



Board Meeting Summary Paper

Subject: Report on Roundtable Meeting on
ISAE 3410 *Assurance Engagements on
Greenhouse Gas Statements*

Date: 6 April 2011

AUASB
AGENDA
ITEM NO.
14(c)(i)

**Meeting Date:
18-19 April**

2011

Action Required

X For Information Purposes Only

Agenda Item Objectives

To inform the Board of the main issues raised at the AUASB Roundtable meeting on ED of ISAE 3410 held on 29 March 2011.

Background

In January 2011, the IAASB issued an Exposure Draft ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements* seeking comments by 10 June 2011. The AUASB in turn issued, by email alert and news and open for comment pages on the AUASB website, an invitation to comment on the ED to assist the AUASB in preparing a submission to the IAASB. The AUASB has requested comments by 6 May 2011.

As well as inviting written submissions the AUASB invited stakeholders to attend a morning Roundtable meeting to provide input in relation to the questions raised in the ED and to highlight implementation issues which may arise should an Australian equivalent to ISAE 3410 be issued in Australia.

The Roundtable had 25 external participants and 6 AUASB representatives including the Chairman. Stakeholders represented the following fields:

- IAASB ISAE 3410 Task Force co-chairs
- Assurance practitioners from accounting firms
- Assurance practitioners from environmental and engineering firms
- Accounting professional bodies
- Auditor's General Offices

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The Roundtable included separate presentations by the IAASB Task Force Co-chairs and the GEDO each followed by group discussions on the questions raised in the ED and the implications of adoption in Australia.

Matters to Consider

The response from participants in relation to the ED questions was in summary:

1. Consistency and quality of GHG assurance vs. cost

Participants thought proposed ISAE 3410 achieves an appropriate balance between improving the consistency and quality of GHG assurance engagements and the potential cost of such engagements as a result of work effort required by the standard. In many cases it is too early to conduct reasonable assurance due to the immaturity of the systems.

2. Approach to limited assurance includes risk assessment

The risk based approach was very much supported particularly as systems for emissions reporting are not well developed as yet.

3. Difference between limited and reasonable assurance

Participants generally agreed with the specific differences between limited assurance and reasonable assurance engagements on GHG statements noted in the proposed ISAE. There was discomfort regarding the differing approaches taken to limited assurance between the different pronouncements of the IAASB with respect to limited assurance however. It was noted that the difference between limited and reasonable assurance will cause problems and was confusing to practitioners from differing backgrounds. There was a concern about the users understanding of what reasonable and limited assurance means.

4. Presentation of limited and reasonable assurance in columns and need for additional guidance

Participants supported the use of the columnar format with the letter — “L” (limited assurance) or — “R” (reasonable assurance) after the paragraph number to differentiate requirements that apply to only one or the other type of engagement. More guidance may need to be included in the ISAE to assist readers in understanding the differences between limited assurance and reasonable assurance engagements on GHG statements as many practitioners are from different disciplines and are accustomed to working with other sets of standards such as ISOs.

5. Summary of procedures for limited assurance reports

Participants had mixed views on whether the requirements and guidance in the proposed ISAE for a limited assurance engagement regarding the summary of procedures in the practitioner’s report was appropriate, as participants considered that limited assurance would need to always provide a consistent level of assurance on every engagement and the level of assurance should not be communicated through the procedures conducted. It was noted that on a high risk

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engagement many more procedures may need to be conducted in order to reach the same level of assurance therefore the work effort was not indicative of the assurance provided. Participants suggested that the detail of procedures conducted should be limited as users may misinterpret the procedures. Preference was expressed for articulating the risks identified and addressed in the engagement, which was more relevant to the conclusion reached than the procedures conducted.

It was noted that in NGRS engagements Part B of the assurance report includes details of the procedures conducted which is helpful for the DCCEE to look at improving consistency across engagements.

6. Trigger for additional procedures in limited assurance engagements

Participants agreed with the requirements and guidance in the proposed ISAE for a limited assurance engagement describing the trigger point at which additional procedures are required, being that the GHG Statement “may be materially misstated”. May is onerous or wide reaching but as it is limited by materiality participants considered that this would result in a reasonable outcome.

7. Performance of procedures on location

The participants agreed with proposed requirements and application material which allow the practitioner to determine whether procedures would be performed on location at an entity’s facilities, as this should be determined by the risk assessment.

8. Scientific uncertainty and estimation uncertainty explanation and reporting of uncertainties

The explanation of the differences between scientific uncertainty and estimation uncertainty is heavy going and could be made clearer.

9. Form and content of assurance reports

Some participants were uncomfortable with the negative assurance given in limited assurance engagements. There was a concern that the document and the reporting was based on a lot of assumed knowledge of financial report assurance. The need for consistency between the reporting in ISAE 3000, ISRE 2400 and ISAE 3410 was noted. Comparatives may need to be addressed and the restating of those prior period emissions which was commonly done as measurement methodologies improve. Additional guidance on modified opinions was requested. The issue of communication of recommendations needs to be addressed.

10. Additional Matters:

SMEs

It was considered that the requirements were scalable for SMEs.

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Implementation issues in Australia

The following key matters were raised regarding how the ISAE 3410 could be implemented in Australia:

- NGRS is based around activities rather than operational boundaries referred to in ISAE 3410.
- Materiality is based on the facility level in Australia rather than the entity or operation.
- The GHG competencies listed in A17 fail to emphasise knowledge of measurement methodologies which is the most critical competency.
- Will need to allow for different format of reporting provided under NGRS (part A and B).
- Assurance over particular emissions need to be addressed in addition to a complete GHG Statement.
- Most engagements being conducted in Australia currently are either gap analysis/ readiness consulting or limited assurance engagements. Emitters are no generally considered ready for reasonable assurance over emissions as yet.
- Ethics for different professions will need to be addressed.

The input provided by participants at the roundtable and any written submissions received by 6 May will be considered when drafting the AUASB's response to the IAASB. The AUASB intends to respond to the IAASB on the questions raised in the ISAE 3410 ED, incorporating issues identified by the AUASB Board, the Technical Group and stakeholders. The draft submission will be presented to the Board out-of-session for approval prior to submission.

Material Presented

Agenda Item 14(c)(i) Board Meeting Summary Paper

Agenda Item 14(c)(i).1 Exposure draft of ISAE 3410 (electronic only)

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