



International Federation of Accountants

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Committee: IAASB Consultative Advisory Group

Meeting Location: New York

Meeting Date: March 8-9, 2011

Assurance Engagements on Greenhouse Gas Statements—ISAE 3410—  
Report Back

Objective of Agenda Item

- 1. The objective of this Agenda Item is to provide a brief report back on proposals of the Representatives on this project as discussed at the September 2010 CAG Meeting.

Papers to Be Referred to during Discussion

- 2. The discussion on this topic will follow the structure of this CAG Paper.
- 3. The hyperlink presented at the end of this CAG Paper to the exposure draft of proposed ISAE 3410 is for reference only.

Project Status and Timeline

- 4. The IAASB approved an exposure draft of proposed ISAE 3410 at its December 2010 meeting.
- 5. The Appendix to this paper provides a project history, including links to the relevant CAG documentation.

September 14–15, 2010 CAG Discussion

- 6. Below is an extract from the draft minutes of the September 2010 CAG meeting,<sup>1</sup> and an indication of how the IAASB or the Task Force responded to the Representatives’ comments.

Representatives’ Comments	Task Force/IAASB Response
WORK EFFORT FOR A LIMITED ASSURANCE GHG ENGAGEMENT	
Ms. Sucher noted that, in theory, while it has different facets and cannot be quantified, limited assurance is a continuum from meaningful to reasonable. Ideally, however,	Point not accepted. The IAASB concluded that, because the nature of assurance engagements on GHG statements can vary so greatly, different engagement circumstances will

<sup>1</sup> The minutes will be approved at the March 2011 IAASB CAG meeting.

## IAASB CAG PAPER

### IAASB CAG Agenda (March 2011)

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Representatives' Comments	Task Force/IAASB Response
<p>the ISAE for GHG engagements should be clear about the minimum procedures necessary that tip a limited assurance engagement into a reasonable assurance engagement to ensure consistency between practitioners.</p> <p>Ms. Blomme responded that practitioners are doing GHG engagements now without a subject matter-specific ISAE using ISAE 3000 which is very generic. The draft ISAE 3410 puts practical considerations into a subject matter-specific standard. Practitioners consulted by FEE, who are looking for a consistent approach, are broadly happy with the draft in that respect.</p>	<p>warrant different procedure in order to effectively respond to assessed risks (for both limited assurance engagements and reasonable assurance engagements). For example, an 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.</p> <p>Point accepted.</p>
<p>Mr. Pannier commented that the project is timely, particularly as the G20 has GHGs on its agenda. He agreed with the emphasis in the draft on risk assessment for both reasonable assurance and limited assurance engagements, noting in particular a concern about potential fraud. He also noted that, while there is a place for limited assurance engagements which the draft appears to properly describe, it might be expected that most engagements will move to reasonable assurance in time.</p>	<p>Support noted.</p>
<p><b>SAMPLE REPORTS</b></p>	
<p>Mr. Damant noted that he agrees with the reasons given in the agenda paper for the description of procedures for a limited assurance engagement being more detailed than for a reasonable assurance engagement.</p>	<p>Support noted.</p>

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Representatives' Comments	Task Force/IAASB Response
<p>Ms. Blomme commented that having a more detailed description of procedures for limited assurance may give the impression that more is done than in a reasonable assurance engagement.</p> <p>She [Ms. Blomme] also noted that some of the report wording in the draft ISRE 2400 may be appropriate to adapt for the sample report in this ISAE. Prof. Schilder noted that the limited assurance description with respect to the extent of the practitioner's consideration of internal control may need particular attention to differentiate a reasonable assurance engagement from a limited assurance engagement.</p> <p>Mr. Koktvedgaard suggested that to address the above concerns, perhaps more should be said about the procedures performed in the report on a reasonable assurance engagement.</p>	<p>Point not accepted. The IAASB concluded that, because the level of assurance that the practitioner obtains can vary significantly depending on the procedures performed in the individual circumstances of the GHG engagement, a more detailed description is necessary. Nevertheless, the Explanatory Memorandum (EM) of the Exposure Draft (ED) draws particular attention to this matter and solicits specific comments thereon by respondents.</p> <p>Point taken into account. ISRE 2400 wording reviewed and changes made with respect to internal control.</p> <p>Point not accepted. The IAASB concluded that more detail would not assist users to understand that, in all reasonable assurance engagements 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>Ms. Blomme noted that practitioners consulted by FEE had raised the issue of how to report when the engagement includes both limited assurance and reasonable assurance conclusions and suggested that an example of this be added.</p>	<p>Point not accepted. The IAASB considered that such an example would be unnecessarily complicated. Guidance of this type may be more appropriate for a national or regional body to develop.</p>
<p>Mr. Koktvedgaard commented that the current sample reports require the reader to understand some auditing terminology and concepts, such</p>	<p>Prof. Simnett responded during the meeting that regulators and other standard-setters are now using some of this terminology, making it</p>

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<p>as “reasonable assurance” and the importance of the firm following ISQC 1.</p> <p>Mr. Damant suggested that the Explanatory Memorandum accompanying the exposure draft may be an appropriate place for explaining these matters, together with an explanation of what GHGs are and the role of GHG statements, along the lines of the explanations included in the CAG agenda papers.</p>	<p>better understood beyond the accounting profession than in the past.</p> <p>Point accepted. The EM includes certain explanations of what GHGs are and the role of GHG statements along the lines of the explanations included in the CAG agenda papers.</p>
<p>Mr. Ratnayake noted the need to deal with the credibility of claims by companies that reduce their emissions and earn carbon credits.</p>	<p>Point taken into account. Guidance regarding offset schemes may be considered for a future project.</p>
<p>Mr. Kocktvedgaard noted that some of the wording in the report regarding uncertainties may be difficult and the report should make it clear that, despite the uncertainties, the practitioner is satisfied with the GHG statement.</p> <p>He also questioned whether the draft differentiates between uncertainty with respect to actual emissions and measurement uncertainty.</p>	<p>Point taken into account. The placement of the paragraph regarding uncertainties was moved and the wording amended. Also the EM draws particular attention to this matter and solicits specific comments thereon by respondents.</p> <p>Prof. Simnett noted during the meeting that the draft distinguishes between scientific uncertainty and measurement uncertainty, which is consistent with other authoritative sources. Also the EM draws particular attention to this matter and solicits specific comments thereon by respondents.</p>

#### Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Exposure draft of proposed ISAE 3410

<http://www.ifac.org/Guidance/EXD-Details.php?EDID=0152>

## IAASB CAG PAPER

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### Appendix

### Project History

**Project: Proposed ISAE 3410, Assurance Engagements on Greenhouse Gas Statements**

#### Summary

	CAG Meeting	IAASB Meeting	International roundtables
Project Commencement	September 2007	December 2007	
Development of Proposed International Pronouncement (up to Exposure)	<p>March 2009</p> <p>September 2009</p> <p>September 2010</p>	<p>December 2008</p> <p>June 2009</p> <p>September 2009</p> <p>March 2010</p> <p>June 2010</p> <p>September 2010</p> <p>December 2010</p>	<p>May 2008 (x 2)</p> <p>September 2008</p> <p>December 2008</p>
Exposure – January 2011			

#### CAG Discussions: Detailed References

<b>Project Commencement</b>	<p><u>September 2007</u></p> <p>See IAASB CAG meeting material:  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3407">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3407</a></p> <p>See CAG meeting minutes (part of Agenda Item L of the following material):  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4276">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4276</a></p> <p>See report back on September 2007 CAG meeting:  <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3738">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=3738</a></p>
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## IAASB CAG PAPER

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	<p>See meeting minutes of report back on September 2007 CAG meeting (immediately before Agenda Item C):</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4274">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4274</a></p>
<b>Development of Proposed International Pronouncement (Up to Exposure)</b>	<p><u>March 2009</u></p> <p>See IAASB CAG meeting material:</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4571">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4571</a> and <a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4572">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4572</a></p> <p>See CAG meeting minutes (in Agenda Item B of the following material):</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589</a></p> <p>See report back on March 2009 CAG meeting (in paragraph 6 of the following material):</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990</a></p> <p><u>September 2009</u></p> <p>See IAASB CAG meeting material:</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4990</a></p> <p>See CAG meeting minutes (in Agenda Item I of the following material):</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5305">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5305</a></p> <p>See report back on September 2009 CAG meeting (in paragraph 10 of the following material):</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5672">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5672</a></p> <p><u>September 2010</u></p> <p>See IAASB CAG meeting material:</p> <p><a href="http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5672">http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5672</a></p> <p>See CAG meeting minutes (in Agenda Item N of the following material):</p> <p>See draft September 2010 CAG meeting minutes at Agenda Item D.</p> <p>See report back on September 2010 meeting in paragraph 6 of this CAG paper.</p>