42 | The practitioner should document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with ISAEs. | | 65-70 | |
| Preparing the Assurance Report | | | | |
| 45 | The practitioner should conclude whether sufficient appropriate evidence has been obtained to support the conclusion expressed in the assurance report. | 72-74 | | |
| 46 | The assurance report should be in writing and should contain a clear expression of the practitioner's conclusion about the subject matter information. | 76(i) | | |
| Assurance Report Content | | | | |
| 49 | The assurance report should include the following basic elements: | 76 | | |
| 49(a) | A title that clearly indicates the report is an independent assurance report | 76(a) | | |
| 49(b) | An addressee | 76(b) | | |
| 49(c) | An identification and description of the subject matter information and, when appropriate, the subject matter | 76(c) | | |
| 49(d) | Identification of the criteria | 76(g)(i) | | |
| 49(e) | Where appropriate, a description of any significant, inherent limitation associated with the evaluation or measurement of the subject matter | 76(e) | | |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|---|---|-------------------------|-----------------------------|-----------------------|
| | against the criteria | | | |
| 49(f) | When the criteria used to evaluate or measure the subject matter are available only to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose | 76(g)(ii) | | |
| 49(g) | A statement to identify the responsible party and to describe the responsible party's and the practitioner's responsibilities | 76(d), 76(h) | | |
| 49(h) | A statement that the engagement was performed in accordance with ISAEs | 76(h)(i) | | |
| 49(i) | A summary of the work performed | 76(h)(ii) | | |
| 49(j) | The practitioner's conclusion | 76(i) | | |
| 49(j) | Where appropriate, the conclusion should inform the intended users of the context in which the practitioner's conclusion is to be read | | A131, A135- A141 | |
| 49(j) | In a reasonable assurance engagement, the conclusion should be expressed in the positive form | 76(i) | | |
| 49(j) | In a limited assurance engagement, the conclusion should be expressed in the negative form | 76(i) | | |
| 49(j) | Where the practitioner expresses a conclusion that is other than unqualified, the assurance report should contain a clear description of all the reasons | 76(j) | | |
| 49(k) | The assurance report date | 76(l) | | |
| 49(l) | The name of the firm or the practitioner, and a specific location, which ordinarily is the city where the practitioner maintains the office that has responsibility for the engagement | 76(k), 76(m) | | |
| Qualified Conclusions, Adverse Conclusions and Disclaimers of Conclusion | | | | |
| 51 | The practitioner should not express an unqualified conclusion when the following | | | ISAE 3000 requirement |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|-------------------------|--|-------------------------|-----------------------------|-------------------------------|
| | circumstances exist and, in the practitioner's judgment, the effect of the matter is or may be material | | | applies |
| 51(a) | There is a limitation on the scope of the practitioner's work, that is, circumstances prevent, or the responsible party or the engaging party imposes a restriction that prevents, the practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level. The practitioner should express a qualified conclusion or a disclaimer of conclusion | | | ISAE 3000 requirement applies |
| 51(b) | In those cases where: (i) The practitioner's conclusion is worded in terms of the responsible party's assertion, and that assertion is not fairly stated, in all material respects; or (ii) The practitioner's conclusion is worded directly in terms of the subject matter and the criteria, and the subject matter information is materially misstated, the practitioner should express a qualified or adverse conclusion; or | | | ISAE 3000 requirement applies |
| 51(c) | When it is discovered, after the engagement has been accepted, that the criteria are unsuitable or the subject matter is not appropriate for an assurance engagement. The practitioner should express: (i) A qualified conclusion or adverse conclusion when the unsuitable criteria or inappropriate subject matter is likely to mislead the intended users; or (ii) A qualified conclusion or a disclaimer of conclusion in other cases. | | | ISAE 3000 requirement applies |
| 52 | The practitioner should express a qualified conclusion when the effect of a matter is not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion is expressed as being | | | ISAE 3000 requirement applies |

| ISAE 3000 paragraph no. | ISAE 3000 Requirement | ISAE 3410 paragraph no. | Partly covered in ISAE 3410 | Not in ISAE 3410 |
|----------------------------------|---|-------------------------|-----------------------------|------------------|
| | "except for" the effects of the matter to which the qualification relates. | | | |
| Other Reporting Responsibilities | | | | |
| 54 | The practitioner should consider other reporting responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the assurance engagement with those charged with governance. | | 78 | |

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