

IAASB Exposure Draft
Proposed International Standard on Assurance Engagements
ISAE 3410, Assurance Engagements on Greenhouse Gas
Statements

response to exposure draft

10 June 2011

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

Our ref: Responses/ 110610 SC0160

James Gunn
Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York
10017 USA

June 2011

Dear James Gunn

Proposed International Standard on Assurance Engagements

ISAE 3410, Assurance Engagements on Greenhouse Gas Statements

CIPFA is pleased to present its comments on this Exposure Draft, which have been reviewed by CIPFA's Accounting and Auditing Standards Panel in consultation with CIPFA's Sustainability Working Group.

General comment

The Board's series of ISAE standards are based upon ISAE 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information which provides a framework for these more general assurance engagements. ISAE 3000 is being actively reconsidered by the Board: an exposure draft was issued in April 2011, and consultation will be completed in September 2011. This overarching standard discusses, for example, the differences between reasonable and limited assurance engagements, a matter which is very relevant to the proposed ISAE 3410. Ideally, the Board would have completed its revision of ISAE 3000 before developing the new standard.

Notwithstanding the above comments, CIPFA strongly welcomes the further development of IAASB's work in developing guidance in this area. CIPFA responded to the Consultation Paper which the Board issued in 2009 and as we noted in that response, sustainability is increasingly being recognised as an economic as well as a social and environmental imperative. Accountants have an important role to play in applying their skills to quantifying impacts and integrating sustainability into strategy formulation, decision making, process improvement, performance measurement, reporting and assurance.

CIPFA continues to work with partner organisations to promote and support a range of initiatives such as: carbon emissions reduction, energy efficiency, green procurement, waste management, finite resource use, and quality of life. Both reporting and assurance have an important contribution to make. It is extremely helpful that IAASB is developing assurance guidance in this area.

In our view this Exposure Draft helpfully takes forward the comments of respondents on the Board's 2009 paper, and notwithstanding the difficulties posed by the variety of different reporting frameworks, will help development in this area by providing a basis for more consistent and comparable assurance reporting.

Specific Matters for Comment

CIPFA responses to the the Specific Matters on which IAASB would particularly value comment are attached.

I hope this is a helpful contribution to the development of the Board's guidance in this area. If you have any questions about this response, please contact Steven Cain (e: steven.cain@cipfa.org.uk, t: +44(0)20 7543 5794).

Yours sincerely

Paul Mason
Assistant Director
Professional Standards and Central Government
CIPFA
3 Robert Street
London WC2N 6RL
t: 020 7543 5691
e: paul.mason@cipfa.org.uk
www.cipfa.org.uk

Questions in the IAASB Request for Specific Comments

1. Do respondents believe proposed ISAE 3410 achieves an appropriate balance between improving the consistency and quality of GHG assurance engagements and the potential cost of such engagements as a result of work effort required by the standard?

In CIPFA's view, the ED focuses on risk and control, and we believe this is the best way to promote consistency and quality at proportionate cost. However, as both GHG reporting and GHG assurance are developing we expect that consistency and notions of acceptable quality will have to evolve in the context of the various reporting regimes. We suggest the IAASB monitors the uptake and application of the standard and reviews the content of the standard in the light of developing practice

2. Do respondents agree with the general approach taken in proposed ISAE 3410 to limited assurance engagements on GHG statements, as outlined above? In particular:

(a) Do respondents agree that for such engagements a risk assessment is necessary in order to obtain a meaningful level of assurance; and

(b) In responding to the assessed risks, do respondents agree that the standard should direct the practitioner to design and perform further procedures whose nature, timing and extent are responsive to the assessed risks having regard to the level of assurance?

An alternative may be to specify only certain types of procedures (such as inquiry and analytical procedures) as the primary means of obtaining evidence.

a) Yes

b) Yes

In line with our comments on Question 30 of the 2009 Consultation Paper, we do not consider that restricting the types of procedures to be used in limited assurance engagements is appropriate, although we recognise that in practice, many such engagements will be carried out using a standard subset of the procedures available.

3. If the general approach to limited assurance engagements on GHG statements is adopted in the final ISAE, do respondents agree with the specific differences between limited assurance and reasonable assurance engagements on GHG statements noted in the proposed ISAE?

We agree.

4. Do respondents agree with the use of the columnar format with the letter 'L' (limited assurance) or 'R' (reasonable assurance) after the paragraph number to differentiate requirements that apply to only one or the other type of engagement? Do respondents believe more guidance needs to be included in the ISAE to assist readers in understanding the differences between limited assurance and reasonable assurance engagements on GHG statements and, if so, what should be included in that guidance?

This approach is unusual but clear enough to understand.

5. Do respondents agree with the requirements and guidance in the proposed ISAE for a limited assurance engagement regarding the summary of procedures in the practitioner’s report? In particular, will the proposed ISAE lead to reporting procedures with an appropriate amount of detail to effectively convey to users the level of assurance obtained by the practitioner?

This approach may help promote consistency as work in this area evolves. While we note that in some jurisdictions, assurance reports are required to explain that specific procedures have been performed, we suggest that it would be helpful to clearly separate the description of procedures from the report conclusion.

In line with our answer to question 2(a) we agree that it is important that (some or all of) the procedures are selected by the practitioner following their assessment of risk, rather than reflecting previously agreed upon procedures. It would be helpful to clearly explain this in the practitioner’s reports for both reasonable and limited assurance assignments. Appendix 2, Illustration 1 does this by explaining that procedures are *selected* using judgement etc. In contrast Illustration 2 explains that procedures are *performed* using judgement, which in our view is less clear.

6. Do respondents agree with the requirements and guidance in the proposed ISAE for a limited assurance engagement describing the trigger point at which additional procedures are required? Do respondents agree with the related requirements concerning the practitioner’s response when there are matters that cause the practitioner to believe the financial statements may be materially misstated?

Yes.

7. Do respondents agree with proposed requirements and application material dealing with the performance of procedures on location at an entity’s facilities?

Yes.

8. With respect to uncertainties associated with emissions:
(a) Do respondents believe the proposed ISAE explains clearly the differences between scientific uncertainty and estimation uncertainty?
(b) Do respondents agree that the assurance report should include a statement identifying the uncertainties relevant to emissions? If so, do respondents agree with the example wording of that statement, and its placement in the illustrative reports included in Appendix 2 to the proposed ISAE?

- a) We consider that the ED ISAE is sufficiently clear.
- b) We agree with the inclusion, wording and placement.

9. Do respondents agree with the form and content of the illustrative assurance reports included in Appendix 2 to the proposed ISAE?

As noted at 5, we consider that it would be helpful to more clearly explain in Illustration 2 that limited assurance engagements also require judgement and risk

We would also note that it is important that the report can clearly distinguish between the work summary and the conclusion. In developing CIPFA's response we considered whether it might, for example, be helpful to refer instead to a note of procedures performed in a separate sub-document appended to the report. We decided not to make this suggestion in case the separate placement resulted in this information not being read. However, we suggest that in circumstances where it is difficult to compactly summarise the work done, it may be helpful to provide additional information in a separate document, and refer to this in the work summary within the report.