



20 July 2011

Mr. James Gunn
Technical Director
IAASB
545 Fifth Avenue, 14th Floor
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USA

Ref.: AUD/PRJ/HBL/LAN/SHA

Dear Mr. Gunn,

Re: IAASB Exposure Draft on ISAE 3410 on Assurance Engagements on Greenhouse Gas Statements

FEE is pleased to provide you with its comments on the IAASB Exposure Draft on ISAE 3410 on Assurance Engagements on Greenhouse Gas Statements.

FEE greatly appreciates the initiative to have a specific assurance standard that addresses sustainability related issues, as the growing debate and increase in reporting of greenhouse gas related issues represents a clear public interest in a specific standard in this area. The accountancy profession can play a role in ensuring the quality, reliability and credibility of management information, whether financial or non-financial, and to ensure that the information is useful to business decision-making and in line with its strategic objectives and where relevant a sustainability framework.

The audit profession has a great opportunity to consolidate its leading role in this area as greenhouse gas emissions is an important issue for a number of entities. Moreover, in the context of assurance engagements on greenhouse gas statements, other related projects are being carried out in parallel. For instance, we refer to the work of the European Commission in this area, notably the recent European Commission Consultation on the EU European Trading Scheme (ETS) Monitoring & Reporting Regulation and EU ETS Accreditation & Verification Regulation. Although this European project merely addresses verification in general, and not specifically assurance engagements, the new IAASB standard will be highly appropriate when European practitioners perform such engagements.

There is clearly a progression towards a global understanding that corporate entities should report their sustainability performance and that assurance is a vital part of that reporting. Although confined to assurance on selected parts of sustainability issues, the proposed standard is a commendable first step. In this context, we support and encourage the IAASB to cooperate with other standard setters with the aim of achieving high quality and practical standards for provision on sustainability issues.

Our main comments on the exposure draft are summarised below:

1. ISAE 3000 should act as a standalone standard providing a solid basis for the additional requirements that will be set in subject-specific standards, such as for greenhouse gas engagements in ISAE 3410. In this context, to prevent confusion as to the authority attached to ISAE 3000 and to the subject specific standards, specific requirements for instance with regard to assurance reports, should not contradict each other.
2. Commonly used terms, such as practitioner, engagement partner, errors, etc. should not differ from one engagement type to another without a clear justification for the difference. Consistency between standards should therefore be the key driver when setting new standards to facilitate appropriate application in a practical manner without risking misunderstandings of the terms used in the different engagements.
3. Assurance reports need to be understandable. The general concept of a negative opinion in limited assurance engagements, regardless of the wording of the opinion, may be difficult to understand in practice and may not contribute, in the interest of the users, to close the expectation gap that already exists. However, FEE believes that limited assurance can probably best be conveyed through a negative opinion as this makes the limited assurance opinion different from a reasonable assurance opinion in its appearance. The specific wording of the opinion should be made simple and clear using the most non-technical language possible. This can be achieved by avoiding double negative wording.
4. When issued, ISAE 3410 should be fully aligned with the new ISAE 3000 and the two standards should be issued simultaneously with the same effective dates.

For further information on this FEE¹ letter, please contact Hilde Blomme at +32 2 285 40 77 or via email at hilde.blomme@fee.be or Lotte Andersen at +32 2 285 40 80 or via email at lotte.andersen@fee.be from the FEE Secretariat.

Yours sincerely,



Philip Johnson
FEE President

¹ FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 27 European Union (EU) Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.

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Association Internationale reconnue par Arrêté Royal en date du 30 décembre 1986

Appendix: Responses to Questions

General

Split between ISAE 3000 and ISAE 3410

ISAE 3000 should be the foundation standard with the sub-standards only providing additional requirements needed for the specific subject matter, in this case on greenhouse gas statements. Accordingly, the IAASB should ensure that there is, to the extent possible, no duplication of requirements in both ISAE 3000 and ISAE 3410.

FEE believes that the overall split made between the two standards in the exposure draft could be clarified by an improved balance in relation to the interconnections with ISAE 3000, particularly in relation to how these two standards will work together and through more guidance on how the standards should be read in conjunction with each other.

In addition, paragraph 14 in ISAE 3410, as well as the application material in paragraph A16, noting the relationship between the two standards, could be expanded with a clear identification of which areas of a greenhouse gas engagement are to be covered in ISAE 3000.

Key principles in specific main areas should in our opinion be covered by ISAE 3000, provided they are generic to all assurance engagements. Specific requirements relevant for the subject specific engagements should be included in the standard for assurance engagements on greenhouse gas statements, and in other subject specific standards under ISAE 3000. The main areas where key principles should be included in ISAE 3000 (and not duplicated in the subject specific standards, but expanded upon, where necessary, for the specific subject matter in question) include:

- Reference to ISQC 1
- Ethical Requirements
- Acceptance and Continuance
- Parts of Planning
- Parts of Obtaining an Understanding
- Use of an Expert (currently correctly not included in ISAE 3410)
- Using the Work of Component Practitioners
- Written Representations
- Documentation

Requirements specific to the engagement and the subject matter for each of these areas should be included in each of the subject specific standards with clear references to the relevant paragraphs in ISAE 3000.

With regard to reporting, the basic structure of the assurance reports should be clear from the requirements in ISAE 3000 and subject specific standards should also be fully aligned with the requirements for assurance reports in ISAE 3000. As discussed above, this is due to the crucial need for consistency between ISAE 3000 and the subject specific standards to ensure that

conflicts between requirements in the umbrella standard and the subject specific standard will not arise.

It needs to be clear which requirements for reporting from ISAE 3000, if any, are applicable when issuing a report on an engagement under the subject specific standard. Examples of current inconsistencies include:

- The structure of the paragraphs in the two standards are different, for example as follows:
 - ISAE 3410 introduces a headline preceding paragraph 2 stating “Scope of this ISAE” which is not included in ISAE 3000 and the paragraphs in the introduction (paragraphs 1-9 in ISAE 3000 and paragraphs 1-10 in ISAE 3410) differ.
 - ISAE 3410 introduces a headline for “*Skills, Knowledge and Experience*” under “*Acceptance and Continuance*” which is not done in ISAE 3000, where the paragraph requiring skills (paragraph 27 (b)) is under a dedicated headline of “*Quality control*” describing the “*Characteristics of the Engagement Partner*” after the section on “*Acceptance and Continuance*”.
 - In ISAE 3000, the main part of the procedures are included under the headline “*Obtaining Evidence*” whilst in ISAE 3410 such a headline is not included and instead headlines like “*Understanding the Entity and Its Environment*” and “*Procedures to Obtain an Understanding and to Identify and Assess Risks*” are used. As the procedures in ISAE 3410 are to be add-on procedures to those included in ISAE 3000, the order, the use of bold and italics and the structure of the requirements should be the same.
- The use of tabular formats in ISAE 3410 for distinguishing between reasonable and limited assurance is not mirrored in ISAE 3000. This can lead to questioning which requirements are to be referenced between ISAE 3000 and ISAE 3410 as a result of the reference to ISAE 3000 in paragraphs 3, 9 and 14 in ISAE 3410.
- ISAE 3000 sets specific requirements for qualifications, adverse and disclaimers of opinion, but no requirements regarding emphasis of matter or other matters paragraphs. The opposite approach is used in ISAE 3410. This can cause the practitioner to question whether it is not possible to include an emphasis of matter paragraph in an ISAE 3000 report and whether it is not possible to disclaim an ISAE 3410 report.

More comments on the specific points are included in the relevant questions below.

Consistency throughout IAASB pronouncements

The same terms for various matters are being used in the different IAASB pronouncements, i.e. in ISAs, in ISREs and in ISAEs. Examples of such terms are practitioner, firm, engagement partner, engagement team, understanding, errors, misstatements, etc. Such terms should not differ from one engagement type to another without a clear justification for the difference between for instance audit and assurance engagements.

Any differences between the various engagement types will complicate the application of IAASB standards and will not facilitate consistent application of the standards due to misunderstandings of the terms in the different engagements. Consistency between standards should therefore be the key driver when setting new standards.

Also, we note that some requirements addressing common aspects of limited and reasonable assurance engagements are not consistent in the various exposure drafts recently issued. We would urge the IAASB to review these standards to ensure common terminology is applied, where appropriate. In this context, we also refer to our comment letter on the proposed ISRE 2400² in which we suggested certain changes in relation to various matters including, but not limited to the understanding to be obtained by the practitioner, trigger points for the work effort, additional procedures in response to work performed and the wording of the practitioner's report. As such issues apply equally in the context of limited assurance greenhouse gas engagements, FEE supports consistency in their treatment.

Limited assurance distinguishable from reasonable assurance

It is essential that limited assurance engagements on greenhouse gas statements included in the assurance standard are made understandable, meaningful to users and clearly distinguishable from reasonable assurance engagements. The distinction from reasonable assurance engagements is best addressed, from the point of view of users, through the limited assurance report and secondly, for practitioners, through the nature and extent of procedures that need to be undertaken in a limited assurance engagement.

Question 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?

The balance between the resulting costs and benefits appears to be appropriate. However, it is not easy to quantify the benefits of the value of the information to the users.

In practice, limited assurance engagements for greenhouse gas statements are more common as this level of assurance would appear to provide the desired value for money for the users. However, assurance on greenhouse gas statements is a new and evolving area. Therefore, it would be beneficial to carry out a cost-benefit analysis at a later stage when more experience is gained.

Question 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

FEE agrees that a risk assessment is needed, regardless of the level of assurance, as it will determine the procedures to be performed and highlight the areas where material misstatements are likely to arise. Therefore, practitioners will in practice base the procedures on their assessment of risk as appropriately reflected in the exposure draft.

² FEE comment letter on Proposed ISRE 2400 Review Engagements
<http://www.fee.be/fileupload/upload/Gunn%20110520%20ISRE%202400%20Engagements%20to%20Review%20Historical%20Financial%20Statements2452011521741.pdf>, 24 May 2011

However, the approach to the risk assessment will vary, depending on whether the engagement is a reasonable assurance engagement or a limited assurance engagement. To make the risk-based approach in reasonable assurance engagements clearly distinguishable from the risk considerations in a limited assurance engagement, a term other than “risk-based approach” should be used for limited assurance. The term “*Risk Considerations*” is consistent with the proposed approach for limited assurance engagements in the proposed ISAE 3000³. In FEE’s view, this is an appropriate term for indicating that such considerations should be applied throughout the limited assurance engagement, but should be less extensive than the procedures required for reasonable assurance engagements on greenhouse gas statements. More clearly distinguishing between the two levels could be done by:

- Including an explicit reference to “*Risk Considerations*” in paragraph 22L;
- Highlighting in paragraph 22L that the practitioner will “...*obtain an understanding through inquiry ...*” for limited assurance engagements;
- Making it clearer in paragraph 25 that the procedures required for obtaining an understanding in a limited assurance engagement are different from those to be performed in a reasonable assurance engagement, in line with the comments included in the Explanatory Memorandum;
- Clarify that for limited assurance, the understanding relates to the subject matter and not to the entity as a whole in line with the proposed ISAE 3000;
- Clarify and ensure that there is sufficient and significant difference between limited and reasonable assurance with regard to identifying and assessing risks of material misstatement in paragraph 31.

As mentioned in our general comments above, FEE encourages the IAASB to align the terms and wording of requirements used throughout IAASB standards to ensure that the approach for limited assurance engagements is the same.

(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?

Given that this is a new and evolving area within assurance engagements and given the quality of greenhouse gas data, it would be more appropriate for the standard to set clear guidance as to what a minimum level of procedures should be. This would more appropriately facilitate the design and performance of further procedures.

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

We do not support only prescribing certain types of procedures since the procedures used should relate to the risks identified. Such specified approach could result in the practitioner failing to obtain sufficient evidence to support the level of assurance.

³ Proposed ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, draft prepared for IAASB Board meeting in March 2011.

Question 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?

In the response to the Consultation Paper⁴, FEE strongly advocated for the inclusion of limited assurance in the standard as such engagements are frequent in practice.

Reference is made to our response to Question 2 above with regard to making limited and reasonable assurance engagements clearly distinguishable. There can be a danger in listing the activities and indicative procedures as this could be perceived as being prescriptive and take away professional judgment. We recommend making specific reference to the use of professional judgment and professional scepticism in paragraph 14 of the exposure draft including a link to the relevant paragraphs for these two terms in the proposed ISAE 3000. This would be applicable for both reasonable and limited assurance on greenhouse gas engagements.

The terms “further procedures” and “additional procedures” (after the trigger point) are used in relation to the response to assessed risks. If there is a difference between the two terms, we recommend choosing different terminology to differentiate more between the two terms. If not, the standard should apply a single term throughout.

Question 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?

FEE supports the use of the columnar format for reasonable and limited assurance which makes them clearly distinguishable and facilitates the application of the standard. This approach should be used throughout the standard and could also be introduced for the objectives in paragraph 12 of the exposure draft, as well as for the opinion in paragraph 70.

However, as mentioned in our response to Question 3 above, a tabular format could also be perceived as too prescriptive and a clear reference to the paragraphs in ISAE 3000 on professional judgment and scepticism, as suggested above, would mitigate the risk of such a misperception occurring in practice.

The main differences between limited and reasonable assurance are explained in the Explanatory Memorandum. This explanation, in the same format or as flowcharts, would be useful as an appendix to the standard as it gives a good overview, in addition to the tabular format included in the standard itself.

⁴ The FEE response to the Consultation Paper, 10 February 2010
<http://www.fee.be/fileupload/upload/Gunn%20100210%20-%20Assurance%20on%20Greenhouse%20Gas%20Statement142201046203.pdf>

The requirements for procedures in paragraphs 35-47 appear extensive and those not exclusive to assurance on greenhouse gas statements would be better included in ISAE 3000. This is the case for instance for paragraph 45 covering both fraud and non-compliance with laws and regulations. Other paragraphs in this section could be viewed more as guidance than requirements. We encourage the IAASB to review this section of the exposure draft to re-assess whether it contains requirements (as opposed to guidance) that are specific to assurance engagements on greenhouse gas statements, particularly the following paragraphs:

- Paragraph 35 (b) is identical for reasonable and limited assurance but could be too generic in practice.
- There does not seem to be a need to distinguish between limited and reasonable assurance in paragraphs 40L-R (c) and paragraph 41L-R with regard to inquiry and evidence.

Question 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?

The requirements regarding the procedures to be included in the report are in line with the recommendations made by FEE in our response to the Consultation Paper. We also note that the level of disclosures needs to be proportionate in relation to the work that has been carried out to achieve limited assurance.

However, including a summary of procedures in the limited assurance report might give the impression to the users that additional work is performed in limited assurance engagements compared to reasonable assurance engagements. In our opinion, a summary of procedures would be equally relevant for inclusion in the reasonable assurance report in order to mitigate this misperception.

Question 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?

In general, the requirements appear appropriate and the examples in A106 and A107 are useful. It would be helpful adding an example of other procedures to illustrate how a scope limitation could be stated in the report.

In cases where the practitioner believes that there is a fundamental uncertainty that would not be removed by the performance of additional procedures, more guidance as to which kind of actions would be appropriate, would be useful.

FEE recommends that the words “may be” in paragraph 47R of the exposure draft be replaced with “are likely to” which would lead to a higher and more appropriate level for when additional procedures in limited assurance engagements are to be performed. This would ensure that the threshold for the trigger point for additional procedures is not set at too low a level.

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

The requirements regarding performance of procedures on location appear appropriate. One clarification referring to “*using the work of component practitioners*” in paragraph 55 of the exposure draft could be relevant to include, which is suggested to be moved to ISAE 3000 in our comments above. Regardless of the location of the requirements related to component practitioners, the IAASB is encouraged to ensure that these requirements are similar to those of an audit, as included in ISAs, as there does not seem to be a need for differentiating between audit engagements and assurance (reasonable or limited) engagements in this regard.

The application material in this regard is useful, although the inclusion of percentages in relation to the materiality level is inappropriate in this principles-based standard.

Question 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?

The difference is clearly explained and the split is appropriate. However, some more explanation could be given on how to deal with model uncertainty in the engagement (e.g. inquiring or considering that the models are validated).

In relation to uncertainties, we believe that calculation or review of this information may add little value to the time and effort involved. Paragraph A27 and consequently the assurance report should state clearly that it is the preparer and not the practitioner that may not be able to calculate uncertainties with reference to the inclusion in the assurance report. Clarification would be needed in order to avoid issues arising in relation to the independence of the practitioner.

(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?

FEE supports the inclusion of a reference to uncertainties under the section of Management Responsibility as noted in our response to the Consultation Paper.

With regard to the suggested wording of the example in the illustrative reports, more clarity could be provided to the users, as “uncertainties” can refer to scientific uncertainty as well as to estimation uncertainty, which in practice are two different categories. The example could be made clearer if estimation uncertainty is also explicitly mentioned.

An example could be added that displays the inclusion of an emphasis of matter paragraph related to uncertainties, as suggested also in our response to Question 9.

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

Reporting will be crucial when considering the future role of the auditor, especially given the current discussions on this issue in the EU as a result of the consultation on audit policy initiated by the European Commission. The current IAASB project on audit reports addresses this by focusing on user perceptions.

Reasonable assurance report

As mentioned in our response to Question 5, a summary of procedures in a reasonable assurance greenhouse gas engagement should be included in the reasonable assurance report without adding unduly to the volume of the report which is already quite long.

Wording of the limited assurance opinion

The considerations noted above are equally important for limited assurance reports as such reports will be issued in the future in an increasing number than is currently the case and also more frequently than reasonable assurance reports on greenhouse gas statements. Considerations regarding limited assurance reports in general could therefore be addressed in the current project on audit reports to ensure consistency throughout the IAASB standards.

As explained in more detail in our comment letter on the proposed ISRE 2400, FEE recognises that the general concept of a negative opinion, regardless of the wording, may be difficult to understand in practice and may not contribute, in the interest of the users, to close the expectation gap that already exists. In addition, linguistic issues should be carefully considered, as the double negative in the opinion makes it difficult to understand in a number of languages other than English. However, FEE realises that the negative opinion probably best conveys the level of assurance that is being given. Additionally, the specific wording of the opinion should be simple and clear in the most non-technical language possible.

Although not explicitly mentioned in the standard, adverse opinions or disclaimers of opinion are difficult to make understandable in a negative opinion as proposed, given the need for double negatives. This can be very difficult to understand for a non-audit technical user of the assurance report, both in English and in other languages.

Therefore, to avoid the double negative in the review opinion and to address the problem of adverse opinions or disclaimers of opinion, FEE proposes simplification of the wording of the opinion, which could be done in one of the following ways:

- *“Based on the procedures performed, we are not aware of any material amendments that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.” or*
- *“Based on the procedures performed, nothing has come to our attention that causes us to believe that the financial statements require material amendment in order for them to be in accordance with the applicable financial reporting framework”.*

Reference to multidisciplinary teams

The Illustrative assurance reports include a reference to multidisciplinary teams. There is no corresponding requirement in the standard itself in paragraph 73.

Each engagement will vary and require a different mix of skills and expertise, as would be the case for a financial audit on matters such as taxation, pensions, investment and asset valuations, etc. The composition of the engagement team needs therefore to be a key judgement for the engagement partner, as required in paragraph 15, but should not be explicitly mentioned in the assurance report. As a result of this and to ensure inherent consistency in the standard, FEE recommends removal of the reference to multidisciplinary teams in the Illustrative assurance reports.

Modified reports

FEE proposes that more Illustrative Practitioners’ Reports are added to display how emphasis of matter paragraphs and Other Matter Paragraphs will be used in practice in accordance with the requirements in paragraph 74.

The exposure draft does not include any requirements related to qualification of the reports, except a reference to have a clear description of the reasons for a modified opinion in paragraph 73 (j). Although qualification of greenhouse gas assurance reports (reasonable or limited assurance) may not be frequent in practice, FEE finds it necessary to ensure that the standard clearly allows such reports to be issued and sets requirements as to how this is to be done, including referring to adverse or disclaimer of opinions. An example of how a qualified report would look like would also be relevant.

“Opinion” or “Conclusion”

The exposure draft appears to favour the use of the term “conclusion” for all assurance reports, regardless of whether it is a report on reasonable assurance or limited assurance. FEE is of the view that the report should have an “opinion” and not a “conclusion” in line with the common terminology for audit reports. The difference between the two terms could in practice be too subtle, even in English, and does not seem to meet the purpose of distinguishing between limited and reasonable assurance to the extent that is intended. Also, for linguistic purposes, the subtle difference between the two terms is quite difficult to translate, as a number of other languages do not have two words that can clearly display the intended difference.

Limited assurance not being reasonable assurance

Paragraph 73 (h) requires that in case of a limited assurance engagement, the report should include a statement that “... *that the extent of procedures is substantially less than a reasonable assurance engagement and consequently does not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement*”.

To facilitate provisions that may be in national laws or regulations in particular jurisdictions, FEE suggests that the IAASB considers changing this requirement to be an option similar to examples that refer to national laws and regulations included in ISAs for instance as set forth in paragraph A73 of ISA 200 by including the phrase “...*unless prohibited by law or regulation ...*” before “... *a statement that the extent of the procedures ...*” within paragraph 73 (h)(ii). These proposed changes would result in a limited assurance report where the practitioner explains the content of the work carried out instead of referring to the extent of work that has not been carried out.

Preparers, Users and Assurers of GHG Statements prepared by Small- and Medium-Sized Entities (SMEs), including Regulators—Recognizing that SMEs increasingly will be preparing GHG statements and seeking to have them assured, the IAASB invites preparers, users (including regulators) and assurers to comment on the proposed ISAE, in particular on the scalability of requirements and the form and content of the illustrative assurance reports.

It is important that the standard on assurance on greenhouse gas statements is scalable for smaller entities. In addition to the already included paragraphs on smaller entities, some more general guidance could be included under a separate heading entitled “*Considerations specific to smaller entities*”. The three paragraphs referring to smaller entities (paragraphs A44, A60 and A92) could be grouped together under this heading which would address the issue of proportionality for smaller entities more clearly.

In addition, we would like to highlight the following key comments of particular relevance:

- SMPs are likely to be required to conduct limited assurance engagements for an increasing number of SMEs (especially those in large company supply chains). SMPs can have a relatively limited resource base and thus specialist knowledge, when needed, may often have to be acquired through collaboration with third parties. The use of experts is, therefore, highly important for SMPs when applying this standard.
- As SMEs are very diverse and their business models are often a reflection of the particular knowledge and networks of the owner that is not easily replicated by others, the exercise of professional judgement by the practitioner in these situations is essential and should be even further encouraged in situations that are not of a standardised nature, such as assurance on greenhouse gas statements.

Effective Date—Recognizing that proposed ISAE 3410 is a new standard, and given the need for national due process and translation, as applicable, and the likely immediate use of the standard where there is no equivalent national standard, the IAASB believes that an appropriate effective date for the standard would be 12–15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

When issued, ISAE 3410 should be fully aligned with the new ISAE 3000 and the two standards should be issued simultaneously with the same effective dates. It would be more efficient to have the new ISAE 3410 aligned with the new ISAE 3000 to avoid amending, translating and implementing an updated version of ISAE 3410 following the finalisation of ISAE 3000.

Other comments

Flowchart

It would be useful to develop a flowchart explaining the process of limited and reasonable greenhouse gas engagements, as well as the relationship between ISAE 3410 and guidance from other standard setters, such as in relation to the GHG Protocol and ISO 14064.

Drafting related comments

As significant emissions cannot normally be excluded, the reference to such exclusion in paragraph 16 (a) on “*whether such exclusions are reasonable in the circumstances*” should be deleted. If such exclusions occur, the practitioner would need to modify the report. This also applies to paragraph 52.