



February 1, 2010

Via website posting: <http://www.ifac.org/>

Re: IAASB Consultation paper: Assurance on a Greenhouse Gas Statement

Dear Sir/Madam:

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the **IAASB Consultation paper: Assurance on a Greenhouse Gas Statement**.

We have also provided additional comments at the end of our responses to specific questions for expressing our view on certain related matters.

Question 1

Would the requirements of paragraphs 12(a) and (b) of the working draft preclude any competent group that accepts the authority of the IAASB to set standards that apply to that group from adopting the standard? If so, which group would be precluded? Please provide suggestions of how the ISAE should deal with this.

Comments

We have not identified any competent group that accepts the authority of the IAASB to set standards that apply to that group of being precluded from adopting the standard. We do appreciate that, depending upon the nature of the engagement, professional engineers having specialist skills, knowledge and experience may be competent to provide assurance on an entity's GHG statement in consultation with a professional accountant. However, we note that they will be appropriately governed by the standards and code of ethics set by their own professional association. We also note that with the recent development of ISO 14065 that principles and requirements for auditors that undertake validation or verification of greenhouse gas (GHG) assertions have been specified.

Question 2

Is the ISAE an appropriate place to provide benchmarks or further guidance regarding the skills, knowledge and experience an engagement partner should possess with respect to:

- (a) Assurance concepts and processes; or*
- (b) GHG quantification and reporting?*

If so, please provide examples of suitable benchmarks or guidance.

Comments

We contend that:

- (a) The application of assurance concepts and processes for GHG quantification and reporting are not conceptually different from assurance engagements relating to other audits or reviews of historical financial information. Hence, the ISAE is a proper place for this purpose.

- (b) GHG quantification and reporting is a special form of assurance engagement relying on information and evidence extending beyond audits or reviews of historical financial information. Hence the proposed new ISAE is a proper vehicle for articulating benchmarks or further guidance regarding the skills, knowledge and experience an engagement partner should possess.

We consider the relevant ISO standards as suitable benchmarks for this purpose. We note that the newly developed standards ISO 14064 and ISO 14065 provide an internationally agreed framework for measuring GHG emissions and verifying claims made in relation to them. ISO 14064 is consistent and compatible with the GHG Protocol published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Question 3

Given that engagements, in particular complex engagements, are ordinarily undertaken by a multidisciplinary team, does the working draft adequately reflect how multidisciplinary teams should operate? For example, does the working draft adequately address the collective competence and capabilities of the team? What further improvements could be made?

Comments

The working draft generally reflects adequately how multidisciplinary teams should operate. Please refer also to our comments in response to Questions 5 below.

Question 4

Is there a need for additional guidance regarding the measure of objectivity that should be applied with respect to external experts?

Comments

We note that the IFAC Code of Ethics distinguishes between public interest entities and others. We suggest that the proposed ISAE should provide guidance whether similar distinction should be made in the instance of GHG statement assurance. We also believe that ISA 620 referencing the use of the work of an expert has the basic framework that can be used for engagements on GHG statement assurance.

Question 5

Should external experts be required to be independent? If so:

- (a) *In what circumstances should an external expert be required to be independent?*
(b) *What measure of independence should be applied (for example, which elements of the IFAC Code, which has been written for application to accountants and accounting firms only, should be applied to external experts)?*
(c) *What would be the effect on practice (for example, the availability of experts) and the relevant cost and benefit considerations of requiring external experts to be independent?*

Comments

- (a) The external expert should be required to be independent in all the instances involving his association with the assurance engagement on GHG statement.
- (b) The external expert or any other member of the engagement team should be as independent as the engagement partner and accordingly should be subject to substantially all of the elements of the IFAC code in relation to independence of accountants. We also recognize a need for clear guidance on

certain rules. For example, how an auditor's independence is affected by the dual engagement to perform financial statements audit and GHG statement assurance?

- (c) The requirement for the independence of external experts will reduce the availability of such experts and consequently increase the cost of the services provided by such experts. However, the benefits of resultant credibility in assurance on GHG statement will arguably outweigh any increase in such costs.

Question 6

What would be the likely impact on the cost of a reasonable assurance GHG engagement if the ISAE included requirements of a similar number and nature as the working draft? Is this cost likely to be proportionate to the benefit to be derived?

Comments

It is conceivable that if the ISAE included requirements of a similar number and nature as the working draft, the likely impact on the cost of a reasonable assurance GHG engagement would not be unduly high and would be comparable with similar assurance engagements. The associated costs would be proportionate to the benefits afforded by an authentic framework and commensurate with sound practices of assurance on GHG statement.

Question 7

In your judgment, are there any requirements that:

- (a) *Have not been included in the working draft that should have been? If so, why?*
(b) *Have been included in the working draft that should not have been? If so, why?*

Comments

As this is an emerging and evolving area of assurance practice, the working draft will presumably require further refinement. However, we are of the opinion that it represents a good beginning from the perspective of professional accountants and it should keep evolving through iterative process.

Question 8

Are there any additional matters the IAASB should take into account with respect to engagements conducted in accordance with local laws or regulations?

Comments

It would be beneficial to clarify in the working draft application and other explanatory material asserting that emissions factors can be geography-specific and that different places need their own factors. Moreover, the opportunities and limitations for internationalization or standardization of these factors might be disclosed.

Question 9

Should any aspects of the requirements written to apply only to voluntary reporting (see WD, paragraphs 15(b)(i)-(ii), 15(c), and 106(d)) also apply in other circumstances?

Comments

There is little justification for restricting the applicability of requirements in the stated paragraphs to only voluntary reporting. We believe that these requirements are part of the best practices in assurance reporting and accordingly should, over time, be part of all types of assurance reporting on GHG statement.

Question 10

Does the working draft appropriately reflect the specific characteristics of analytical procedures used in practice on GHG engagements? In particular, are paragraphs 59-60 appropriate, for example, with respect to the reliability of data on which analytical procedures are based?

Comments

Financial statement auditing expertise and standardization cannot easily be transposed to the provision of assurance on GHG statements. Accountants and scientists in fact, are challenged when articulating with accuracy the measure of emissions. Emissions factors are used to equate measured activity with estimates of emissions, but there can be various scientifically valid ways to estimate emissions for the same process (scientific uncertainty versus measurement uncertainty). Hence analytical procedures for emissions inventory are expected to be substantially different from those relied on in financial statement reports. It is suggested that this position should be clearly acknowledged in the referenced paragraphs.

Question 11

Is the approach to internal control adopted in paragraphs 45-46 of the working draft appropriate? If not, please provide details and suggestions for elaboration or modification of the working draft.

Comments

The requirements stipulated in the working draft should make allowance for the fact that the provider of assurance services on the GHG statements can often not rely on internal controls and will consequentially place much greater import on substantive testing. This is because the internal quality review procedures used for financial statement audits may not be appropriate for emissions assurance and personnel who prepare emission information may not be extensively knowledgeable about the assurance concepts and processes, the need for internal controls, accumulating evidence, and documenting an audit trail. Unlike financial statements audits, in the case of emissions assurance, it would not be uncommon for management to acknowledge weaknesses or limitations in their systems and in their data.

Question 12

Is it appropriate to require practitioners to perform risk assessment procedures at the assertion level for GHG engagements? If not, why not? If so, do the assertions identified in paragraph A49 of the working draft provide an appropriate basis for the identification and assessment of the risks of material misstatement in a GHG statement?

Comments

It is appropriate to perform risk assessment procedures at the assertion level for GHG engagements on the premise that these engagements do not conceptually differ from the other assurance engagements on other than historical financial information. However, we believe that assertions stated in Paragraphs A49(a)(iii) and A49(b)(iv) regarding accuracy of quantification of emissions and accuracy of presentation and disclosure respectively require modification. Unlike financial statements prepared under Generally Accepted Accounting Principles, GHS statements are not prepared under any Generally Accepted Principles and are hence dependent upon, and more heavily influenced by, assumptions and policies of the entity. The “criteria” developed for the preparation of GHG statements should not be regarded as

equivalent to reliance on Generally Accepted Accounting Principles in the case of financial statement preparation. Accordingly, we suggest qualifying assertions of “accuracy” of quantification as well as presentation and disclosure so as to reflect their highly subjective nature.

Question 13

As well as referring to the risks of material misstatement at the assertion level, paragraphs 39 and 47 of the working draft refer to risks at the GHG statement level. In your experience, what are commonly the most significant risks at the GHG statement level?

Comments

The most significant risks at the GHG statement level pertain to completeness, accuracy, consistency and comparability. These risks are related to the uncertainty arising from the following potential errors:

- Measurement error – the measurement is wrong;
- Model error – the factor required by the model is imperfect or is not consistent with the current scientific knowledge;
- Scientific error – current scientific knowledge or conventional wisdom itself is wrong; and,
- Aggregation error – adding together dissimilar measures calculated under different assumptions and policies and also from different places and times.

However, model error and scientific error can be mitigated by use of consistent criterion. The risks of material misstatement are particularly greater for scope 3 emissions because entities may lack proper systems for collecting the relevant data and also because of uncertainty regarding the sources that should be included. There is also concern that all of the available information may not lend itself to determination of assurance. The Working Draft might offer more flexibility to ensure that it does not unintentionally preclude future evolution of disclosures.

Question 14

Do the requirements and guidance in the working draft with respect to materiality need modification or elaboration? If so, please provide details. For example:

(a) The requirements and guidance refer to materiality in terms of intended users’ —economic decisions. Is it appropriate for materiality with respect to a GHG statement to be limited to economic decisions, or are there other forms of decision made by various users that should be taken into account? If so, how can those decisions best be categorized? Please provide examples.

(b) In light of the fact that GHG statements often deal with different types of emissions, is the determination of materiality in the aggregate and for particular types of emissions in the way set out in paragraph 36 of the working draft appropriate?

(c) Does paragraph A39 of the working draft provide the practitioner with an appropriate frame of reference when the applicable criteria do not discuss the concept of materiality? If not, which elements of paragraph A39 are inappropriate, and why; or which other elements should be added, and why?

(d) Are the assumptions about intended users stated in paragraph A41 of the working draft appropriate? If not, which assumptions are inappropriate, and why; or which other assumptions should be added, and why?

(e) When the engagement covers many but not all of the component elements of a GHG statement, should materiality be based on the total emissions or on assured emissions only (WD, paragraph A44)?

(f) Is the guidance regarding quantitative and qualitative factors in paragraphs A42-A46 of the working draft appropriate? If not, which aspects of that guidance are inappropriate, and why; or which other aspects should be added, and why?

Comments

- (a) There are other forms of decisions made by various users that should be taken into account. Other entities in the supply chain – customers, suppliers and outsource service providers – may be users of emissions information. Also, governments require information on GHG emissions for regulatory decisions and to achieve social and environmental goals. GHG emissions information is also used in publishing industry indexes and rankings.
- (b) The determination of materiality in the aggregate and for particular types of emissions in the way set out in paragraph 36 of the working draft is appropriate.
- (c) Paragraph A39 of the working draft provides the practitioner with an appropriate frame of reference when the applicable criteria do not discuss adequately the concept of materiality.
- (d) The assumptions about intended users stated in the working draft are appropriate excepting the reference in paragraph A41(c) which assumes that the users recognize the uncertainties involved in the quantification of emissions. This is considered questionable given the vitality of assumption and it is suggested that the users should be cautioned through standard qualification (or emphasis of matter) in the assurance report.
- (e) When the engagement covers many, but not all of the component elements of a GHG statement, materiality should be based not on the total emissions but on the assured emissions only because, as a best practice, the materiality calculations should be made only with reference to the subject matter of the assurance report.
- (f) The guidance regarding quantitative and qualitative factors in paragraphs A42-A46 of the working draft is considered appropriate

Question 15

Is the manner in which the working draft has treated assurance with respect to estimates, for example, paragraphs 43(c), 62-63, 89(d), 106(d), and A52-A53 appropriate? If not, please provide details and suggestions for modification or elaboration of the working draft.

Comments

The overall manner in which the working draft has treated assurance with respect to estimates is appropriate. However, we suggest that the working draft should recognize that a pragmatic range of estimates may be more helpful than uncertain point estimates for an offset because ranges of estimates can help in pricing models which account for the quality of the offset. Disclosures related to estimates in the notes to an emissions inventory may be helpful to provide context. That said, we appreciate that such ranges of estimates may not be helpful to a regulator.

Question 16

Should the role of disclosures in the GHG statement with respect to estimates be further emphasized in the working draft, particularly the disclosure of any uncertainty related to particular estimates, the factors that affect that uncertainty and how those factors have been dealt with?

Comments

Further emphasis in the GHG statement with respect to estimates is encouraged because GHG quantification statement is an evolving area of practice and greater disclosure will enhance comprehensiveness and usefulness of these statements.

Question 17

Are the definition of fraud, the requirements of paragraph 30 of the working draft, and the discussion of fraud throughout the application material sufficient and appropriate? If not, please provide details and suggestions for modification or elaboration of the working draft.

Comments

Although the risk of fraud in GHG statement is comparable to that in financial statements, the guidance provided through paragraphs 30, A32 and A35 of the working draft is not received as being equally exhaustive as that provided by ISA 240 “*The auditor’s responsibilities relating to fraud in an audit of financial statements*”. We suggest that the working draft should at minimum provide additional guidance on the following issues:

- Responsibility for the Prevention and Detection of Fraud;
- Communications to Management and with those charged with governance;
- Communications to Regulatory and Enforcement Authorities; and,
- Documentation.

Question 18

Is the example report of a suitable length, and structured and worded appropriately, to meet the needs of users with respect to, for example:

- *Restrictions on scope?*
- *The practitioner’s independence, quality control and expertise?*
- *The relative responsibilities of the entity and the practitioner?*
- *The wording of the practitioner’s opinion?*
- *Uncertainties in the quantification and reporting of emissions?*

Comments

- (a) Restriction on the scope, as stated in the example of assurance report on a GHG statement, is worded appropriately to meet the needs of users.
- (b) Although the reference is made to the independence requirements of the IFAC code, it is not made explicitly clear that all the members of the multidisciplinary team are to comply with the said code. We suggest that the assurance report should clarify the independence status of all the members of the engagement team.
- (c) The relative responsibilities of the entity and the practitioner are properly described in the example report.
- (d) We note that the wording of the opinion section of the report lacks the positive assertion regarding fair presentation of the GHG statement. We believe that as in case of ISA 700 for financial statements, when expressing an unmodified opinion on GHG statement prepared in accordance with applicable criteria, the auditor’s opinion could be given an option to use, unless otherwise required by law or regulation, one of the following phrases which should be regarded as being equivalent:

- i. In our opinion, the GHG statement for the year to December 31, 20X1, insofar as it relates to information not restricted from our engagement, presents truly and fairly, in all material respects, Net Emissions, in accordance with [applicable criteria] applied as explained in Note 1 to the Emissions Inventory; or
 - ii. In our opinion, the GHG statement for the year to December 31, 20X1, insofar as it relates to information not restricted from our engagement, gives a true and fair view of Net Emissions in all material respects, in accordance with [applicable criteria] applied as explained in Note 1 to the Emissions Inventory.
- (e) The example report reasonably underscores uncertainties in the quantification and reporting of emissions.

Question 19

Should the ISAE include requirements with respect to Emphasis of Matter paragraphs and Other Matter paragraphs adapted from ISA 706,¹ or are these concepts not particularly relevant to GHG engagements? If so, what are the circumstances in which it would be appropriate to include an Emphasis of Matter paragraph or an Other Matter paragraph in an assurance report on a GHG statement?

Comments

We strongly support inclusion of the above-mentioned requirements in the ISAE adopted from ISA 706 in view of the many uncertainties surrounding the GHG statement and gaps in current scientific knowledge. In the absence of such requirements, the practitioner may not be in a position to express appropriate assurance opinion in all the circumstances and the assurance reports may degenerate into “boilerplate” reports. For example, please refer to our comments in response to Question 14.

Question 20

Should a distinction be made between long-form GHG assurance reports that are provided to certain groups of users (for example, regulators in some schemes) and short-form reports that are made publicly available? How would this impact on the content of the report?

Comments

There is good cause to make the distinction between these two forms of reports. In the case of short-form reports, this distinction will impact the wording of scope and possibly the opinion paragraphs. The scope paragraphs should state the additional restrictions imposed by the short-form of the report and the wording of the opinion paragraph should capture any modification in the “criteria” used for preparing the short-form report.

¹ Paragraph 5 of ISA 706, —Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report, defines an Emphasis of Matter paragraph as —a paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. It defines an Other Matter paragraph as —a paragraph included in the auditor’s report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor’s judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

Question 21

The working draft actively discourages including recommendations in the assurance report (see WD, paragraph A89). Are there circumstances in which it is appropriate to include recommendations in the assurance report? If so, please provide details.

Comments

No circumstances have been identified in which it is appropriate to include recommendations in the assurance report and concur with the rationale provided in the paragraph A89 of the working draft that unless required by law or regulation, it is not appropriate to include the practitioner's recommendations in the assurance report and including such recommendations may imply that the matters addressed have not been appropriately dealt with in preparing the GHG statement. We also agree that such matters may be properly communicated in accordance with paragraph 54 of ISAE 3000.

Question 22

Is it appropriate for the ISAE to be written primarily for compliance criteria? Is there a common understanding of what fair presentation with respect to GHG statements means (for example, in what circumstances might adherence to regulatory criteria not yield fair presentation)? Are the criteria used in jurisdictions with which you are familiar compliance criteria or fair presentation criteria? Please provide examples of such criteria.

Comments

It is appropriate for the ISAE to be written primarily for compliance criteria as there is no common understanding of what fair presentation with respect to GHG statement characterizes. A definitive and generally accepted view on what constitutes fair presentation will evolve only when this new discipline matures and the preparers, practitioners, regulators and users of the GHG statements garner more experience. In Canada, the Assurance and Auditing Standards Board (AASB) sets assurance and auditing standards and can reasonably be expected to increasingly direct attention to the matter of GHG in Canada. The AASB is expected to approve a project proposal to develop a standard on assurance on greenhouse gas statements, and will in undertaking this project, consider whether it is appropriate to adopt ISAE 3410 currently being developed by the IAASB.

Question 23

Should the ISAE provide requirements and guidance for cases where special purpose criteria are used? If so, how would it differ from the working draft? Are criteria in jurisdictions with which you are familiar special purpose or general purpose criteria? Please provide examples of such criteria.

Comments

It is believed that it is not appropriate and feasible for the ISAE to provide requirements and guidance for cases where special purpose criteria are used. Also, even otherwise, such an inclusion would make the proposed ISAE unduly lengthy and complex. Please also refer to our comments in response to Question 22.

Question 24

Is the manner in which the working draft has dealt with deductions appropriate? If not, please provide details and suggestions for modification or elaboration of the working draft.

Comments

Given the uncertainty surrounding measurement of deductions and the existing variability in the availability of reliable and relevant information as well as assurance evidence, the proposed treatment of deductions in the working draft is appropriate. However, it is suggested that the ISAE should require detailed disclosures to enhance understanding of the proposed treatment.

Question 25

Some purchased offset are accompanied by an assurance report. How, if at all, should this be reflected in the content of the ISAE; for example, to what extent and in what circumstances, if at all, would the practitioner who assures the GHG statement be able to rely on assured offsets and provide an opinion on the net of emissions less offsets?

Comments

We believe that an assurance report on purchased offset is analogous to the work of another auditor that may be relied upon by an auditor of group financial statements. Accordingly, the conceptual framework of ISA 600 “Special Considerations—Audits of Group Financial Statements (including the work of component auditors)” is relevant and should be adopted with appropriate modifications for determining the extent and the circumstances in which the practitioner who assures the GHG statement can rely on assured offsets and provide an opinion on the net of emissions less offsets.

Question 26

Where the GHG statement contains emissions deductions, is the treatment required by paragraph 111(d) of the working draft appropriate? If so, where in the assurance report should the required wording be situated? Would wording along the lines of that in paragraph 52 above be appropriate?

Comments

The treatment required by paragraph 111(d) of the working draft is considered appropriate where the GHG statement contains emissions deductions. We suggest that the required wording should precede the opinion section of the assurance report on GHS Statement. We also agree that wording along the lines of that in paragraph 52 is appropriate.

Question 27

Is it appropriate for the ISAE to include cautionary language with respect to Scope 3 emissions (such as that in paragraphs A29-A31 of the working draft)? If not, please provide details and suggestions for modification or elaboration of the working draft.

Comments

We note that Scope 3 emissions present special challenges related to assertions of their existence, completeness and measurement on account of diversity in their sources of origination and variation in the methods of their quantification. For this reason, it may not be practicable for the entities to report precisely these emissions and for the practitioners to provide reasonable assurance on their quantification. As such, it is considered appropriate to include cautionary language with respect to Scope 3 emissions (such as that in paragraphs A29-A31 of the working draft).

Question 28

What additions, if any, to the assurance report may be required when the GHG statement contains Scope 3 emissions? Would wording along the lines of that in paragraph 56 above be appropriate to include in

the statement of uncertainties required by paragraph 111(k) of the working draft? If so, should such wording be included regardless of whether or not disclosed Scope 3 emissions are covered by the assurance engagement?

Comments

The wording offered in paragraph 56 is appropriate to include in the statement of uncertainties required by paragraph 111(k) of the working draft. It is suggested however that the following additional wording, intended to clarify that no assurance is provided on the Scope 3 emissions, be included in the GHG statement.

“We have not performed any assurance procedures regarding the Scope 3 emissions reported in this GHG statement and express no opinion about their existence, completeness and measurement.”

We believe that wording as per paragraph 56 and our suggested wording above should be included regardless of whether or not disclosed Scope 3 emissions are covered by the assurance engagement. Such inclusion will give users the clear perception about the scope and the nature of assurance being provided by the practitioner’s report.

Question 29

Are you aware of jurisdictions in which direct reporting engagements are common in practice, or are required by law or regulation? If so:

- (a) Please provide details, including example reports where available.*
- (b) Are restrictions placed on the work allowed to be done by the practitioner with respect to quantifying the entity’s emissions; or obligations placed on the entity with respect to, for example, having a reasonable basis for representations made to the practitioner?*

Comments

- (a) In March of 2004, the Government of Canada initiated a phased approach to the collection of greenhouse gas emissions data and related information. The program was launched through the publication of the first *Canada Gazette* notice in March 2004, which set out basic reporting requirements. In order to avoid duplication and to ease response burden, the GHG information is collected jointly under the authority of the *Canadian Environmental Protection Act, 1999* (Canada) and the *Climate Change Emissions Management Act* (Alberta). Completion of the GHG report is a legal requirement under these Acts. However, to the best of our knowledge and understanding, these acts do not require direct reporting engagements nor are such engagements common in practice. For more details please follow the link below:

<http://www.ghgreporting.gc.ca/default.asp?lang=En&n=FA37B3F0-1>

- (b) Please refer to our comments above.

Question 30

How should a limited assurance engagement on a GHG statement be differentiated from a reasonable assurance engagement, for example:²

- (a) How should the practitioner determine the procedures to be performed?*

² The issues identified in Agenda Item 6-A of the September 2009 IAASB meeting regarding the revision of ISRE 2400, while not identical, are indicative of the issues that need to be considered with respect to limited assurance GHG engagements.

See <http://www.ifac.org/IAASB/Meeting-BGPapers.php?MID=0168&ViewCat=1138>.

- (b) What is the role of risk assessment in a limited assurance engagement?*
- (c) To what extent, if any, should the practitioner consider the effectiveness of control?*
- (d) Should evidence be primarily obtained through inquiry and analytical review?*
- (e) Which procedures that ordinarily are performed in a reasonable assurance engagement would you not expect to be performed in a limited assurance engagement?*

Comments

The management of the entities, regulators and the users of GHG statements would be more interested in “reasonable assurance” than “limited assurance”. Without prejudice to this remark:

- (a) The practitioner should apply professional judgment in determining the nature, timing and extent of additional procedures to be performed for resolving observed material inconsistencies between the GHG statement as presented and the practitioner’s expectations based on understanding of the entity, its industry and its business. The practitioner should perform additional or more extensive procedures that either:
 - i. refine expectations concerning the GHG statements based on understanding of the entity and its environment, so that the observed material inconsistency is resolved; or
 - ii. bear out the practitioner’s view that the GHG statements contain material misstatement(s).

The practitioner’s overall objective should be the expression of a conclusion about the GHG statement taken as a whole, on the basis of having obtained limited assurance. The additional procedures and work effort that the practitioner devotes to resolving observed material inconsistencies in the GHG statements should not change the overall objective. The additional procedures and effort are meant to resolve questions of whether or not material misstatements exist in relation to those particular areas or items in the GHG statements. When all material inconsistencies are resolved, the practitioner has obtained limited assurance that the GHG statements are in accordance with the applicable “criteria” in all material respects.

- (b) Unlike limited assurance engagements for financial statements, the risk assessment for limited assurance engagement of a GHG statement should be at the same level as that for reasonable assurance engagement because of the absence of the double entry system of bookkeeping for GHG emissions and the great diversity in the origination and measurement methods of GHG emissions.
- (c) Since the GHG statements are not based on the double entry system of bookkeeping, the effectiveness of internal controls over GHG statement quantification is critical and the practitioner should evaluate them to rule out possibility of any material misstatement in the GHG statement.
- (d) The inquiries as well as analytical procedures are appropriate methods for obtaining evidence depending upon the specific circumstance of the limited assurance engagement.
- (e) A limited assurance engagement for a GHG statement will typically not require the following procedures for the evidence related to the quantity and the disclosures in the GHG statement:
 - i. tests of accounting records;
 - ii. corroborating evidential matter; and,
 - iii. third party confirmations or other procedures.

Also, the practitioner can exercise less professional scepticism during the course of limited assurance engagement relative to reasonable assurance engagement.

Additional Comments

It continues to be important for the IAASB project to maintain liaison with other stakeholders like the GRI, ISO and CDSB. It is also suggested that the IAASB might clarify if the working draft intends to cover acid gases like SO_x and NO_x, or only GHGs. The IAASB should also desist from offering guidance on assurance of intensity denominators because of (a) the variation of measures used, and (b) their nature, which may be unrelated to either financial statements or emissions (for example, production numbers).

It would also be helpful to encourage disclosure of comparative information; restated where necessary. It is expected that quantitative materiality guidelines in the proposed ISAE would prospectively not be appropriate

In closing, we should concede that it is highly unlikely that every professional accountant will be an expert in the measurement (and calculation) of emissions and that firms should be encouraged to secure the services of other professions. As the IAASB advances its work, it is acknowledged that the IAASB working draft has considered a multi-disciplinary approach and that some flexibility and collaboration may be required between professional bodies. That is, the IAASB working draft should not unduly impose competency (IES 8), ethical (Code), quality (ISQC 1), and other requirements for professional accountants where substantive equivalence can be deemed within the purview of other enjoined professions.

Should you wish to discuss the contents of this comment paper or require further elaboration on any of the items presented herein, please do not hesitate to contact Kamalesh Gosalia at kgosalia@cga-canada.org or alternatively the undersigned at rlefevre@cga-canada.org.

Sincerely,

[Original signed by:]

Rock Lefebvre, MBA, CFE, FCIS, FCGA
Vice-President, Research & Standards