

EXPOSURE DRAFT

ED 07/13
(December 2013)

***Proposed Conforming Amendments to
ASAE 3402, ASAE 3410 and ASAE 3420 as
a Result of Proposed Re-issuance of
ASAE 3000***

Issued for Comment by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 3 February 2014. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA
E-mail: edcomments@auasb.gov.au

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Contact Details

Auditing and Assurance Standards Board
Level 7, 600 Bourke Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
Fax: (03) 8080 7450
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

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PREFACE

Reasons for Issuing ED 07/13

The AUASB issues *Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate assurance standards for other purposes.

Main Proposals

These proposed conforming amendments arise from the proposed re-issuance of ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and are applicable to ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* and ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or Other Document*. In addition, corrections are proposed for minor typographical and other minor errors identified in the existing standards, ASAE 3402, ASAE 3410 and ASAE 3420.

These proposed conforming amendments to Standards on Assurance Engagements represents the Australian equivalent of *Conforming Amendments to Other ISAEs* issued by the IAASB (9 December 2013).

These proposed conforming amendments contain differences from the IAASB's *Conforming Amendments to Other ISAEs*, which have been made to reflect the proposed ED 05/13 ASAE 3000. In particular, the following changes have been made and are contained in ED 07/13:

- Use of the term the “assurance practitioner” and the “lead assurance practitioner” in place of the “practitioner” and the “engagement partner” to accommodate a broad application of AUASB standards to professionals from other disciplines in addition to professional accountants.
- Reference to relevant ethical requirements contained in ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and other Assurance Engagements*, which maintains consistency with other AUASB standards.

Proposed Operative Date

It is intended that this proposed amendments will be operative for reporting periods commencing on or after 1 January 2015 with respect to ASAE 3402 and ASAE 3410 and for engagements commencing on or after 1 January 2015 with respect to ASAE 3420. Early adoption will be permitted.

Revised Standards on Assurance Engagements

These proposed conforming amendments are revisions to existing Standards on Assurance Engagements, ASAE 3402, ASAE 3410 and ASAE 3420.

Request for Comments

Comments are invited on this Exposure Draft of the *Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000* by no later than 3 February 2014. The AUASB is seeking comments from respondents on the following questions:

Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000

1. Have applicable laws and regulations been appropriately addressed in the proposed amendments?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed amendments, or may conflict with the proposed amendments?
4. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements contained in these proposed amendments? If there are significant costs, do these outweigh the benefits to the users of assurance services?
5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed amendments to Standards on Assurance Engagements ASAE 3402, ASAE 3410 and ASAE 3420, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Standards on Assurance Engagements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates these conforming amendments to existing Standards on Assurance Engagements, *Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

Conformity with International Standards on Assurance Engagements

These amendments enable ASAE 3402, ASAE 3410 and ASAE 3420 to conform to the amendments contained in *Conforming Amendments to Other ISAEs* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC) as part of its revision of ISAE 3000 *Assurance Engagements other Than Audits or Reviews of Historical Financial Information*.

Paragraphs that have been added to these IAASB amendments to Standards on Assurance Engagements ASAE 3402, ASAE 3410 and ASAE 3420 (and do not appear in the text of the equivalent Standards on Assurance Engagements) are identified with the prefix “Aus”.

This Standard on Assurance Engagements incorporates terminology and definitions used in Australia.

The equivalent requirements and related application and other explanatory material included in ISAE 3000 in respect of “relevant ethical requirements”, have been included in another Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.

Compliance with these amendments to Standards on Assurance Engagements ASAE 3402, ASAE 3410 and ASAE 3420 enables compliance with *Conforming Amendments to Other ISAEs*.

Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000

Application

1. These conforming amendments apply to Standards on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* and ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or Other Document*.

Operative Date

2. These conforming amendments are operative for reporting periods commencing on or after 1 January 2015 with respect to ASAE 3402 and ASAE 3410 and for engagements commencing on or after 1 January 2015 with respect to ASAE 3420.

Introduction

Scope of these Conforming Amendments

3. These conforming amendments to requirements, application material, footnotes and appendices within ASAE 3402, ASAE 3410 and ASAE 3420 enable those standards to conform with the proposed Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Objective

4. The objective of this exposure draft is to set out:
 - (a) the conforming amendments required ASAE 3402, ASAE 3410 and ASAE 3420 arising from the reissuance of ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and
 - (b) corrections for typographical and other minor errors identified in the existing standards, ASAE 3402, ASAE 3410 and ASAE 3420.
5. This exposure draft uses underlining, striking out and other typographical material to identify the conforming amendments and corrections to the ASAEs, in order to make the amendments more understandable. However, the amendments made to the ASAEs will not include that underlining, striking out or other typographical material.
6. The amendments marked up in this exposure draft are the proposed amendments to the existing ASAEs. Differences between the proposed ASAEs and the equivalent revised ISAEs are reflected in the paragraphs prefixed by "Aus". The "Aus" prefix denotes paragraphs added or amended from the equivalent IAASB standard by the AUASB.

Conforming Amendments to ASAE 3402 Assurance Reports on Controls at a Service Organisation

...

Scope of this Standard on Assurance Engagements

1. This Standard on Assurance Engagements deals with assurance engagements undertaken by an assurance practitioner^{+1 *} to provide a report for use by user entities and their auditors, on the controls at a service organisation that provides a service to user entities that is likely to be relevant to user entities' internal control as it relates to financial reporting. It complements ASA 402,² in that reports prepared in accordance with this standard are capable of providing appropriate evidence under ASA 402. (Ref: Para. A1)
2. The *Framework for Assurance Engagements* (the Assurance Framework) states that an assurance engagement may be a "reasonable assurance" engagement or a "limited assurance" engagement; that an assurance engagement may be either an ~~"assertion-based"~~attestation engagement or a ~~"direct reporting"~~ engagement; ~~and, that the assurance conclusion for an assertion-based engagement can be worded either in terms of the responsible party's assertion or directly in terms of the subject matter and the criteria.~~³ This standard only deals with ~~assertion-based~~ reasonable assurance attestation engagements ~~that convey reasonable assurance, with the assurance conclusion worded directly in terms of the subject matter and the criteria.~~⁴
3. [Deleted by the AUASB. Refer Aus 3.1].⁵

Aus 3.1 This standard applies only when the service organisation is responsible for, or otherwise able to make an assertion statement about, the suitable design of controls as they relate to financial reporting. Therefore, this standard only deals with assurance engagements which include reporting on:

- (a) the suitability of design of controls,^{##} and
- (b) controls which are likely to be relevant to user entities' internal control as it relates to financial reporting (for example, reports only on controls that affect user entities' production or quality control are not dealt with in this standard).^{†#}

...

Relationship with Other Professional Pronouncements

5. The service auditor is required to comply with ASAE 3000 and this standard when performing assurance engagements on controls at a service organisation. ~~The performance of assurance engagements other than audits or reviews of historical financial information requires the service auditor to comply with ASAE 3000. ASAE 3000 includes requirements in relation to~~

⁺ [Footnote deleted by the AUASB. Refer following footnote "8*"]

¹ See ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, paragraph 12(r).

^{*} See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Services Engagements*, Para. Aus 12.2 and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*, Para. Aus 7.1.

² See ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*.

³ See Assurance Framework.

⁴ See paragraphs 13 and 53(k) of this standard.

⁵ [Footnote deleted by the AUASB.]

[#] This standard, however, provides some guidance for engagements which do not include reporting on the suitability of design, carried out under ASAE 3000. (Ref: Para. A2)

[†]

[†] This standard, however, provides some guidance for engagements which do not include reporting on controls which are likely to be relevant to user entities' internal control as it relates to financial reporting, carried out under ASAE 3000. (Ref: Para. A2)

[#]

~~such topics as engagement acceptance, planning, evidence, and documentation that apply to all assurance engagements, including engagements in accordance with this standard. This standard supplements, but does not replace, ASAE 3000, and expands on how ASAE 3000 is to be applied in a reasonable assurance engagement to report on controls at a service organisation. The Assurance Framework, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding this standard and ASAE 3000.~~

...

Aus 6.1 ~~Compliance with ASAE 3000 requires, among other things, that the service auditor comply with the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour relevant ethical requirements related to assurance engagements.^{*} It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQC 1 and implement quality control procedures that are applicable to the individual engagement.^{†*}~~

...

Definitions

9. For purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:

(a) – (e) ...

(f) ~~Criteria means benchmarks used to evaluate or measure the underlying a subject matter including, where relevant, benchmarks for presentation and disclosure. The “applicable criteria” are the criteria used for the particular engagement.~~

(g) ...

(h) ~~Internal audit function means an appraisal activity established or provided as a service to the service organisation. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control. function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management and internal control processes.~~

(i) ...

(j) Report on the description and design of controls at a service organisation (referred to in this standard as a “type 1 report”) means a report that comprises:

(i) ...

(ii) A written ~~assertion~~ statement by the service organisation that, in all material respects, and based on suitable criteria:

a. The description fairly presents the service organisation’s system as designed and implemented as at the specified date; and

^{*} See ASAE 3000, paragraph 3(a), Aus 20.1 and 34. ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

[#] The term the “lead assurance practitioner” is referred to in ASQC1 as the “engagement partner”.

[†] See ASAE 3000, paragraphs 3(b) and 31(a)9 and 12 and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

^{*} See ASAE 3000, paragraphs 9 Aus 20.1 and 12 and ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

- b. The controls related to the control objectives stated in the service organisation's description of its system were suitably designed as at the specified date; and
- (iii) A service auditor's assurance report that conveys a reasonable assurance conclusion about the matters in (ii)a.-b. above.
- (k) Report on the description, design and operating effectiveness of controls at a service organisation (referred to in this standard as a "type 2 report") means a report that comprises:
 - (i) ...
 - (ii) A written ~~assertion~~statement by the service organisation that, in all material respects, and based on suitable criteria:
 - a. The description fairly presents the service organisation's system as designed and implemented throughout the specified period;
 - b. The controls related to the control objectives stated in the service organisation's description of its system were suitably designed throughout the specified period; and
 - c. The controls related to the control objectives stated in the service organisation's description of its system operated effectively throughout the specified period; and
 - (iii) A service auditor's assurance report that:
 - a. Conveys a reasonable assurance conclusion about the matters in (ii)a.-c. above; and
 - b. ...
- (l) – (n) ...
- (o) Service organisation's ~~assertion~~statement means the written ~~assertion~~statement about the matters referred to in paragraph 9(k)(ii) (or paragraph 9(j)(ii) in the case of a type 1 report).
- (p) – (s) ...

Requirements

...

Ethical Requirements

11. [Deleted by the AUASB. Refer Aus 11.1]

Aus 11.1 The service auditor shall comply with relevant ethical requirements, ~~including those pertaining to independence,~~ relating to assurance engagements.* (Ref: Para. Aus A5.1)

...

* See ASA 102.

Acceptance and Continuance

13. Before agreeing to accept, or continue, an engagement, the service auditor shall:
- (a) Determine whether:
 - (i) ...
 - (ii) The criteria the assurance practitioner expects to be applied by the service organisation to prepare the description of its system ~~will be~~ suitable and will be available to user entities and their auditors; and
 - (iii) ...
 - (b) Obtain the agreement of the service organisation that it acknowledges and understands its responsibility:
 - (i) For the preparation of the description of its system, and accompanying service organisation's assertion statement, including the completeness, accuracy and method of presentation of that description and assertion statement;
(Ref: Para. A8)
 - (ii) To have a reasonable basis for the service organisation's assertion statement accompanying the description of its system; (Ref: Para. A9)
 - (iii) For stating in the service organisation's assertion statement the criteria it used to prepare the description of its system;
 - (iv) – (v)...
 - (vi) To provide the service auditor with:
 - a. Access to all information, such as records, documentation and other matters, including service level agreements, of which the service organisation is aware that is relevant to the description of the service organisation's system and the accompanying service organisation's assertion statement;
 - b. – c. ...

...

Assessing the Suitability of the Criteria

15. ~~As required by ASAE 3000, the~~ service auditor shall ~~assess~~ determine whether the service organisation has used suitable criteria in preparing the description of its system, in evaluating whether controls are suitably designed, and, in the case of a type 2 report, in evaluating whether controls are operating effectively.⁸
16. In ~~assessing~~ determining the suitability of the criteria to evaluate the service organisation's description of its system, the service auditor shall determine if the criteria encompass, at a minimum:
- (a) – (c)...
17. In ~~determining~~ assessing the suitability of the criteria to evaluate the design of controls, the service auditor shall determine if the criteria encompass, at a minimum, whether:

⁸ See ASAE 3000, paragraph 35.

(a) – (b) ...

18. In ~~determining~~~~assessing~~ the suitability of the criteria to evaluate the operating effectiveness of controls in providing reasonable assurance that the stated control objectives identified in the description will be achieved, the service auditor shall determine if the criteria encompass, at a minimum, whether the controls were consistently applied as designed throughout the specified period. This includes whether manual controls were applied by individuals who have the appropriate competence and authority. (Ref: Para. A13-A14)

...

Written Representations

38. The service auditor shall request the service organisation to provide written representations: (Ref: Para. A42)

- (a) That reaffirm the ~~assertion~~statement accompanying the description of the system;
- (b) ...
- (c) That it has disclosed to the service auditor any of the following of which it is aware:
 - (i) Non-compliance with laws and regulations, fraud, or uncorrected deviations attributable to the service organisation that may affect one or more user entities;
 - (ii) - (iv)...

...

Other Information

...

42. If the service auditor ~~becomes aware of~~identifies a material inconsistency or becomes aware of an apparent misstatement of fact in the other information, the service auditor shall discuss the matter with the service organisation. If the service auditor concludes that there is a material inconsistency or a misstatement of fact in the other information that the service organisation refuses to correct, the service auditor shall take further appropriate action. (Ref: Para. A44-A45)

Subsequent Events

43. The service auditor shall enquire whether the service organisation is aware of any events subsequent to the period covered by the service organisation's description of its system up to the date of the service auditor's assurance report that ~~could~~may have a ~~significant effect~~ caused the service ~~auditor's~~auditor to amend the assurance report. If the service auditor is aware of such an event, and information about that event is not disclosed by the service organisation, the service auditor shall disclose it in the service auditor's assurance report.

...

Documentation

45. The service auditor shall prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable an experienced service auditor, having no previous connection with the engagement, to understand:

(a) – (c)...

...

Preparing the Service Auditor's Assurance Report

Content of the Service Auditor's Assurance Report

53. The service auditor's assurance report shall include, at a minimum the following basic elements: (Ref: Para. A47)

(a) – (b)...

(c) Identification of:

(ii) The service organisation's description of its system, and the service organisation's ~~assertion statement~~, which includes the matters described in paragraph 9(k)(ii) of this standard for a type 2 report, or paragraph 9(j)(ii) of this standard for a type 1 report.

(iii) ...

(iv) ...

(v) ...

(d) Identification of the applicable criteria, and the party specifying the control objectives.

(e) ...

(f) A statement that the service organisation is responsible for:

(i) Preparing the description of its system, and the accompanying ~~assertion statement~~, including the completeness, accuracy and method of presentation of that description and that ~~assertion statement~~;

(ii) – (iii)...

(g) ...

~~(h)~~ [Deleted by AUASB. Refer Aus 53.1(h)]

Aus 53.1(h) A statement that the firm of which the assurance practitioner is a member applies ASQC 1.

~~(h)(i)~~ [Deleted by AUASB. Refer Aus 53.2(i)]

Aus 53.2(i) A statement that the assurance practitioner complies with the independence and other ethical requirements related to assurance engagements.

~~(i)(j)~~ A statement that the engagement was performed in accordance with ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, which requires that the service auditor ~~comply with ethical requirements and~~ plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the service organisation's description of its system is fairly presented and the controls are suitably designed and, in the case of a type 2 report, are operating effectively.

(k) – (m)...

* See ASA 102.

~~(m)~~(n) The date of the service auditor's assurance report, which shall be no earlier than the date on which the service auditor has obtained ~~sufficient appropriate~~ sufficient appropriate the evidence on which ~~to base the~~ the service auditor's opinion is based.

~~(n)~~(o)...

...

Modified Opinions

55. If the service auditor concludes that: (Ref: Para. A50-A52)

- (a) The service organisation's description does not fairly present, in all material respects, the system as designed and implemented;
- (b) The controls related to the control objectives stated in the description were not suitably designed, in all material respects;
- (c) In the case of a type 2 report, the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the service organisation's description of its system were achieved, did not operate effectively, in all material respects; or
- (d) The service auditor is unable to obtain sufficient appropriate evidence,

the service auditor's opinion shall be modified, and the service auditor's assurance report shall include a section with ~~contain~~ a clear description of all the reasons for the modification.

...

* * *

Application and Other Explanatory Material

Scope of this Standard on Assurance Engagements (Ref: Para. 1 and 3)

- A1. Internal control is a process designed to provide reasonable assurance regarding the achievement of objectives related to the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Controls related to a service organisation's operations and compliance objectives may be relevant to a user entities' internal control as it relates to financial reporting. Such controls may pertain to assertions about presentation and disclosure relating to account balances, classes of transactions or disclosures, or may pertain to evidence that the user auditor evaluates or uses in applying auditing procedures. For example, a payroll processing service organisation's controls related to the timely remittance of payroll deductions to government authorities may be relevant to a user entity as late remittances could incur interest and penalties that would result in a liability for the user entity. Similarly, a service organisation's controls over the acceptability of investment transactions from a regulatory perspective may be considered relevant to a user entity's presentation and disclosure of transactions and account balances in its financial report/statements. The determination of whether controls at a service organisation related to operations and compliance are likely to be relevant to user entities' internal control as it relates to financial reporting is a matter of professional judgement, having regard to the control objectives set by the service organisation and the suitability of the criteria.
- A2. The service organisation may not be able to assert that the system is suitably designed when, for example, the service organisation is operating a system that has been designed by a user entity or is stipulated in a contract between a user entity and the service organisation. Because

of the inextricable link between the suitable design of controls and their operating effectiveness, the absence of an ~~assertion statement~~ with respect to the suitability of design will likely preclude the service auditor from concluding that the controls provide reasonable assurance that the control objectives have been met and thus from opining on the operating effectiveness of controls. As an alternative, the practitioner may choose to accept an agreed-upon procedures engagement to perform tests of controls, or an assurance engagement under ASAE 3000 to conclude on whether, based on tests of controls, the controls have operated as described.

Definitions (Ref: Para. 9(d) and 9(g))

...

- A4. When the inclusive method is used, the requirements in this standard also apply to the services provided by the subservice organisation, including obtaining agreement regarding the matters in paragraph 13(b)(i)-(vi) as applied to the subservice organisation rather than the service organisation. Performing procedures at the subservice organisation entails ~~coordination~~ co-ordination and communication between the service organisation, the subservice organisation, and the service auditor. The inclusive method generally is feasible only if the service organisation and the subservice organisation are related, or if the contract between the service organisation and the subservice organisation provides for its use.

Ethical Requirements (Ref: Para. 11)

- A5. [Deleted by the AUASB. Refer Aus A5.1].

Aus A5.1 The service auditor is subject to relevant independence requirements, which comprise the requirements referenced in ASA 102-~~Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements~~. In performing an engagement in accordance with this standard, relevant independence requirements do not require the service auditor to be independent from each user entity.

...

Acceptance and Continuance

...

Service Organisation's ~~Assertion Statement~~ (Ref: Para. 13(b)(i))

- A8. Refusal, by a service organisation, to provide a written ~~assertion statement~~, subsequent to an agreement by the service auditor to accept, or continue, an engagement, represents a scope limitation that causes the service auditor to withdraw from the engagement. If law or regulation does not allow the service auditor to withdraw from the engagement, the service auditor disclaims an opinion.

Reasonable Basis for Service Organisation's ~~Assertion Statement~~ (Ref: Para. 13(b)(ii))

- A9. In the case of a type 2 report, the service organisation's ~~assertion statement~~ includes a statement that the controls related to the control objectives stated in the service organisation's description of its system operated effectively throughout the specified period. This ~~assertion statement~~ may be based on the service organisation's monitoring activities. Monitoring of controls is a process to assess the effectiveness of controls over time. It involves assessing the effectiveness of controls on a timely basis, identifying and reporting deficiencies to appropriate individuals within the service organisation, and taking necessary corrective actions. The service organisation accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of both. The greater the degree and effectiveness of ongoing monitoring activities, the less need for separate evaluations. Ongoing monitoring activities are often built into the normal recurring activities of a service

organisation and include regular management and supervisory activities. Internal auditors or personnel performing similar functions may contribute to the monitoring of a service organisation’s activities. Monitoring activities may also include using information communicated by external parties, such as customer complaints and regulator comments, which may indicate problems or highlight areas in need of improvement. The fact that the service auditor will report on the operating effectiveness of controls is not a substitute for the service organisation’s own processes to provide a reasonable basis for its ~~assertion~~statement.

...

Acceptance of a Change in the Terms of the Engagement (Ref: Para. 14)

- A11. A request to change the scope of the engagement may not have a reasonable justification when, for example, the request is made to exclude certain control objectives from the scope of the engagement because of the likelihood that the service auditor’s opinion would be modified; or the service organisation will not provide the service auditor with a written ~~assertion~~statement and the request is made to perform the engagement under ASAE 3000.

...

Assessing the Suitability of the Criteria (Ref: Para. 15-18)

- A13. Criteria need to be available to the intended users to allow them to understand the basis for the service organisation’s ~~assertion~~statement about the fair presentation of its description of the system, the suitability of the design of controls and, in the case of a type 2 report, the operating effectiveness of the controls related to the control objectives.
- A14. ASAE 3000_ requires the service auditor, among other things, to determine whether the criteria to be used are suitable~~assess the suitability of criteria~~, and to determine the appropriateness of the subject matter.¹² The underlying subject matter is the underlying condition of interest to intended users of an assurance report. The following table identifies the subject matter and minimum criteria for each of the opinions in type 2 and type 1 reports.

	Subject matter	Criteria	Comment
<i>Opinion about the fair presentation of the description of the service organisation’s system (type 1 and type 2 reports)</i>	The service organisation’s system that is likely to be relevant to user entities’ internal control as it relates to financial reporting and is covered by the service auditor’s assurance report.	The description is fairly presented if it: (a) presents how the service organisation’s system was designed and implemented including, as appropriate, the matters identified in paragraph 16(a)(i)-(viii); (b) in the case of a type 2 report, includes relevant details of changes to the service organisation’s system during the period covered by the description; and (c) does not omit or distort information relevant to the scope of the service organisation’s system being described, while acknowledging that the description is prepared to meet	The specific wording of the criteria for this opinion may need to be tailored to be consistent with criteria established by, for example, law or regulation, user groups, or a professional body. Examples of criteria for this opinion are provided in the illustrative service organisation’s statement <u>assertion</u> in Appendix 1. Paragraphs A21-A24 offer further guidance on determining whether these criteria are met. (In terms of the requirements of ASAE 3000,

¹² See ASAE 3000, paragraphs 33-39.

Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000

	Subject matter	Criteria	Comment
		the common needs of a broad range of user entities and may not, therefore, include every aspect of the service organisation's system that each individual user entity may consider important in its own particular environment.	the subject matter information ¹³ for this opinion is the service organisation's description of its system and the service organisation's assertion-statement that the description is fairly presented.)

	Subject matter	Criteria	Comment	
<i>Opinion about suitability of design, and operating effectiveness (type 2 reports)</i>	The suitability of the design and operating effectiveness of those controls that are necessary to achieve the control objectives stated in the service organisation's description of its system.	The controls are suitably designed and operating effectively if: (a) the service organisation has identified the risks that threaten achievement of the control objectives stated in the description of its system; (b) the controls identified in that description would, if operated as described, provide reasonable assurance that those risks do not prevent the stated control objectives from being achieved; and (c) the controls were consistently applied as designed throughout the specified period. This includes whether manual controls were applied by individuals who have the appropriate competence and authority.	When the criteria for this opinion are met, controls will have provided reasonable assurance that the related control objectives were achieved throughout the specified period. (In terms of the requirements of ASAE 3000, the subject matter information for this opinion is the service organisation's assertion-statement that controls are suitably designed and that they are operating effectively.)	The control objectives, which are stated in the service organisation's description of its system, are part of the criteria for these opinions. The stated control objectives will differ from engagement to engagement. If, as part of forming the opinion on the description, the service auditor concludes the stated control objectives are not fairly presented then those control objectives would not be suitable as part of the criteria for forming an opinion on either the design or operating effectiveness of controls.

¹³ The "subject matter information" is the outcome of the evaluation or measurement of the subject matter that results from applying the criteria to the subject matter.

	Subject matter	Criteria	Comment	
<i>Opinion about suitability of design (type 1 reports)</i>	The suitability of the design of those controls that are necessary to achieve the control objectives stated in the service organisation's description of its system.	The controls are suitably designed if: (a) the service organisation has identified the risks that threaten achievement of the control objectives stated in the description of its system; and (b) the controls identified in that description would, if operated as described, provide reasonable assurance that those risks do not prevent the stated control objectives from being achieved.	Meeting these criteria does not, of itself, provide any assurance that the related control objectives were achieved because no assurance has been obtained about the operation of controls. (In terms of the requirements of ASAE 3000, the subject matter information for this opinion is the service organisation's <u>assertion-statement</u> that controls are suitably designed.)	The control objectives, which are stated in the service organisation's description of its system, are part of the criteria for these opinions. The stated control objectives will differ from engagement to engagement. If, as part of forming the opinion on the description, the service auditor concludes the stated control objectives are not fairly presented then those control objectives would not be suitable as part of the criteria for forming an opinion on the design.

...

Obtaining an Understanding of the Service Organisation's System (Ref: Para. 20)

A19. Obtaining an understanding of the service organisation's system, including controls, included in the scope of the engagement, assists the service auditor in:

- ...
- ...
- Obtaining an understanding of internal control over the preparation of the service organisation's statement.
- ...

...

Written Representations (Ref: Para. 38 and 40)

A42. The written representations required by paragraph 38 are separate from, and in addition to, the service organisation's assertion-statement, as defined at paragraph 9(o).

...

Documentation (Ref: Para. 51)

A46. [Deleted by the AUASB, refer Aus A46].

Aus A46.1 ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.¹⁶ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁷

Preparing the Service Auditor's Assurance Report

Content of the Service Auditor's Assurance Report (Ref: Para. 53)

A47. Illustrative examples of service auditors' assurance reports, related service organisations' ~~assertion~~statements and a description of the system are contained in Appendices 1, [Aus] 1A and 2.

...

Appendices

[Aus] Appendix 0A (Ref: Para. Aus A12.1)

Example Engagement Letter

...

Service Auditor's Engagement Letter for a Type 2 Report

To [the appropriate representative of management or those charged with governance] of XYZ Service Organisation:

[The objective and scope of the engagement]

You have requested that we report on the description of XYZ Service Organisation's [the type or name of] system and management's ~~assertion~~statement with respect to that description, which you will provide and which will accompany our report. The description of XYZ Service Organisation's [the type or name of] system comprises control objectives and related controls designed to achieve those objectives for the [period] ended [date]. The control objectives included are those which are likely to be relevant to internal control as it relates to financial reporting of customers who have used [the type and name of system].

...

[The responsibilities of management and identification of the applicable control framework]

Our assurance engagement will be conducted on the basis that [management or, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

- (a) For the preparation of a written ~~assertion~~statement that, in all material respects, and based on suitable criteria:
 - (i) the description fairly presents the XYZ Service Organisation's [the type or name of] system designed and implemented throughout the period;

¹⁶ See ASQC 1, paragraph 45.

¹⁷ See ASQC 1, paragraph A54.

- (ii) The controls related to the control objectives stated in XYZ Service Organisation's description of its system were suitably designed throughout the specified period;
- (iii) The controls related to the control objectives stated in XYZ Service Organisation's description of its system operated effectively throughout the specified period.

(b) – (c) ...

...

[Significant Deficiencies in Controls]

We will issue an assurance report without modification, to provide assurance on the [the type or name of] system where our procedures do not disclose a significant deficiency in the controls necessary to achieve the control objectives contained in the Description of the [the type or name of] System by XYZ Service Organisation management. For this purpose, a significant deficiency exists when prescribed control procedures, or the degree of compliance with them:

- (a) does not provide XYZ Service Organisation management with reasonable assurance that the control objectives will be met or that fraud, error, or non-compliance with laws and regulations would be prevented or detected by employees in the normal course of their assigned functions; and

(b) ...

...

[Aus] Appendix 0B (Ref: Para. 39)

Example Representation Letter

...

Representation Letter for a Type 2 Engagement

[To auditor]

...

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

Description of the System

1. We have fulfilled our responsibilities, as set out in the terms of the engagement dated [insert date], for the preparation of the description of the system pages [bb-cc] and the accompanying XYZ's ~~assertion statement~~ page [aa], including the completeness, accuracy and method of presentation of that description and ~~assertion statement~~ and we have a reasonable basis for making that ~~assertion statement~~.

...

6. We have disclosed to you:

- (a) all known instances of non-compliance or suspected non-compliance with laws and regulations, fraud or suspected fraud and uncorrected deviations attributable to ~~ABC~~ XYZ that may ~~affect~~ one or more customers of [type of services];

(b) – (d) ...

...

Appendix 1

(Ref: Para. A47)

Example Service Organisation's AssertionStatements

The following examples of service organisations' assertionstatements are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Type 2 Service Organisation's AssertionStatement

AssertionStatement by the Service Organisation

The accompanying description has been prepared for customers who have used [the type or name of] system and their auditors who have a sufficient understanding to consider the description, along with other information including information about controls operated by customers themselves, when assessing the risks of material misstatements of customers' financial reports/statements. [Entity's name] confirms that:

- (a) The accompanying description at pages [bb-cc] fairly presents [the type or name of] system for processing customers' transactions throughout the period [date] to [date]. The criteria used in making this assertionstatement were that the accompanying description:
 - (i) – (iii) ...
- (b) The controls related to the control objectives stated in the accompanying description were suitably designed and operated effectively throughout the period [date] to [date]. The criteria used in making this assertionstatement were that:
 - (i) – (iii) ...

Example 2: Type 1 Service Organisation's AssertionStatement

The accompanying description has been prepared for customers who have used [the type or name of] system and their auditors who have a sufficient understanding to consider the description, along with other information including information about controls operated by customers themselves, when obtaining an understanding of customers' information systems relevant to financial reporting. [Entity's name] confirms that:

- (a) The accompanying description at pages [bb-cc] fairly presents [the type or name of] system for processing customers' transactions as at [date]. The criteria used in making this assertionstatement were that the accompanying description:
 - (i) – (ii) ...
- (b) The controls related to the control objectives stated in the accompanying description were suitably designed as at [date]. The criteria used in making this assertionstatement were that:
 - (i) – (ii) ...

Appendix 2

(Ref: Para.A47)

Example Service Auditor's Assurance Reports

...

Example 1: Type 2 Service Auditor's Assurance Report

...

XYZ Service Organisation's Responsibilities

XYZ Service Organisation is responsible for: preparing the description and accompanying ~~assertion statement~~ at page [aa], including the completeness, accuracy and method of presentation of the description and ~~assertion statement~~; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 and accordingly 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.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on XYZ Service Organisation's description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, issued by the Auditing and Assurance Standards Board. That standard requires that we ~~comply with relevant ethical requirements and~~ plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

...

Example 2: Type 1 Service Auditor's Assurance Report

...

XYZ Service Organisation's Responsibilities

XYZ Service Organisation is responsible for: preparing the description and accompanying ~~assertion statement~~ at page [aa], including the completeness, accuracy and method of presentation of the description and the ~~assertion statement~~; providing the services covered by the description; stating the control objectives; and designing, implementing and effectively operating controls to achieve the stated control objectives.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 and accordingly 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.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on XYZ Service Organisation's description and on the design of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, issued by the Auditing and Assurance Standards Board. That standard requires that we ~~comply with ethical requirements and~~ plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed in all material respects.

...

Appendix 3

(Ref: Para.A50)

Example Modified Service Auditor's Assurance Reports

...

Example 1: Qualified opinion – the service organisation's description of the system is not fairly presented in all material respects

...

Qualified Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were those described in XYZ Service Organisation's ~~assertion statement~~ at page [aa]. In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph:

(a) ...

Example 2: Qualified opinion – the controls are not suitably designed to provide reasonable assurance that the control objectives stated in the service organisation's description of its system will be achieved if the controls operate effectively

...

Qualified Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were those described in XYZ Service Organisation's ~~assertion statement~~ at page [aa]. In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph:

(a) ...

Example 3: Qualified opinion – the controls did not operate effectively throughout the specified period (type 2 report only)

...

Qualified Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were those described in XYZ Service Organisation's assertion statement at page [aa]. In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph:

...

Example 4: Qualified opinion – the service auditor is unable to obtain sufficient appropriate evidence

...

Qualified Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were those described in XYZ Service Organisation's assertion statement at page [aa]. In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph:

- (a) ...

Conforming Amendments to ASAE 3410 Assurance Engagements on Greenhouse Gas Statements

...

Scope of this Standard on Assurance Engagements

...

3. The assurance practitioner's conclusion in an assurance engagement may cover information in addition to a GHG statement, for example, when the assurance practitioner is engaged to report on a sustainability report of which a GHG statement is only one part. In such cases: (Ref: Para. A1–A2)

- (a) ...
- (b) ASAE 3000¹ (or another ASAE dealing with a specific underlying subject matter) applies to assurance procedures performed with respect to the remainder of the information covered by the assurance practitioner's conclusion.

...

Assertion-Based Attestation and Direct Reporting Engagements

5. The *Framework for Assurance Engagements* (the Assurance Framework) notes that an assurance engagement may be either an assertion-based attestation engagement or a direct reporting engagement. This ASAE deals only with assertion-based attestation engagements.³

Procedures for Reasonable Assurance and Limited Assurance Engagements

6. ~~The Assurance Framework~~ ASAE 3000 notes that an assurance engagement may be either a reasonable assurance engagement or a limited assurance engagement.⁴ This ASAE deals with both reasonable and limited assurance engagements.

...

8. Unless otherwise stated, each requirement of this ASAE applies to both reasonable and limited assurance engagements. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.⁵ Requirements that apply to only one or the other type of engagement have been presented in a columnar format with the letter "L" (limited assurance) or "R" (reasonable assurance) after the paragraph number. Although some procedures are required only for reasonable assurance engagements, they may nonetheless be appropriate in some limited assurance engagements (see also paragraph A90, which outlines the primary differences between the assurance practitioner's further procedures for a reasonable assurance engagement and a limited assurance engagement on a GHG statement). (Ref: Para. A4, A90)

Relationship with ASAE 3000, Other Pronouncements, and Other Requirements

9. The assurance practitioner is required to comply with ASAE 3000 and this standard when performing an assurance engagement to report on an entity's GHG statement. ~~The performance~~

¹ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. ~~ISAE 3000 is currently being revised by the IAASB. There may be conforming amendments to ASAE 3000 and in turn to this ASAE as a result of changes to ISAE 3000.~~

³ Assurance Framework, paragraph 10. See ASAE 3000, paragraph 12(a)(ii).

⁴ Assurance Framework, paragraph 11. See ASAE 3000, paragraph 12(a)(i)(b).

⁵ Assurance Framework, paragraph 53, and See ASAE 3000, paragraph 12(a)(iii). ASAE 3000 paragraphs 61-63.

~~of assurance engagements other than audits or reviews of historical financial information requires the assurance practitioner to comply with ASAE 3000. ASAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, evidence, and documentation that apply to all assurance engagements, including engagements in accordance with this ASAE. This ASAE standard supplements, but does not replace, ASAE 3000, and expands on how ASAE 3000 is to be applied in an assurance engagement to report on an entity's GHG statement. The Assurance Framework, which defines and describes the elements and objectives of an assurance engagement, provides context for understanding this ASAE and ASAE 3000. (Ref: Para. A17)~~

10. [Deleted by the AUASB. Refer Aus 10.1]

Aus 10.1 ~~ASA 102~~Compliance with ASAE 3000^{‡*} requires, among other things, that the assurance practitioner comply with relevant ethical requirements related to assurance engagements, ~~including those pertaining to independence and implement quality control procedures that are applicable to the individual engagement. It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQC 1.[§]~~ (Ref: Para. A5–A6)

11. Where the engagement is subject to laws or regulations or the provisions of an emissions trading scheme, this ASAE does not override ~~those that~~ laws, regulations or provisions. In the event that laws or regulations or the provisions of an emissions trading scheme differ from this ASAE, an engagement conducted in accordance with laws or regulations or the provisions of a particular scheme will not automatically comply with this ASAE. The assurance practitioner is entitled to represent compliance with this ASAE in addition to compliance with laws or regulations or the provisions of the emissions trading scheme only when all applicable requirements of this ASAE have been met. (Ref: Para. A7)

...

Objectives

13. The objectives of the assurance practitioner are:
- (a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the GHG statement is free from material misstatement, whether due to fraud or error, thereby enabling the assurance practitioner to express a reasonable assurance or limited assurance conclusion conveying that level of assurance;
 - (b) ...
 - (c) ...

Definitions

14. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:[¶]
- (a) – (l) ...
 - (m) GHG statement – A statement setting out constituent elements and quantifying an entity's GHG emissions for a period (sometimes known as an emissions inventory)

[‡] ~~ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements, para.5.~~

^{*} See ASAE 3000, paragraphs 9 and 123(a), Aus 20.1 and 34. See also ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.

[#] The term the "lead assurance practitioner" is referred to in ASQC 1 as the "engagement partner".

[§] See ASAE 3000, paragraphs 93(b) and 1231(a).

[¶] The definitions in ASAE 3000 also apply to this standard.

and, where applicable, comparative information and explanatory notes including a summary of significant quantification and reporting policies. An entity's GHG statement may also include a categorised listing of removals or emissions deductions. Where the engagement does not cover the entire GHG statement, the term "GHG statement" is to be read as that portion that is covered by the engagement. The GHG statement is the "subject matter information" of the engagement.⁷

(n) ...

Requirements

...

Acceptance and Continuance of the Engagement

Skills, Knowledge and Experience

16. The ~~lead assurance practitioner~~~~engagement partner~~ shall:
- (a) Have ~~competence in assurance skills and techniques developed through extensive training and practical applications~~~~sufficient assurance skills, knowledge and experience~~, and sufficient competence in the quantification and reporting of emissions, to accept responsibility for the assurance conclusion; and
 - (b) Be satisfied that ~~those persons who are to perform the engagement~~~~the engagement team and any assurance practitioner's external experts~~ collectively possess the ~~necessary professional competencies~~~~have the appropriate competence and capabilities~~, including in the quantification and reporting of emissions and in assurance, to perform the assurance engagement in accordance with this ASAE. (Ref: Para. A18–A19)

Preconditions for the Engagement

17. In order to establish whether the preconditions for the engagement are present:
- (a) The ~~lead assurance practitioner~~~~engagement partner~~ shall determine that both the GHG statement and the engagement have sufficient scope to be useful to intended users, considering, in particular: (Ref: Para. A20)
 - (i) - (iii)...
 - (b) When ~~assessing~~ ~~determining~~ the suitability of the applicable criteria, as required by ASAE 3000,⁸ the assurance practitioner shall determine whether the criteria encompass at a minimum: (Ref: Para. A23–A26)
 - (i) The method for determining the entity's organisational boundary; (Ref: Para. A27–A28)
 - (ii) The GHGs to be accounted for;
 - (iii) Acceptable quantification methods, including methods for making adjustments to the base year (if applicable); and
 - (iv) Adequate disclosures such that intended users can understand the significant judgements made in preparing the GHG statement. (Ref: Para. A29–A34)
 - (c) ...

⁷ Assurance Framework, paragraph 8. See ASAE 3000, paragraph 12(x).
⁸ See ASAE 3000, paragraphs 35–37, 24(b)(ii) and 41.

Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Proposed Re-issuance of ASAE 3000

Agreement on the Terms of the Engagement Terms

18. The ~~agreed~~ terms of the engagement required to be agreed by ASAE 3000⁹ shall include:
(Ref: Para. A37)
- (a) – (f) ...

Planning

19. When planning the engagement as required by ASAE 3000,¹⁰ the assurance practitioner shall:
(Ref: Para. A38–A41)
- (a) – (c) ...
- (d) Consider the results of engagement acceptance or continuance procedures and, where applicable, whether knowledge gained on other engagements performed by the ~~engagement partner~~ lead assurance practitioner for the entity is relevant;
- (e) – (f) ...

Obtaining an Understanding of the Entity’s Internal Control

Limited Assurance	Reasonable Assurance
25L	25R ...
	26R When obtaining the understanding required by paragraph 25R, the assurance practitioner shall evaluate the design of controls and determine whether they have been implemented by performing procedures in addition to enquiry of the entity’s personnel <u>responsible for the GHG statement</u> . (Ref: Para. A52–A53)

Other Procedures to Obtain an Understanding and to Identify and Assess Risks of Material Misstatement

27. If the ~~engagement partner~~ lead assurance practitioner has performed other engagements for the entity, the ~~lead assurance practitioner~~ engagement partner shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement. (Ref: Para. A73)
28. The assurance practitioner shall make enquiries of management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud or non-compliance with laws ~~and~~ or regulations affecting the GHG statement.
(Ref: Para. A84–A86)
29. The ~~lead assurance practitioner~~ engagement partner and other key members of the engagement team, and any key assurance practitioner’s external experts, shall discuss the susceptibility of the entity’s GHG statement to material misstatement whether due to fraud or error, and the application of the applicable criteria to the entity’s facts and circumstances. The ~~lead assurance practitioner~~ engagement partner shall determine which matters are to be communicated to members of the engagement team, and to any assurance practitioner’s external experts not involved in the discussion.

⁹ See ASAE 3000, paragraphs 20-24-27.
¹⁰ See ASAE 3000, paragraphs 25-26-40.

...

Causes of Risks of Material Misstatement

34. When performing the procedures required by paragraphs 33L or 33R of this ASAE, the assurance practitioner shall consider at least the following factors: (Ref: Para. A84–A89)
- (a) ...
 - (b) The likelihood of non-compliance with the provisions of ~~those that~~ laws and regulations generally recognised to have a direct effect on the content of the GHG statement; (Ref: Para. A87)
 - (c) – (d)...

...

Fraud, Laws and Regulations

47. The assurance practitioner shall respond appropriately to fraud or suspected fraud and non-compliance or suspected non-compliance with laws ~~and or~~ regulations identified during the engagement. (Ref: Para. A106–A107)

...

Limited Assurance	Reasonable Assurance
<p><i>Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement</i></p> <p>49L. If the assurance practitioner becomes aware of a matter(s) that causes the assurance practitioner to believe the GHG statement may be materially misstated, the assurance practitioner shall design and perform additional procedures <u>to obtain further evidence until sufficient to enable</u> the assurance practitioner is able to: (Ref: Para. A109-A110)</p> <ul style="list-style-type: none"> ○ Conclude that the matter(s) is not likely to cause the GHG statement to be materially misstated; or ○ Determine that the matter(s) causes the GHG statement to be materially misstated. (Ref: Para. A111) 	<p><i>Revision of Risk Assessment in a Reasonable Assurance Engagement</i></p> <p>49R. The assurance practitioner’s assessment of the risks of material misstatement at the assertion level may change during the course of the engagement as additional evidence is obtained. In circumstances where the assurance practitioner obtains evidence from performing further procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the assurance practitioner originally based the assessment, the assurance practitioner shall revise the assessment and modify the planned procedures accordingly. (Ref: Para. A109)</p>

...

Using the Work of ~~Other~~ Another Assurance Practitioners

57. When the assurance practitioner intends ~~using to use~~ the work of another assurance practitioners, the assurance practitioner shall:

- (a) Communicate clearly with ~~those~~ the other assurance practitioners about the scope and timing of their work and ~~their findings~~ of the other assurance practitioner; and (Ref: Para. A113–A114)
- (b) ...

Written Representations

58. The assurance practitioner shall request written representations from a person(s) within the entity with appropriate responsibilities for, and knowledge of, the matters concerned: (Ref: Para. A116)
- (a) – (e) ...
 - (f) Whether they have disclosed to the assurance practitioner their knowledge of actual, suspected or alleged fraud or non-compliance with laws ~~and~~ or regulations where the fraud or non-compliance could have a material effect on the GHG statement.
- ...
60. The assurance practitioner shall disclaim a conclusion on the GHG statement or withdraw from the engagement, where withdrawal is possible under applicable laws or regulations, if:
- (a) The assurance practitioner concludes that there is sufficient doubt about the integrity of the person(s) providing the written representations required by paragraphs 58(a) and (b) of this ASAE that written representations in these regards are not reliable; or
 - (b) The entity does not provide the written representations required by paragraphs 58(a) and (b) of this ASAE.

Other Information

64. The assurance practitioner shall read other information included in documents containing the GHG statement and the assurance report thereon ~~and, if, in the assurance practitioner's judgement, that other information could undermine the credibility of the GHG statement and the assurance report, to identify material inconsistencies, if any, with the GHG statement or the assurance report and, if on reading that other information, the assurance practitioner:~~ (Ref: Para. A139)
- (a) Identifies a material inconsistency between that other information and the GHG statement or the assurance report; or
 - (b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the GHG statement or the assurance report,
- the assurance practitioner shall discuss the matter with the entity and take further action as appropriate. (Ref: Para. A124–A126)

Engagement Quality Control Review

71. For those engagements, if any, for which a quality control review is required by laws or regulations or for which the firm has determined that an engagement quality control review is required, the engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A130)

- (a) Discussion of significant matters with the lead assurance practitioner~~engagement partner~~, including the engagement team's professional competencies with respect to the quantification and reporting of emissions and assurance;
- (b) – (d) ...

Forming the Assurance Conclusion

72. The assurance practitioner shall form a conclusion about~~conclude as to~~ whether the assurance practitioner has obtained reasonable or limited assurance, as appropriate, about the GHG statement. That conclusion shall take into account the requirements of paragraphs 56 and 73-75 of this ASAE.

...

Assurance Report Content

76. The assurance report, at a minimum, shall include the following basic elements:
(Ref: Para. A134)
- (a) A title that clearly indicates the report is an independent ~~limited assurance or reasonable~~ assurance report.
 - (b) ~~The An addressee of the assurance report.~~
 - (c) An identification or description of the level of assurance, either reasonable or limited, obtained by the assurance practitioner.
 - (d) – (g) ...
 - ~~(g)~~(h) (i) Identification of the applicable criteria;
 - (ii) Identification of how those criteria can be accessed;
 - (iii) If those criteria are available only to specific intended users, or are relevant only to a specific purpose, a statement alerting readers to this fact and that, as a result, the GHG statement may not be suitable for another purpose. The statement shall also restricting the use of the assurance report to those intended users or that purpose; and (Ref: Para. A140–A141)
 - (iv) If established criteria need to be supplemented by disclosures in the explanatory notes to the GHG statement for those criteria to be suitable, identification of the relevant note(s). (Ref: Para. A131)
 - (i) ~~[Deleted by the AUASB. Refer Aus 76.1(i)].~~
 - Aus 76.1(i) A statement that the firm of which the assurance practitioner is a member applies ASQC 1.
 - (j) ~~[Deleted by the AUASB. Refer Aus 76.2(j)].~~
 - Aus 76.2(j) A statement that the assurance practitioner complies with relevant ethical requirements related to other assurance engagements.*
 - ~~(h)~~(k) A description of the assurance practitioner's responsibility, including:
 - (i) A statement that the engagement was performed in accordance with ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*; and

* Relevant ethical requirements are contained in ASA 102.

~~(ii)~~ An informative summary of the worked performed as a basis for the assurance practitioner's ~~procedures~~ conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance practitioner's conclusion. In a limited assurance engagement, ~~this shall include a statement the summary of the work performed shall state that:~~

- ~~¶~~ The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
- ~~∓~~ As a result, Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. (Ref: Para. A142–A144)

~~(l)~~ The assurance practitioner's conclusion;

~~(i)~~ In a reasonable assurance engagement, the conclusion shall be expressed in a positive form; or

~~(ii)~~ In a limited assurance engagement, the conclusion shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner's attention to cause the assurance practitioner to believe that the GHG statement is not prepared, in all material respects, in accordance with the applicable criteria.

~~(ii)(iii)~~ When the assurance practitioner expresses a modified conclusion, the assurance report shall contain:

a. A section that provides a description of the matter(s) giving rise to the modification; and

b. A section that contains the assurance practitioner's modified conclusion, expressed in the positive form in the case of a reasonable assurance engagement or in the negative form in the case of a limited assurance engagement, about whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria.

~~(e)~~ If the assurance practitioner expresses a conclusion that is modified, a clear description of all the reasons therefore.[§]

~~(k)(m)~~ ...

~~(l)(n)~~ The date of the assurance report. The assurance report shall be dated no earlier than the date on which the assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken responsibility for the GHG statement.

~~(m)(o)~~ ...

-

[§]—ASAE 3000, paragraphs 81–84, explain the modifications which can be included in the assurance practitioner's report and when each modification may be applied.

Emphasis of Matter Paragraphs and Other Matter Paragraphs

77. If the assurance practitioner considers it necessary to: (Ref: Para. A146–A152)
- (a) Draw intended users’ attention to a matter presented or disclosed in the GHG statement that, in the assurance practitioner’s judgement, is of such importance that it is fundamental to intended users’ understanding of the GHG statement (an Emphasis of Matter paragraph); or
 - (b) Communicate a matter other than those that are presented or disclosed in the GHG statement that, in the assurance practitioner’s judgement, is relevant to intended users’ understanding of the engagement, the assurance practitioner’s responsibilities or the assurance report (an Other Matter paragraph),

and this is not prohibited by laws or regulations, the assurance practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the assurance practitioner’s conclusion is not modified in respect of the matter.

Other Communication Requirements

78. The assurance practitioner shall communicate to those person(s) with oversight responsibilities for the GHG statement the following matters that come to the assurance practitioner’s attention during the course of the engagement, and shall determine whether there is a responsibility to report them to another party within or outside the entity:
- (a) ...
 - (b) ...
 - (c) Matters involving non-compliance with laws ~~and~~ or regulations, other than when the matters are clearly trivial. (Ref: Para. A87)

* *

Application and Other Explanatory Material

Introduction

...

Key Performance Indicators Based on GHG Data (Ref: Para. 4(b))

- A3. An example of a key performance indicator based on GHG data is the weighted average of emissions per kilometre of vehicles manufactured by an entity during a period, which is required to be calculated and disclosed by laws or regulations in some jurisdictions.

...

Independence (Ref: Para. Aus 10.1 and 15)

- A5. Relevant ethical requirements relating to assurance engagements[‡] may require a threats and safeguards approach to independence. Compliance with relevant ethical requirements may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

[‡] Relevant ethical requirements are defined in ASA 102.

- ...

A6. Safeguards created by relevant ethical requirements, laws or regulations, or safeguards in the work environment, may eliminate or reduce such threats to an acceptable level.

Laws and/or Regulations and the Provisions of an Emissions Trading Scheme (Ref: Para. 11)

A7. Laws or regulations or the provisions of an emissions trading scheme may: include requirements in addition to the requirements of this ASAE; require that specific procedures be undertaken on all engagements; or require that procedures be undertaken in a particular way. For example, laws or regulations or the provisions of an emissions trading scheme may require the assurance practitioner to report in a format that is not in compliance with this ASAE. When the law or regulation prescribes the layout or wording of the assurance report in a form or in terms that are significantly different from this ASAE, and the assurance practitioner concludes that additional explanation in the assurance report cannot mitigate possible misunderstanding, the assurance practitioner may consider including a statement in the report that the engagement is not conducted in accordance with this ASAE.

...

ASAE 3000 (Ref: Para. 9, 15)

A17. ASAE 3000 includes ~~a number of~~ requirements that apply to ~~all~~ assurance engagements, (other than audits or reviews of historical financial information), including engagements in accordance with this ~~ASAE standard~~. In some cases, this ~~ASAE standard~~ may include additional requirements or application material in relation to those topics.

Acceptance and Continuance of the Engagement

Competency (Ref: Para 16(b))

A18. GHG competencies may include:

- ...
- Knowledge of applicable laws and regulations, if any, that affect how the entity should report its emissions, and may also, for example, impose a limit on the entity's emissions.
- ...

...

~~Assessing~~ Determining the Appropriateness of the Subject Matter (Ref: Para. 15)

A21. ASAE 3000 requires the assurance practitioner to ~~assess the appropriateness of~~ determine whether the underlying subject matter is appropriate.¹² In the case of a GHG statement, the entity's emissions (and removals and emissions deductions if applicable) are the underlying subject matter of the engagement. That underlying subject matter will be appropriate if, among other things, the entity's emissions are capable of consistent quantification using suitable criteria.¹⁵

...

¹² See ASAE 3000, paragraphs 33-3424(b)(i).

¹³ Assurance Framework, paragraphs 34-38.1, and See ASAE 3000, paragraphs 35-39-24(b)(ii).

Assessing ~~Determining~~ the Suitability of the Criteria

Specifically Developed and Established Criteria (Ref: Para. 17(b))

A23. Suitable criteria exhibit the following characteristics: relevance, completeness, reliability, neutrality, and understandability. Criteria may be “specifically developed” or they may be “established,” ~~that is for example~~, embodied in laws or regulations, or issued by authorised or recognised bodies of experts that follow a transparent due process.¹⁵ Although criteria established by a regulator can be presumed to be relevant when that regulator is the intended user, some established criteria may be developed for a special purpose and be unsuitable for application in other circumstances. For example, criteria developed by a regulator that include emissions factors for a particular region may render misleading information if used for emissions in another region; or criteria that are designed to report only on particular regulatory aspects of emissions may be unsuitable for reporting to intended users other than the regulator that established the criteria.

...

A25. The ~~applicable~~ criteria may comprise established criteria supplemented by disclosures, in the explanatory notes to the GHG statement, of specific boundaries, methods, assumptions, emissions factors, etc. In some cases, established criteria may not be suitable, even when supplemented by disclosures in the explanatory notes to the GHG statement, for example, when they do not encompass the matters noted in paragraph 17(b).

A26. It should be noted that the suitability of the ~~applicable~~ criteria is not affected by the level of assurance, that is, if they are not suitable for a reasonable assurance engagement, they are also not suitable for a limited assurance engagement, and vice versa.

Operations Included in the Entity’s Organisational Boundary (Ref: Para. 17(b)(i), 23(b)(i), 34(g))

A27. Determining which operations owned or controlled by the entity to include in the entity’s GHG statement is known as determining the entity’s organisational boundary. In some cases, law ~~ors and~~ regulations define the boundaries of the entity for reporting GHG emissions for regulatory purposes. In other cases, the applicable criteria may allow a choice between different methods for determining the entity’s organisational boundary, for example, the criteria may allow a choice between an approach that aligns the entity’s GHG statement with its financial statements and another approach that treats, for example, joint ventures or associates differently. Determining the entity’s organisational boundary may require the analysis of complex organisational structures such as joint ventures, partnerships, and trusts, and complex or unusual contractual relationships. For example, a facility may be owned by one party, operated by another, and process materials solely for another party.

....

Adequate Disclosures (Ref: Para. 17(b)(iv), 74(d))

A29. In regulatory disclosure regimes, disclosures specified in the relevant laws or regulations are adequate for reporting to the regulator. Disclosure in the GHG statement of such matters as the following may be necessary in voluntary reporting situations for intended users to understand the significant judgements made in preparing the GHG statement:

(a) – (e) ...

...

¹⁵ Assurance Framework, paragraphs 36–37 See ASAE 3000, paragraphs A45–A48.

Changing the Terms of the Engagement (Ref: Para. 15, 18)

- A37. ASAE 3000 requires that the assurance practitioner not agree to a change in the terms of the engagement where there is no reasonable justification for doing so.¹⁶ A request to change the scope of the engagement may not have a reasonable justification when, for example, the request is made to exclude certain emissions sources from the scope of the engagement because of the likelihood that the assurance practitioner's conclusion would be modified.

Planning to Use ~~the Work of an Assurance Practitioner's Experts or of Other Another Assurance Practitioners~~ (Ref: Para. 19(e))

- A42. The engagement may be performed by a multi-disciplinary team that includes one or more experts, particularly on relatively complex engagements when specialist competence in the quantification and reporting of emissions is likely to be required (see paragraph A19). ASAE 3000 contains a number of requirements with respect to using the work of an expert that may need to be considered at the planning stage when ascertaining the nature, timing and extent of resources necessary to perform the engagement.¹⁷

...

Materiality in Planning and Performing the Engagement

Determining Materiality When Planning the Engagement (Ref: Para. 20–21)

- A44. The criteria may discuss the concept of materiality in the context of the preparation and presentation of the GHG statement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes that:

- ...
- Judgements about matters that are material to intended users of the GHG statement are based on a consideration of the common information needs of intended users as a group. ~~The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.~~ Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.

...

- A47. Intended users and their information needs may include, for example:

- ...

The assurance practitioner may not be able to identify all those who will read the assurance report, particularly where there are a large number of people who have access to it. In such cases, particularly where possible ~~readers~~ users are likely to have a broad range of interests with respect to emissions, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the assurance practitioner and the engaging party, or by laws or regulations.

...

¹⁶ See ASAE 3000, paragraph 22-2429.

¹⁷ See ASAE 3000, paragraphs 47-5545(c), 52 and 54.

Understanding the Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing Risks of Material Misstatement (Ref: Para. 23–26)

...

Uncertainty (Ref: Para: 23(b)(i)c, 76(e))

...

A55. The fact that quantifying an entity’s emissions is subject to uncertainty does not mean that an entity’s emissions are inappropriate as a subject matter. For example, the applicable criteria may require Scope 2 emissions from electricity to be calculated by applying a prescribed emissions factor to the number of kilowatt hours consumed. The prescribed emissions factor will be based on assumptions and models that may not hold true in all circumstances. However, as long as the assumptions and models are reasonable in the circumstances and adequately disclosed, information in the GHG statement will ordinarily be capable of being subjected to an assurance engagement~~assured~~.

A56. The situation in paragraph A55 can be contrasted with quantification in accordance with criteria that use models and assumptions based on an entity’s individual circumstances. Using entity-specific models and assumptions will likely result in more accurate quantification than using, for example, average emissions factors for an industry; it will also likely introduce additional risks of material misstatement with respect to how the entity-specific models and assumptions were arrived at. As noted in paragraph A55, as long as the assumptions and models are reasonable in the circumstances and adequately disclosed, information in the GHG statement will ordinarily be capable of being subjected to an assurance engagement~~assured~~.

...

A58. A discussion in the explanatory notes to the GHG statement of the nature, causes, and effects of the uncertainties that affect the entity’s GHG statement alerts intended users to the uncertainties associated with the quantification of emissions. This may be particularly important where the intended users did not determine the criteria to be used. For example, a GHG statement may be available to a broad range of ~~intended~~ users even though the criteria used were developed for a particular regulatory purpose.

A59. Because uncertainty is a significant characteristic of all GHG statements, paragraph 76(e) requires it to be mentioned in the assurance report regardless of what, if any, disclosures are included in the explanatory notes to the GHG statement.¹⁸

...

Causes of Risks of Material Misstatement (Ref: Para. 34)

...

Non-Compliance with Laws and Regulations (Ref: Para. 34(b), 78(c))

A87. This ASAE distinguishes the assurance practitioner’s responsibilities in relation to compliance with two different categories of laws and regulations as follows:

- (a) The provisions of ~~those~~ laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the GHG statement in that they determine the reported quantities and disclosures in an entity’s GHG statement. Paragraph 34(b) requires the assurance practitioner to consider the likelihood of material misstatement due to non-compliance with the provisions of such

¹⁸ See ASAE 3000, paragraphs ~~69(e)~~~~78(e)~~ and 79(e).

laws ~~and~~ or regulations when performing the procedures required by paragraphs 33L or 33R; and

- (b) Other laws ~~and~~ or regulations that do not have a direct effect on the determination of the quantities and disclosures in the GHG statement, but compliance with which may be fundamental to the operating aspects of the business, to an entity's ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, or compliance with environmental regulations). Planning and performing an engagement with Maintaining professional scepticism throughout the engagement, as required by ASAE 3000,⁸ is important in the context of remaining alert to the possibility that procedures applied for the purpose of forming a conclusion on the GHG statement may bring instances of identified or suspected non-compliance with such laws ~~and~~ or regulations to the assurance practitioner's attention.

...

Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

Limited and Reasonable Assurance Engagements (Ref: Para. 8, 35–41R, 42L–43R, 46)

A90. Because the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner ~~will perform~~ in a limited assurance engagement ~~will vary~~ in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The primary differences between the assurance practitioner's overall responses to address the assessed risks of material misstatement and further procedures for a reasonable assurance engagement and a limited assurance engagement on a GHG statement ~~are as follows~~ include:

- (a) ~~The emphasis placed on the nature of various procedures:~~ The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example:
- The assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than ~~would~~ may be the case for a reasonable assurance engagement.
 - ...
- (b) ~~The extent of further procedures:~~ In a limited assurance engagement the further procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement. This may involve:
- ~~Reducing the number of items to be examined, for example, reducing sample sizes for tests of details~~ Selecting less items for examination;
 - ...
- (c) ~~The nature of analytical procedures:~~ In a reasonable assurance engagement, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, ~~on the other hand,~~ analytical procedures ~~are often~~ may be designed to support expectations regarding the

direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.²⁰

...

Overall Responses to Assessed Risks of Material Misstatement (Ref: Para. 35)

...

A92. The assessment of the risks of material misstatement at the GHG statement level, and thereby the assurance practitioner's overall responses, is affected by the assurance practitioner's understanding of the control environment. An effective control environment may allow the assurance practitioner to have more confidence in internal control and the reliability of evidence generated internally within the entity and thus, for example, allow the assurance practitioner to conduct some procedures at an interim date rather than at the period end. Deficiencies in the control environment, however, have the opposite effect. For example, the assurance practitioner may respond to an ineffective control environment by:

- ...

Fraud, Laws and Regulations (Ref: Para. 47)

...

A107. The actions noted in the paragraph A106 may be appropriate in responding to non-compliance or suspected non-compliance with laws and regulations identified during the engagement. It may also be appropriate to describe the matter in an Other Matter paragraph in the assurance report in accordance with paragraph 77 of this ASAE, unless the assurance practitioner:

- (a) Concludes that the non-compliance has a material effect on the GHG statement and has not been adequately reflected in the GHG statement; or
- (b) Is precluded by the entity from obtaining sufficient appropriate evidence to evaluate whether non-compliance that may be material to the GHG statement has, or is likely to have, occurred, in which case paragraph 54-66 of ASAE 3000 applies.

...

Additional Procedures (Ref: Para. 49L-49R)

A109. An assurance engagement is an iterative process and information may come to the assurance practitioner's attention that differs significantly from that on which the determination of planned procedures was based. As the assurance practitioner performs planned procedures, the evidence obtained may cause the assurance practitioner to perform additional procedures. Such procedures may include asking the entity to examine the matter(s) identified by the assurance practitioner and to make adjustments to the GHG statement if appropriate.

...

Using the Work of ~~Other~~Another Assurance Practitioners

Communication to ~~Other~~Another Assurance Practitioners (Ref: Para. 57(a))

A113. Relevant matters that the engagement team may communicate to another assurance practitioners in respect of the work to be performed, the use to be made of that work, and the

²⁰ This may not always be the case; for example, in some circumstances the assurance practitioner may develop a precise expectation based on fixed physical or chemical relationships even in a limited assurance engagement.

form and content of the other assurance practitioner's communication with the engagement team may include:

- A request that the other assurance practitioner, knowing the context in which the engagement team will use the work of the other assurance practitioner, confirms that the other assurance practitioner will cooperate with the engagement team.
- ...

Communication from ~~Other~~ Another Assurance ~~P~~ Practitioners (Ref: Para. 57(a))

A114. Relevant matters that the engagement team may request ~~the~~ another assurance practitioner to communicate include:

- ...
- Information on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the GHG statement.
- ...

Evidence (Ref: Para. 57(b))

A115. Relevant considerations when obtaining evidence regarding the work of ~~the~~ another assurance practitioner may include:

- Discussions with the other assurance practitioner regarding business activities relevant to that other assurance practitioner's work that are significant to the GHG statement.
- Discussions with the other assurance practitioner regarding the susceptibility of relevant information to material misstatement.
- Reviewing the other assurance practitioner's documentation of identified risks of material misstatement, responses to those risks, and conclusions. Such documentation may take the form of a memorandum that reflects the other assurance practitioner's conclusion with regard to the identified risks.

...

Comparative Information (Ref: Para. 62–63, 76(c))

...

Restatements (Ref: Para. 62(a))

A121. The GHG quantities reported in a prior period may need to be restated in accordance with laws or regulations or the applicable criteria because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.

...

Other Information (Ref: Para. 64)

...

A126. Further actions that may be appropriate when other information could undermine the credibility of the GHG statement and the assurance report include, for example:

- ...

- Withdrawing from the engagement, where withdrawal is possible under applicable laws or regulations.
- ...

Documentation

Documentation of the Procedures Performed and Evidence Obtained (Ref: Para. 15, 65–66)

A127. ASAE 3000 requires the assurance practitioner to prepare on a timely basis engagement documentation that provides a record of the basis of document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with ASAEs.²¹ The following are examples of matters that may be appropriate to include in the engagement documentation:

- ...
- Laws and or Regulations: Identified or suspected non-compliance with laws and or regulations and the results of discussion with the entity and other parties outside the entity.
- ...

Matters Arising after the Date of the Assurance Report (Ref: Para. 68)

A128. Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the GHG statement to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm’s policies and procedures with respect to review responsibilities as required by ASQC 1, with the lead assurance practitioner engagement partner taking final responsibility for the changes.²²

Assembly of the Final Engagement File (Ref: Para. 69)

A129 [Deleted by the AUASB. Refer Aus A129.1].

Aus A129.1 ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.²³ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.²⁴

...

Assurance Report Content

...

Information Not Covered by the Assurance Practitioner’s Conclusion (Ref: Para. 76(c))

...

²¹ See ASAE 3000, paragraph 7079.

²² See ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, paragraphs 32–33.

²³ See ASQC 1, paragraph 45.

²⁴ See ASQC 1, paragraph A54.

Emissions Deductions (Ref: Para. 76(f))

...

A139. A statement of the assurance practitioner's responsibility with respect to emissions deductions may be worded as follows when the emissions deductions are comprised of offsets: "The GHG statement includes a deduction from ABC's emissions for the year of yyy tonnes of CO₂-e relating to offsets. We have performed procedures as to whether these offsets were acquired during the year, and whether the description of them in the GHG statement is a reasonable summary of the relevant contracts and related documentation. We have not, however, performed any procedures regarding the external providers of these offsets, and express no ~~opinion~~ conclusion about whether the offsets have resulted, or will result, in a reduction of yyy tonnes of CO₂-e."

...

Summary of the Assurance practitioner's Procedures (Ref: Para. 76(h)(ii))

...

A143. In a limited assurance engagement, an appreciation of the nature, timing and extent of procedures performed is essential for the intended users to understand the conclusion expressed in a limited assurance report. The description of the assurance practitioner's procedures in a limited assurance engagement is therefore ordinarily more detailed than in a reasonable assurance engagement. It also may be appropriate to include a description of procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the assurance practitioner's required understanding and assessment of risks of material misstatement are less than in a reasonable assurance engagement.

Factors to consider in making that determination and the level of detail to be provided include:

- ...
- The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable laws or regulations.

...

Emphasis of Matter Paragraphs and Other Matter Paragraphs (Ref: Para. 77)

...

A146. A widespread use of Emphasis of Matter or Other Matter paragraphs diminishes the effectiveness of the assurance practitioner's communication of such matters.

...

A152. An Other Matter paragraph does not include information that the assurance practitioner is prohibited from providing by laws, regulations or other professional standards, for example, ethical standards relating to confidentiality of information. An Other Matter paragraph also does not include information that is required to be provided by management.

Appendices

Appendix 2

(Ref: Para. A134)

ILLUSTRATIONS OF ASSURANCE REPORTS ON GHG STATEMENTS

Illustration 1:^{*}

Circumstances include the following:

- **Reasonable assurance engagement.**
- **The entity's GHG statement contains no Scope 3 emissions.**
- **The entity's GHG statement contains no emissions deductions.**
- **The GHG statement contains no comparative information.**

...

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

...

Our Independence and Quality Control

...

~~In accordance with~~ The firm applies Auditing Standard ASQC 1,²⁷ and accordingly [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.

...

Illustration 2:[#]

Circumstances include the following:

- **Limited assurance engagement.**
- **The entity's GHG statement contains no Scope 3 emissions.**

^{*} When reporting under NGRS, the assurance practitioner needs to comply with the requirements of the NGER (Audit) Determination 2009 and use the reporting templates in the NGER Audit Determination Handbook. For further guidance refer GS 021 *Engagements Under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*. When reporting under NGRS, the assurance practitioner needs to comply with the requirements of the NGER (Audit) Determination 2009 and use the reporting templates in the NGER Audit Determination Handbook issued by the Department of Climate Change and Energy Efficiency. A Guidance Statement will be developed by the AUASB which will apply ASAE 3410 to the conduct of assurance engagements under NGRS.

²⁷ See ASQC 1-Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.

[#] When reporting under NGRS, the assurance practitioner needs to comply with the form of reporting required by the NGER (Audit) Determination 2009 and use the reporting templates in the NGER Audit Determination Handbook, issued by the Department of Climate Change and Energy Efficiency. A Guidance Statement will be developed by the AUASB which will apply ASAE 3410 to the conduct of assurance engagements under NGRS. For further guidance, refer GS 021.

- **The entity’s GHG statement contains no emissions deductions.**
- **The GHG statement contains no comparative information.**

...

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

....

Our Independence and Quality Control

...

~~The firm applies~~In accordance with Australian Standard on Quality Control Auditing Standard ASQC 1,³⁰ and accordingly [*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.

Our Responsibility

...

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of ABC’s control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether ABC’s methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ABC’s estimates.
- Undertook site visits [at three sites] to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. Our procedures [did/did not] include testing information systems to collect and aggregate facility data, or the controls at these sites.]³³

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. ~~As a result~~Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether ABC’s GHG statement has been prepared, in all material respects, in accordance with the [*applicable criteria*] applied as explained in Note 1 to the GHG statement.

...

³⁰ See ASQC 1 ~~Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.~~

³³ This section should be deleted if the assurance practitioner concludes that the expanded information on the procedures performed is not needed in the circumstances of the engagement.

Conforming Amendments to ASAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document

Application

- Aus 0.1 This Standard on Assurance Engagements applies to assurance attestation engagements to provide reasonable assurance on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose.
- Aus 0.2 This Standard on Assurance Engagement also applies, as appropriate, to assurance attestation engagements to provide limited assurance on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose.

Scope of this Standard on Assurance Engagements

1. [Deleted by the AUASB. Refer Aus 1.1]
- Aus 1.1 This Standard on Assurance Engagements (ASAE) deals with limited or reasonable assurance attestation engagements undertaken by an assurance practitioner¹ to report on the responsible party's² compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose. For ease of reference, in this ASAE the term 'prospectus' is taken to include an other public document or non-public document prepared for any other purchase, unless otherwise note. (Ref: Para. A1)

Relationship with ASAE 3000 Other Professional Pronouncements and Other Requirements

7. The assurance practitioner is required to comply with ASAE 3000 and this ASAE when performing an assurance engagement to report on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose. The performance of assurance engagements other than audits or reviews of historical financial information requires the practitioner to comply with ASAE 3000.³ ASAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, evidence, and documentation that apply to all assurance engagements, including engagements in accordance with this ASAE. This ASAE supplements, but does not replace, ASAE 3000, and expands on how ASAE 3000 is to be applied in a reasonable or limited assurance engagement to report on the compilation of pro forma historical financial information included in a prospectus, other public document, or prepared for any other purpose. The *Framework for Assurance Engagements (Assurance Framework)*, which defines and describes the elements and objectives of an assurance engagement, provides context for understanding this ASAE and ASAE 3000.

...

- Aus 8.1 Compliance with ASAE 3000 requires, among other things, that the assurance practitioner: (a) complies with relevant ethical requirements related to assurance engagements the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour (b) implements quality control procedures that are applicable to the individual assurance

¹ The term "practitioner" is described in See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 12(r) paragraph 1.

² See *The Framework for Assurance Engagements (the Assurance Framework)*, paragraphs 25–26, which describes the meaning of the term "responsible party." See also ASAE 3000, paragraph 12(v).

³ See ASAE 3000.

engagement.⁴ It also requires the lead assurance practitioner[†] to be a member of a firm that applies ASQC 1.*

~~Aus 8.2 — In addition to compliance with ASAE 3000 described in paragraph Aus 8.1 of this ASAE, the assurance practitioner is also required to comply with the relevant ethical requirements relating to assurance engagement's contained in ASA 102.[#]~~

Requirements

...

Engagement Acceptance

Preconditions for Acceptance

13. Before agreeing to accept an engagement to report on whether pro forma financial information included in a prospectus, or other document has been compiled, in all material respects, on the basis of the applicable criteria, the assurance practitioner shall:
 - (a) Determine that ~~the assurance practitioner~~ those persons who are to perform the engagement collectively have ~~has the appropriate competence and capabilities and competence to perform the engagement;~~ (Ref: Para. A10)
 - (b) On the basis of a preliminary knowledge of the engagement circumstances and discussion with the responsible party, determine that the ~~applicable~~ criteria that the assurance practitioner expects to be applied are suitable and that it is unlikely that the pro forma financial information will be misleading for the purpose for which it is intended;
 - (c) – Aus 13.1(h) ...

...

Agreeing the Terms of the Assurance Engagement

Aus 13.5 As required by ASAE 3000* the assurance practitioner shall agree the terms of the assurance engagement with the responsible party in writing. (Ref: Para. Aus A10.3)

...

Planning and Performing the Engagement

~~Assessing~~Determining the Suitability of the Applicable Criteria

14. The assurance practitioner shall ~~assess~~ determine whether the applicable criteria are suitable, as required by ASAE 3000,⁵ and in particular shall determine that they include, at a minimum, that:
 - (a) – (c) ...

...

⁴ See ASAE 3000, paragraphs ~~42 and 43~~ 3(a), Aus 20.1 and 34. – and See also ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.*

[†] The term the “lead assurance practitioner” is referred to as the “engagement partner” in ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements.*

^{*} See ASAE 3000, paragraphs 3(b) and 31(a). See also Australian Standard on Quality Control Auditing Standard (ASQC) 1. *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements and Related Services Engagements.*

[#] See ASA 102.

^{*} See ASAE 3000, paragraphs ~~20-21~~ 21-22.

⁵ See ASAE 3000, paragraphs ~~49~~ 24(b)(ii) and A45.

Evaluating the Presentation of the Pro Forma Financial Information

...

27. The assurance practitioner shall read the other information included in the prospectus containing the pro forma financial information to identify material inconsistencies, if any, with the pro forma financial information or the assurance report. If, on reading the other information, the assurance practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact in that other information, the assurance practitioner shall discuss the matter with the responsible party. If correction of the matter is necessary and the responsible party refuses to do so, the assurance practitioner shall take further appropriate action. (Ref: Para. A44)

...

Form of Opinion

...

- Aus 32.1 If the assurance practitioner concludes that a modified conclusion is appropriate in accordance with ASAE 3000, the assurance practitioner shall discuss the matter with the responsible party. If the responsible party does not agree to make the necessary changes, the assurance practitioner shall either:
- (a) withhold the assurance report;
 - (b) consider seeking legal advice;
 - (c) withdraw from the engagement, where practical and possible under applicable law or regulation; or
 - (d) modify the conclusion in accordance with the requirements in ASAE 3000⁶ regarding modified conclusions.

33. [Deleted by the AUASB. Refer Aus 32.1(d)]

...

Preparing the Assurance Report

35. The assurance practitioner's report shall include, at a minimum, the following basic elements: (Ref: Para. A57)
- (a) – (e) ...
 - (f) A statement that the engagement was performed in accordance with ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or Other Document*, which requires that the practitioner ~~comply with ethical requirements and~~ plan and perform procedures to obtain limited or reasonable assurance about whether the responsible party has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria;
 - (g) [Deleted by the AUASB. Refer Aus 35.1(g)].
- Aus 35.1(g) A statement that the firm of which the assurance practitioner is a member applies ASQC 1.

⁶ See ASAE 3000, paragraph 51-52 74.

(h) [Deleted by the AUASB. Refer Aus 35.2(h)].

Aus 35.2(h) A statement that the assurance practitioner complies with the independence and other relevant ethical requirements related to assurance engagements.

Paragraphs 35(g) – (k) will be renumbered accordingly.

Application and Other Explanatory Material

Definitions

Applicable Criteria (Ref: Para. 11(a))

...

A8. The applicable criteria for compiling the pro forma financial information will be suitable in the circumstances if they meet the ~~benchmark~~requirements set out in paragraph 14.

...

Engagement Acceptance

The Responsible Party's Responsibilities (Ref: Para. 13(g))

A11. An engagement in accordance with this ASAE is conducted on the premise that the responsible party has acknowledged and understands that it has the responsibilities set out in paragraph 13(g). An engagement to report on whether pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria is based on the assumption that:

(a) – Aus A11.1-(c) ...

Accordingly, this premise is fundamental to the conduct of the engagement. To avoid misunderstanding, agreement is reached with the responsible party that it acknowledges and understands that it has such responsibilities as part of agreeing and recording the terms of the engagement as required by ASAE 3000.⁸

...

Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted Financial Information Has Been Extracted

Aus A28.2 If the assurance practitioner requests access to the audit working papers of another assurance practitioner and is unable to obtain such access, this constitutes a limitation of scope on the assurance practitioner being able to assess the appropriateness of the source of the unadjusted financial information. If the assurance practitioner is unable to perform alternative procedures to obtain sufficient appropriate evidence on its appropriateness, the assurance practitioner modifies the conclusion in the assurance report in accordance with ASAE 3000.*

...

⁸ See ASAE 3000, paragraph 27.10.

* See ASAE 3000, paragraph ~~82-84~~ 66 for further information.

Preparing the Assurance Report

Title (Ref: Para. 35(a))

A51. A title indicating that the report is the report of an independent assurance practitioner, for example, “Independent Assurance Practitioner’s Assurance Report on the Compilation of Pro Forma Financial Information Included [in a Prospectus or other Document],” affirms that the assurance practitioner has met all of the relevant ethical requirements regarding independence as required by ASAE 3000.¹⁰ This distinguishes the report of the independent assurance practitioner from reports issued by others.

...

Appendices

Appendix 1

(Ref: Para. A57)

ILLUSTRATIVE ASSURANCE PRACTITIONER’S REPORT IN A REASONABLE ASSURANCE ENGAGEMENT WITH AN UNMODIFIED CONCLUSION

...

The [Responsible Party’s] Responsibility for the Pro Forma Financial Information

The [responsible party] of ABC Company are responsible for properly compiling the pro forma financial information on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies Australian Standard on Quality Control 1⁴ and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

Our Responsibilities

...

¹⁰ See ASAE 3000, paragraph 2027.

* See ASA 102.

⁴ See ASQC 1.

-[Aus[] Appendix 2

(Ref: Para. Aus A57.1)

ILLUSTRATIVE ASSURANCE PRACTITIONER'S REPORT IN A LIMITED ASSURANCE ENGAGEMENT WITH AN UNMODIFIED CONCLUSION

...

The [Responsible Party's] Responsibilities for the Pro Forma Financial Information

The [responsible party] of ABC Company are responsible for properly compiling the pro forma financial information on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies Australian Standard on Quality Control 1[#] and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.

...

* See ASA 102.
See ASQC 1.