



International Federation of Accountants

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Agenda Item

N

Committee: IAASB Consultative Advisory Group

Meeting Location: London

Meeting Date: September 14–15, 2010

Assurance on a GHG Statement —ISAE 3410—Report Back, Issues and IAASB Task Force Proposals

Objectives of Agenda Item

1. The Objectives of this Agenda Item are:
 - (a) To provide a report back on proposals of the Representatives on this project as discussed at the September 2009 CAG Meeting.
 - (b) To obtain the Representatives' views on key issues to be discussed by the IAASB at its September 2010 meeting.

Papers to Be Referred to during Discussion

2. The discussion on this topic will follow the structure of this CAG Paper.

Background

Overview of GHG Quantification and Reporting

3. Appendix 1 to this paper includes a brief overview of GHG quantification and reporting for Representatives to whom this field may be new.

Project Status and Timeline

4. The CAG last considered this project at its September 2009 meeting.
5. The IAASB, at its September 2009 meeting, reviewed the requirements of a working draft of International Standard on Assurance Engagements (ISAE) 3410, and approved for public comment a Consultation Paper¹ accompanied by the working draft. Comments closed in February 2010, and thirty-five submissions were received.
6. The IAASB received a high-level oral report on the submissions at its March 2010 meeting and a full analysis of the submissions at its June 2010 meeting. While many detailed comments had been raised by respondents, the clear majority of respondents were generally satisfied with how most issues had been dealt with and expressed a strong demand for the ISAE to proceed. The most significant issue arising was the call for the ISAE to deal with

¹ Consultation Paper *Assurance on a Greenhouse Gas Statement*, issued in October 2009

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

both reasonable assurance and limited assurance GHG engagements (the working draft had only dealt with reasonable assurance GHG engagements).

7. A revised working draft dealing with both reasonable assurance and limited assurance GHG engagements was reviewed by the IAASB at its June 2010 meeting.

8. The IAASB will be asked to approve proposed ISAE 3410² at its September 2010 meeting. Draft proposed ISAE 3410 can be accessed via the hyperlink presented at the end of this CAG Paper.

9. Appendix 2 to this paper provides a project history, including links to the relevant CAG documentation.

September 9-11, 2009 CAG Discussion

10. Below are extracts from the approved minutes of the September 2009 CAG meeting and an indication of how the project Task Force or IAASB has responded to the Representatives' comments.

Report Back on Discussion on Proposed ISAE 3410

Representatives' Comments	Task Force/IAASB Response
EXTENT OF ADAPTED ISA REQUIREMENTS	
Mr. Damant asked the Task Force's view of whether the generic requirements included in the draft overshadow the GHG-specific requirements. Prof. Simnett responded that the Task Force is conscious of this issue, noting the difficulty in balancing the need for a comprehensive set of requirements on one hand, with a document more singularly focused on GHG issues on the other. He noted that this matter would likely receive considerable attention at the September IAASB meeting.	This matter has been discussed further by both the Task Force and the IAASB. The draft is intended to be read in conjunction with ISAE 3000, and particularly as ISAE 3000 is being revised with more detailed requirements being included, the number of generic requirements included in the current draft has been reduced. The IAASB has indicated that it believes the balance to be about right in the current draft.
Ms. Blomme noted the benefits of having a standalone ISAE on this topic, but that this approach is not consistent with the draft ISAE on pro forma financial information (Agenda Item L), and questioned whether	During the meeting, Mr. Schilder responded that this draft, the draft ISAE on pro forma financial information, and work on limited assurance engagements and ISAE 3000 ³ are all

² Proposed ISAE 3410, *Assurance on a GHG Statement*

³ ISAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Representatives' Comments	Task Force/IAASB Response
<p>the IAASB has a view about whether for some ISAEs more extensive requirements are appropriate than for others, or whether there will be a policy to have a more consistent approach. She also noted her support for this project to cover limited assurance engagements.</p>	<p>works in progress and that the IAASB had not wanted to slow progress on the substantive issues in these projects until all the structural and cross-linking issues were resolved.</p> <p>The IAASB is continuing to consider such issues in an iterative way as these projects progress. The Task Force has noted that some variation in approach will likely be necessary to cater for different subject matters, for example, a more detailed standard may be appropriate for subject matters that are further removed from financial statement auditing, like this GHG statements versus pro forma financial information.</p> <p>Support for this project to cover limited assurance engagements noted. This is the direction subsequently agreed to by the IAASB.</p>
<p>Mr. Koktvedgaard asked whether the draft will allow the assurance professional to follow the PCAOB approach to relying on component auditors.</p>	<p>During the meeting, Ms. McCabe noted that while the Task Force has not sought to reproduce a large number of requirements from ISA 600, it does believe the approach taken in that standard to be appropriate for GHG engagements in that the assurance professional needs a level of involvement in the work of a component auditor that is sufficient relative to the significance of the component to the GHG statement as a whole. This is the direction taken in the current draft.</p>
<p>COMPETENCY, QUALITY ASSURANCE AND ETHICAL REQUIREMENTS</p>	
<p>Mr. Gutterman raised the following issues noted by the CAG Working Group:</p> <ol style="list-style-type: none"> 1. The use of the following terms, which are similar but different, is potentially confusing: “assurance professionals;” “other assurance professionals;” “component assurance professionals;” and “assurance professional’s expert.” 2. The draft may be unclear as to what specialized 	<ol style="list-style-type: none"> 1. Point accepted – language has been simplified throughout the draft ISAE, e.g., “assurance professional” is now “practitioner,” and the equivalent of “other assurance professionals” has been deleted. Analogous to the ISAs, “component practitioner” and “practitioner’s expert” have been retained.

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Representatives' Comments	Task Force/IAASB Response
<p>skills are required of the engagement partner.</p> <p>3. Whether requiring the engagement team to be sufficiently involved in the work of experts is consistent with ISA 620,⁴ or whether the engagement team should instead be required to have sufficient knowledge of the work of experts.</p> <p>4. It may be unclear whether the draft requires use of a multidisciplinary team (including, for example, engineers and environmental scientists), or whether reference to such teams is an example only.</p> <p>5. Whether the draft should include additional discussion regarding the independence and objectivity of experts.</p>	<p>2. Point taken into account – Given the wide range of circumstances encountered in GHG engagements (from, e.g., those that deal with complicated chemical interactions to those that deal only with purchased electricity), it is not possible to specify the particular skills required. Nonetheless, a requirement has been added that engagement partner shall ... have sufficient skills, knowledge and experience in the quantification and reporting of emissions to accept responsibility for the assurance conclusion.</p> <p>3. Point taken into account – ISAE 3000 is expected to require both an evaluation of “whether the engagement team will be able to be involved, to the extent necessary to obtain sufficient appropriate evidence regarding the subject matter information, in the work of ... a practitioner’s expert where the work of that expert is to be used” and obtaining “a sufficient understanding of the field of expertise of the practitioner’s expert.”</p> <p>4. Point taken into account – Given the wide range of circumstances encountered in GHG engagements (see point 2 above), it will not always be necessary to have a multidisciplinary team.</p> <p>5. Point taken into account – ISAE 3000 is expected to have a requirement, accompanied by suitable guidance, to “evaluate whether the practitioner’s expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes. In the case of a practitioner’s</p>

⁴ ISA 620 *Using the Work of an Auditor’s Expert*

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Representatives' Comments	Task Force/IAASB Response
	external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity." Use of experts in a GHG engagement is not seen to necessitate additional requirements.
COMMUNICATION	
<p>Ms. Sucher noted that the following two features of the example assurance reports appended to the draft ISAE may have some applicability for financial statement audit reports also:</p> <ol style="list-style-type: none"> 1. The reference to the engagement having been conducted by a multidisciplinary team. 2. (a) The reference to the implications of uncertainty on the measurement of reported information. (b) Mr. Damant noted that the use of mathematical models often gave an incorrect impression of exactitude, which readers need to be aware of. Mr. Kottvedgaard noted that a similar argument could be made with respect to uncertainty regarding, for example, financial instruments in a financial statement audit context, and suggested this might be better explained in the GHG statement itself rather than the assurance report. (c) Similarly, some of the restrictions mentioned in the example assurance report may be better placed in the GHG statement. 	<ol style="list-style-type: none"> 1. During the meeting, Prof. Simnett noted that ISAE 3000 requires the engagement team to have a broad range of skills and knowledge where this is appropriate to the engagement, and also refers to the potential to add to the assurance report details of the qualifications and experience of those involved with the engagement. The Task Force felt that adding such a reference to the assurance report is likely to be particularly relevant for GHG engagements as it would help readers understand that the engagement has not been performed by accountants alone. 2. (a) During the meeting, Prof. Simnett noted that this approach is particularly appropriate for GHG information as many of the measurement methods are still at an embryonic stage. (b) Point accepted – while the IAASB cannot insist on disclosure in GHG statement as such, as this is a matter for the criteria (which may be set by regulation), the draft ISAE includes a requirement for the practitioner to consider whether "the GHG statement provides adequate disclosure of the applicable criteria, and other matters, including uncertainties, such that intended users can understand the significant judgments made in its preparation." (c) During the meeting, Prof. Simnett noted it is important for the

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Representatives' Comments	Task Force/IAASB Response
	assurance report itself to clearly identify which elements of the GHG statement have been assured and which have not.
EXTERNAL COMMUNICATION	
Ms. Sucher noted that, given the number of related projects and issues outstanding at this time, she supported seeking external feedback through a consultation paper rather than an exposure draft. She asked whether the consultation paper would specifically seek comment on the draft's relationship with ISAE 3000, and in particular the number and nature of requirements in it and whether it should be a standalone document.	Support noted. The suggested questions for the consultation paper were included.

Matters for CAG Consideration

A. Work Effort for a Limited Assurance GHG Engagement

11. As noted above, the working draft accompanying the 2009 Consultation Paper covered reasonable assurance GHG engagements only. There was a strong demand from respondents to that Paper for the ISAE to address limited assurance GHG engagements as well. On the basis of that response the IAASB agreed that the proposed ISAE should cover both reasonable assurance and limited assurance GHG engagements.
12. The issues with respect to limited assurance GHG engagements broadly fall into 2 categories: the work effort required, which is discussed in this section, and the content of the assurance report, which is discussed in the next section.
13. The Task Force looked to identify how limited assurance GHG engagements are actually conducted in practice today, and in doing so considered the following in particular: feedback from respondents to the Consultation Paper; feedback from an ACCA Greenhouse Gas Assurance Roundtable (which included participants from business, government and regulators as well as practitioners);⁵ the direct experience of the specialist from Canada, Japan, the UK and Australia; and the IAASB's discussion at its June 2010 meeting of this topic, ISAE 3000, and the project on reviews of financial statements (although with respect to the latter, it is noted that, consistent with the Assurance

⁵ Roundtable hosted by ACCA in London on 29 January 2010, chaired by IAASB member Jon Grant, with other IAASB attendees including the Deputy Chair, Diana Hillier, and, by video link, the Task Force chairs and staff.

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Framework⁶ and ISAE 3000, the work effort appropriate for a limited assurance engagement varies from one subject matter, e.g., financial statements, to the next, e.g., a GHG statement).

14. The following emerged as the main considerations regarding the work effort for limited assurance GHG engagements. These findings are reflected in the proposed ISAE:

- (a) *Risk assessment procedures*: Risk assessment procedures are essentially the same for both limited assurance GHG engagements and reasonable assurance GHG engagements; and
- (b) *Procedures to respond to assessed risks*: The extent of procedures for a limited assurance GHG engagement relative to a reasonable assurance GHG engagement is less (including visits to fewer sites where site visits are relevant); there are a number of differences with respect to analytical procedures; depending on the engagement circumstances, more emphasis may be placed on procedures such as inquiry, and less emphasis on procedures such as tests of controls; and the extent of work necessary if the practitioner becomes aware of a matter that leads the practitioner to question whether a material amendment should be made to the GHG statement may vary.

15. These finding, which are consistent with a review of a selection of limited assurance GHG reports published by the Big Four over the past two years, are summarized in more detail in Appendix 3 to this paper.

Matters for CAG Consideration

- 1. Do the Representatives agree that the risk assessment procedures should be essentially the same for a limited assurance GHG engagement and a reasonable assurance GHG engagement?
- 2. Do the Representatives agree it is appropriate to distinguish between a limited assurance GHG engagement and a reasonable assurance GHG engagement on the basis of the procedures to respond to assessed risks as described above?

B. Sample Reports

16. The proposed ISAE includes 2 sample reports: one for a reasonable assurance GHG engagement and one for a limited assurance GHG engagement.

17. *Form of conclusion*: The conclusion in the reasonable assurance sample report is expressed in the positive form. The conclusion in the limited assurance sample report is expressed in the negative form.

⁶ *International Framework for Assurance Engagements*

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

18. *Description of procedures:* The sample report for a limited assurance GHG engagement includes provision for the procedures performed to be described in more detail than in the sample report for a reasonable assurance GHG engagement.
19. The rationale for this, as noted in Appendix 3 to this paper, is that “in a reasonable assurance engagement, describing in any level of detail the specific procedures performed would not assist users to understand that, in all cases where an unmodified report is issued, sufficient appropriate evidence has been obtained to enable the practitioner to express an opinion in the positive form. In a limited assurance engagement, however, the assurance that the practitioner obtains varies depending on the procedures performed. It is important therefore to summarize those procedures in the report in sufficient detail for users to understand the assurance obtained in the particular engagement.”
20. This is consistent with ISAE 3000⁷ which states: “Because in a limited assurance engagement an appreciation of the nature, timing, and extent of evidence-gathering procedures performed is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, the summary of the work performed ... is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of evidence-gathering procedures. It may be appropriate to indicate procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement.”
21. *Comparison with reasonable assurance:* The description of the practitioner’s responsibility in a limited assurance GHG report includes a statement that the extent of procedures is substantially less than a reasonable assurance engagement and consequently does not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement. This is also consistent with ISAE 3000, and with ISRE 2400 and ISRE 2410.⁸

Matters for CAG Consideration

3. Do the Representatives agree that the negative form of expression is appropriate for limited assurance GHG engagements?
4. Do the Representatives agree that procedures performed should be described in more detail in a limited assurance GHG report than in a reasonable assurance GHG report?
5. Do the Representatives agree with the inclusion in a limited assurance GHG report of a comparison with reasonable assurance as described above?
6. Do the Representatives agree with other aspects of the form and content of the sample

⁷ ISAE 3000, paragraph 49(i)(i).

⁸ ISAE 3000, paragraph 49(i)(ii); International Standards on Review Engagements (ISRE) 2400 *Engagements to Review Financial Statements*, paragraph 26(d)(iii); and, ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, paragraph 43(h).

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

reports included at Appendix 4 to this paper?

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Agenda Item 3-B of the September 2010

[Link to follow](#)

IAASB Meeting – Draft of Proposed ISAE

3410, *Assurance on a GHG Statement*

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Appendix 1

Overview of GHG Quantification and Reporting⁹

What are GHG emissions?

- 1 According to the Greenhouse Gas Protocol,¹⁰ every business has processes, products, or services that emit greenhouse gases (GHGs).
- 2 GHGs trap heat in the atmosphere causing it to be warmer than it would otherwise be. They do this by allowing incoming solar radiation to pass through the earth's atmosphere, but inhibiting the outgoing infrared radiation (heat) from the surface and lower atmosphere from escaping into outer space.¹¹ They therefore act like a giant greenhouse around the earth.
- 3 The principal GHG that enters the atmosphere is carbon dioxide (CO₂) which enters the atmosphere through the burning of fossil fuels, solid waste, trees and wood products, and also as a result of other chemical reactions (e.g., manufacture of cement). The other main GHGs are: methane (CH₄), nitrous oxide (N₂O) and synthetic fluorinated gases.

What is a GHG Statement?

- 5 A GHG statement is a quantified statement of an entity's GHG emission over a particular period. It is important to note that an "entity" for this purpose is not necessarily a complete organization, it may be an individual installation or facility within an organization.
- 6 A GHG statement comprises an emissions inventory, which ordinarily categorizes reported emissions as either direct or indirect (see below), and explanatory notes that describe the quantification methods used.
- 7 A GHG statement usually discloses GHGs as carbon dioxide equivalents (CO₂-e) so that the quantity of different gases can be meaningfully aggregated.

What are Direct and Indirect Emissions?

- 7 Emissions may be "direct" or "indirect." Direct emissions, known as Scope 1 emissions, are physically emitted by sources that are owned or controlled by the entity, e.g., when the entity's factories or vehicles burn fossil fuels or undertake particular chemical processes such as cement manufacturing. Emissions trading schemes (ETs) ordinarily only require direct emissions to be reported.

⁹ This overview is based Agenda Paper 6-A from the IAASB's December 2008 meeting, which includes a more detailed discussion. It is available at <http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4372>.

¹⁰ "The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard, Revised Edition, 2004" (The GHG Protocol) was developed by the World Business Council for Sustainable Development & World Resources Institute. It is commonly referred to in GHG statements as the quantification and reporting criteria used.

¹¹ http://www.climatechangenorth.ca/H1_Glossary.html

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

- 8 Indirect emissions are a consequence of the activities of the entity, but occur from sources not owned or controlled by it. They are often split into:
 - Scope 2 emissions, which are from the generation of purchased energy consumed by the entity.
 - Scope 3 emissions, which are indirect emissions from all other sources, such as business travel, outsourced activities, and electricity required to use the entity's products. Because of the broad nature of Scope 3 emissions, it is well understood that entities cannot report absolutely all their Scope 3 emissions.
- 9 The relative significance of Scopes 1, 2, and 3 emissions will vary considerably from entity to entity. For example, a company that owns and operates long-haul trucks would have high Scope 1 emissions because of the fuel burned in its trucks; a service organization's biggest emissions may be through purchased electricity (Scope 2); and for an organization like IFAC, Scope 3 emissions through business travel may be the most significant contributor to its total emissions.

Why develop a GHG Assurance Standard?

- 11 Quantification of an entity's emissions is the backbone of all ETSs, such as the European Union Greenhouse Gas Emission Trading Scheme (the EU ETS). Assurance of an entity's GHG statement when that entity is involved in an ETS is therefore likely to have a direct economic effect. The rules of the ETS will usually include detailed quantification and reporting criteria, which are likely to be suitable (with or without supplementation) for the purposes of an assurance engagement.
- 12 The assurance requirements for ETSs, including not only the assurance standard to be applied, but also qualification, registration, independence and other requirements for auditors, differ from jurisdiction to jurisdiction (even from member state to member state within the EU ETS). An ISAE is likely to be of assistance to ETS regulators in a number of jurisdictions who are looking to the accounting profession, amongst others, to assist them in determining how the assurance requirements will evolve in future. Also, given the financial statement effects of ETSs, an ISAE is likely to be of considerable assistance to financial statement auditors when they are considering the carrying value of an entity's emission trading rights.
- 13 A GHG assurance standard would also have considerable utility beyond those entities involved with an ETS. The number of entities reporting, either under regulatory disclosure schemes or voluntarily (e.g., as part of a sustainability report), is increasing, as too is the number of such reports that is being externally assured.

Diagrammatic Representation of Emissions

- 11 For those Representatives who are interested to know more, there is a diagrammatic representation of what may be included in an entity's GHG statement at Appendix 5 to this paper.

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Appendix 2

Project History

Project: Proposed ISAE 3410, Assurance on a GHG Statement

Summary

	CAG Meeting	IAASB Meeting	International roundtables
Project Commencement	September 2007	December 2007	
Development of Proposed International Pronouncement (up to Exposure)	March 09 September 09 September 10	December 08 June 09 September 09 March 10 June 10 September 10	May 08 (x 2) September 08 December 08
Exposure – Planned for October 2010	-	-	-

CAG Discussions: Detailed References

Project Commencement	<u>September 2007</u> See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3407 See CAG meeting minutes (part of Agenda Item L of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4276 See report back on September 2007 CAG meeting:
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IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

	<p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3738</p> <p>See meeting minutes of report back on September 2007 CAG meeting (immediately before Agenda Item C):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4274</p>
Development of Proposed International Pronouncement (Up to Exposure)	<p><u>March 2009</u></p> <p>See IAASB CAG meeting material:</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4571 and http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4572</p> <p>See CAG meeting minutes (in Agenda Item B of the following material):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589</p> <p>See report back on March 2009 CAG meeting (in paragraph 6 of the following material):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990</p> <p><u>September 2009</u></p> <p>See IAASB CAG meeting material:</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990</p> <p>See CAG meeting minutes (in Agenda Item I of the following material):</p> <p>http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5305</p> <p>(Report back on September 2009 CAG meeting is included in this paper.)</p>

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Appendix 3

Summary of Key Similarities and Differences between Reasonable Assurance and Limited Assurance Engagements

(This table is extracted from Appendix 1 to draft proposed ISAE 3410, and the paragraph references herein are to that draft. A hyperlink to the draft is include in materials presented above for reference only)

	Similarities	Differences
Objectives		<p>The objectives of the practitioner are:</p> <p>(a) To obtain the desired level of assurance (reasonable or limited):</p> <p>(i) In the case of a reasonable assurance engagement, whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria; and</p> <p>(ii) In the case of a limited assurance engagement, whether anything has come to the practitioner's attention that causes the practitioner to believe on the basis of the procedures performed that the GHG statement is not prepared, in all material respects, in accordance with the applicable criteria.</p> <p>(b) To report on the entity's GHG statement, and communicate as required by this ISAE, in accordance with the practitioner's findings. (Para. 12)</p>
Acceptance and continuance	<p>The professional competencies required, including appropriate skills, knowledge and experience in the quantification and reporting of emissions, are identical, as are the preconditions for the engagement, including the suitability of criteria. (Para. 15-17 and A31)</p>	
Materiality	<p>Materiality does not vary with the level of assurance. (Para. 21-22 and A57)</p>	

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Identifying and Assessing the Risks of Material Misstatement	For both reasonable assurance and limited assurance engagements, the practitioner is required to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the GHG statement and assertion levels. (Para. 24).	Because the number of facilities at which procedures are performed on location in the case of a reasonable assurance engagement will ordinarily be greater than in the case of a limited assurance engagement, the practitioner's understanding of the entity and subsequent identification and assessment of risks of material misstatement can be expected to be more comprehensive than for a limited assurance engagement on the same GHG statement. (Para. A76)
Responses to Assessed Risks	In both reasonable assurance and limited assurance engagements, the practitioner uses professional judgment to choose a combination of procedures to obtain the desired level of assurance. (Para. 7)	
<ul style="list-style-type: none"> • Extent of further procedures 		The extent of further procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement. (Para. A5(a))
<ul style="list-style-type: none"> • Nature of analytical procedures 		There are several differences in analytical procedures performed in a reasonable assurance engagement compared with a limited assurance engagement. They are explained in paragraph. (Para. A5(b))
<ul style="list-style-type: none"> • Emphasis placed on various procedures 		Relatively greater emphasis is likely to be placed in a limited assurance engagement on procedures such as inquiries of the entity's personnel and analytical procedures, and relatively less emphasis on tests of controls (other than monitoring controls) and obtaining evidence from external sources than would be the case for a reasonable assurance engagement. (Para. A5(c))
Evaluating the Results of Procedures	In either a reasonable or a limited assurance engagement, the practitioner	In a limited assurance engagement, the practitioner will be able to report if the

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

<p>Performed</p> <ul style="list-style-type: none"> Determining whether additional procedures are necessary 	<p>may become aware of a matter that leads the practitioner to question whether the GHG statement contains a misstatement that is clearly other than trivial. In such cases, ISAE 3000 requires the practitioner to pursue the matter by performing other procedures sufficient to enable the practitioner to report. (A100)</p>	<p>practitioner is able to conclude that the affected item(s) are not likely to cause a misstatement. In similar circumstances for a reasonable assurance engagement, however, the practitioner will not be able to report until the practitioner is able to conclude that the affected item(s) are or are not misstated (or determines that neither conclusion can be formed). (Para. 53)</p>
<p>Forming the assurance conclusion</p>		<p>In a reasonable assurance engagement, the practitioner evaluates whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria. In a limited assurance engagement, the practitioner evaluates whether anything has come to the practitioner's attention that causes the practitioner to believe that the GHG statement is not prepared, in all material respects, in accordance with the applicable criteria. (Para. 74(c))</p>
<p>The assurance report</p> <ul style="list-style-type: none"> Description of procedures 		<p>The practitioner's report in a reasonable assurance engagement is ordinarily in the short-form, i.e. it follows a standard wording and only briefly describes procedures performed. This is because in a reasonable assurance engagement, describing in any level of detail the specific procedures performed would not assist users to understand that, in all cases where an unmodified report is issued, sufficient appropriate evidence has been obtained to enable the practitioner to express a conclusion in the positive form.</p> <p>In a limited assurance engagement, however, the assurance that the practitioner obtains varies depending on the procedures performed. It is important therefore to summarize those procedures in the report in sufficient detail for users</p>

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

		to understand the assurance obtained in the particular engagement. (A125-A126)
<ul style="list-style-type: none">• Wording of the practitioner's conclusion		In a reasonable assurance engagement, the practitioner's unmodified conclusion is expressed in the positive form. In a limited assurance engagement, the practitioner's unmodified conclusion is expressed in the negative form. (Para 76(i))

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Appendix 4

Example Assurance Reports

EXAMPLE 1: This form of reasonable assurance report may be appropriate when the entity's GHG statement contains no Scope 3 emissions and no emissions deductions.

Independent Reasonable Assurance Report on ABC's Greenhouse Gas (GHG) Statement

To: addressee

Section 1: Report on GHG Statement *(this heading not needed if this is the only section)*

We have undertaken a reasonable assurance engagement of the accompanying GHG statement of ABC for the year to December 31, 20X1, comprising the Emissions Inventory and the Explanatory Notes on pages xx – yy.

ABC's Responsibility for the GHG Statement

ABC is responsible for the preparation of the GHG statement in accordance with [*applicable criteria*¹²], applied as explained in Note 1 to the Emissions Inventory. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

Uncertainties Affecting the Quantification of Emissions

GHG quantification is subject to uncertainty because of such things as emissions factors that are used by mathematical models to calculate emissions, and the inability of those models to precisely characterize under all circumstances the relationships between various inputs and the resultant emissions because of incomplete scientific knowledge.

The effect of these uncertainties, and the actions taken by ABC to reduce them as far as practicable, are explained in Note 2 to the Emissions Inventory.

Independence, Quality Control and Expertise

We have complied with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with International Standard on Quality Control 1, [*name of firm*] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

¹² [*Applicable criteria*] are available for free download from www.#####.org.

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.

Our Responsibility

Our responsibility is to express an opinion on the GHG statement based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3410, “Assurance on a Greenhouse Gas Statement,” issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the GHG statement is free from material misstatement.

A reasonable assurance engagement with respect to a GHG statement involves performing procedures to obtain evidence about the quantification of emissions, and about the other information disclosed in the GHG statement. The procedures selected depend on the practitioner’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the GHG statement. In making those risk assessments, we considered internal control relevant to ABC’s preparation of the GHG statement. A reasonable assurance engagement also includes:

- Assessing the suitability in the circumstances of ABC’s use of *[applicable criteria]*, applied as explained in Note 1 to the Emissions Inventory, as the basis for preparing the GHG statement;
- Evaluating the appropriateness of quantification methods and reporting policies used and the reasonableness of estimates made by ABC; and
- Evaluating the overall presentation of the GHG statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Our opinion has been formed on the basis of and is subject to the uncertainties affecting the quantification of emissions outlined in this report. In our opinion, the GHG statement is prepared, in all material respects, in accordance with the *[applicable criteria]* applied as explained in Note 1 to the Emissions Inventory.

Intended Users

This report is intended only for users who have a reasonable knowledge of GHG related activities, and who have studied the information in the GHG statement with reasonable diligence and understand that the GHG statement is prepared and assured to appropriate levels of materiality.

Section 2: Report on Other Legal and Regulatory Requirements (*applicable for some engagements only*)

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

(Form and content of this section will vary depending on the nature of the practitioner's other reporting responsibilities.)

[Practitioner's signature]

[Date of the practitioner's assurance report]

[Practitioner's address]

EXAMPLE 2: This form of limited assurance report may be appropriate when the entity's GHG statement contains no Scope 3 emissions and no emissions deductions.

Independent Limited Assurance Report on ABC's Greenhouse Gas (GHG) Statement

To: addressee

Section 1: Report on GHG Statement *(this heading not needed if this is the only section)*

We have undertaken a limited assurance engagement of the accompanying GHG statement of ABC for the year to December 31, 20X1, comprising the Emissions Inventory and the Explanatory Notes on pages xx – yy.

ABC's Responsibility for the GHG Statement

ABC is responsible for the preparation of the GHG statement in accordance with *[applicable criteria¹³]*, applied as explained in Note 1 to the Emissions Inventory. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

Uncertainties Affecting the Quantification of Emissions

GHG quantification is subject to uncertainty because of such things as emissions factors that are used by mathematical models to calculate emissions, and the inability of those models to precisely characterize under all circumstances the relationships between various inputs and the resultant emissions because of incomplete scientific knowledge.

The effect of these uncertainties, and the actions taken by ABC to reduce them as far as practicable, are explained in Note 2 to the Emissions Inventory.

Independence, Quality Control and Expertise

¹³ *[Applicable criteria]* are available for free download from www.#####.org.

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

We have complied with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

In accordance with International Standard on Quality Control 1, *[name of firm]* maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the GHG statement based on the procedures we have performed. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, “Assurance on a Greenhouse Gas Statement,” issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether GHG statement is free from material misstatement.

A limited assurance engagement with respect to a GHG statement involves performing procedures regarding the quantification of emissions, and other information disclosed in the GHG statement. The procedures performed depend on the practitioner’s judgment, but their extent is substantially less than for reasonable assurance (or audit) engagement, and consequently do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement. They include:

- Assessing the suitability in the circumstances of ABC’s use of *[applicable criteria]*, applied as explained in Note 1 to the Emissions Inventory, as the basis for preparing the GHG statement;
- Assessing the risks of material misstatement, whether due to fraud or error, in the GHG statement. In assessing those risks, we considered internal control relevant to ABC’s preparation of the GHG statement.
- Evaluating the appropriateness of quantification methods and reporting policies used and the reasonableness of estimates made by ABC.
- *Add a summary of other procedures as appropriate to the circumstances of the engagement. These may include, for example, procedures related to:*
 - *Site visits;*
 - *Completeness of emissions;*
 - *Inquiries of entity personnel;*

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

- *External confirmation;*
 - *Inspection and observation;*
 - *Reperformance of calculations; and*
 - *Analytical procedures.*
- Evaluating the overall presentation of the GHG statement.

Limited Assurance Conclusion

On the basis of the procedures we have performed, which are substantially less than reasonable assurance engagement, and subject to the uncertainties affecting the quantification of emissions outlined in this report, nothing has come to our attention that causes us to believe the GHG statement is not prepared, in all material respects, in accordance with the *[applicable criteria]* applied as explained in Note 1 to the Emissions Inventory.

Intended Users

This report is intended only for users who have a reasonable knowledge of GHG related activities, and who have studied the information in the GHG statement with reasonable diligence and understand that the GHG statement is prepared and assured to appropriate levels of materiality.

Section 2: Report on Other Legal and Regulatory Requirements *(applicable for some engagements only)*

(Form and content of this section will vary depending on the nature of the practitioner's other reporting responsibilities.)

[Practitioner's signature]

[Date of the practitioner's assurance report]

[Practitioner's address]

IAASB CAG PAPER

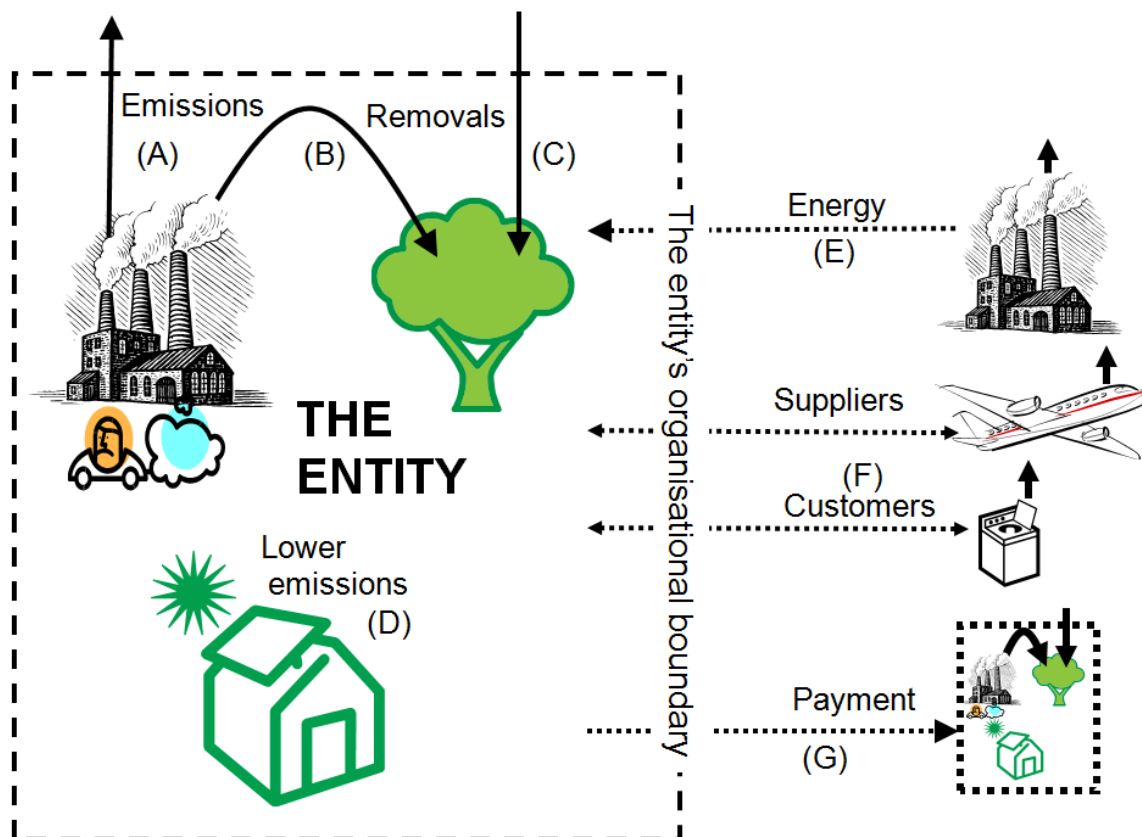
IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

Appendix 5

Emissions, Removals and Emissions Deductions



A = Direct, or Scope 1, emissions (see Appendix 1).

B = Removals (emissions that are generated within the entity's boundary but captured and stored within that boundary rather than released into the atmosphere. They are ordinarily accounted for on a gross basis in the entity's GHG statement, i.e. as a Scope 1 emission and a removal).

C = Removals (GHGs the entity has removed from the atmosphere). These may be deducted from the entity's emissions in the GHG statement.

D = Actions the entity takes to lower its emissions. Such actions might reduce Scope 1 emissions (for example, using more fuel efficient vehicles), Scope 2 emissions (for example, installing solar panels to reduce the quantity of purchased electricity), or Scope 3 emissions (for example, reducing business travel or selling products that require less energy to use). The entity might discuss such actions in the explanatory notes to the GHG statement, but they only effect the quantification of emissions on the face of the entity's GHG statement to the extent that reported emissions are lower than they would otherwise

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item N

Assurance on a GHG Statement—Report Back, Issues and IAASB Task Force Proposals

be or they constitute an emissions deduction in accordance with the applicable criteria (see G below).

E = Indirect, Scope 2 emissions (see Appendix 1). Scope 2 emissions may be included in the entity's GHG statement.

F = Indirect, Scope 3 emissions (see Appendix 1). Scope 3 emissions may be included in the entity's GHG statement.

G = Purchased offset and other forms of emissions deductions. A purchased offset is where the entity pays another entity to enable that other entity to lower its emissions (emissions reductions) or increase its removals (removal enhancements), compared to a hypothetical baseline. When the entity purchases an offset from another entity, that other entity may spend the money it receives from the sale on emissions reduction projects (such as replacing energy generation using fossil fuels with renewable energy sources, or implementing energy efficiency measures), or on removing emissions from the atmosphere (for example, by planting and maintaining trees that would otherwise not have been planted or maintained), or the money may be compensation for not undertaking an action that would otherwise be undertaken (such as deforestation or forest degradation). In many regulatory disclosure regimes and ETSs, purchased offset are allowed to be deducted from the entity's emissions in its GHG Inventory. In some regulatory disclosure regime and ETSs the entity to also be allowed to deduct jurisdiction-specific credits and allowances from its GHG Inventory for which there is no established link between the quantity of emissions allowed to be deducted, and any lowering of emissions that may occur as a result of the money paid or other action taken by the entity in order for it to claim the emissions deduction.