

**Proposed ISAE 3410 Limited Assurance Report—
Issues and IAASB Task Force Proposals dated January 2012****Background**

1. An exposure draft of Proposed ISAE 3410 (“ED 3410”)¹ covering both reasonable assurance and limited assurance engagements was approved in December 2010, with comments through June 10, 2011. Included in ED 3410 were illustrative reports for both a reasonable assurance and a limited assurance engagement.
2. A continuing issue for the Task Force, and one which respondents of ED 3410 were specifically asked to comment on, are the requirements and guidance related to the summary of procedures to be contained in the illustrative limited assurance practitioner’s report. The comments received from respondents on this issue were set out in [Agenda Paper 9-A](#) (paragraphs 29 to 32) of the December 2011 IAASB meeting. Respondents’ views were mixed, with 18 respondents agreeing with the approach taken in ED 3410 (i.e. including a more detailed summary of procedures), and 11 indicating various concerns with this approach. Eight respondents did not comment on this question. A summary of the breakdown, and the reasons for their comments, have been included in Appendix 3. The responses to ED 3410 are available on the [IAASB website](#).
3. As set out in the December 2011 Agenda Paper, based on the comments received and the Task Force’s consequential deliberations, changes were made to the illustrative Limited Assurance Report which was presented at the December 2011 IAASB meeting. The IAASB expressed a range of concerns with the report, in particular with the approach taken for the description of procedures in the report. IAASB members held divergent views on whether to include standardized procedures, or to allow further procedures to be added.
4. To provide further guidance to the Task Force in order to finalize the proposed standard in March 2012, the IAASB agreed to a teleconference to further explore the specific identified issues around the Limited Assurance Report. This paper sets out the issues raised and the Task Force’s proposals with respect to those issues.

Issues**A. Description in the Limited Assurance Report of Procedures Performed**

5. From the comments received on exposure, the IAASB discussions in December 2011 and further Task Force deliberations, three options have been identified for the description in the Limited Assurance Report of procedures performed. The options vary in terms of the level of standardization and detail included and are as follows:
 - (i) A “standardized” approach—only common standardized procedures are listed, with the practitioner having the ability to delete a procedure if it had not been performed as they were not relevant for that engagement (for example, the inspection of equipment when the scope

¹ Proposed International Standard on Assurance Engagements (ISAE) 3410 *Assurance Engagements on Greenhouse Gas Statements*, issued January 2011

of the engagement requires only a review of electricity bills).² This approach would result in a “standardized” short form report.

- (ii) A “customized” approach—this would include the same basic procedures as the standardized approach (with the same ability to delete procedures not performed), however this approach would allow further detail to be provided on those procedures that, in the practitioner’s judgment, are relevant to the users’ understanding of the limited assurance engagement and the assurance conveyed by the report. This approach would result in a “customized” short form report.
- (iii) A free form approach—there would be no standardized procedures listed. In contrast to (i) and (ii) above, this approach allows for more narrative on the nature and extent of each type of procedure performed that, in the practitioner’s judgment, should be included in the report. This approach would result in a “long form” report.

The only area of difference under all three options would be the detail around the description of procedures, all other content of the report would be the same.

Consideration of Use of a Long Form Report

- 6. The Task Force explored whether to include a “long form” report (option (iii) above), which would contain an explanation in a narrative form of the nature and extent of the types of procedures performed. In exploring this option, including consideration of the comments received on exposure and the IAASB’s discussions at the December 2011 IAASB meeting, the Task Force concluded that allowing discretion to the practitioner in respect of the description of all of the procedures performed would add to the concern that listing procedures may indicate to some users (incorrectly) that more assurance is gained from a limited assurance engagement than a reasonable assurance engagement.

Benefits of a “Standardized” versus “Customized” Short Form Report

- 7. Benefits of a “standardized” approach to the inclusion of procedures in a Limited Assurance Report include:
 - Assisting users to recognize a limited assurance report.
 - Avoiding potential confusion around the users’ interpretation if the details about the procedures performed have been poorly drafted.
 - Aiding comparability.
 - Avoiding users taking inappropriate assurance, for example if different (similar) situations are described similarly (differently) leading users to perceive the level of assurance is the same (different) when it is not.
 - Avoiding the risk that reports may be longer than reasonable assurance reports. This will avoid the risk that some users may assume, that because the report is longer, that the limited

² Due to the wide range of engagements in this area, the procedures would not be the same for all engagements and it would therefore be necessary to have the option to delete as appropriate.

assurance report provides more assurance than the reasonable assurance report (because they have not read the clear statement that this not the case).

- Avoiding potential additional costs which may be incurred if the procedures to be listed are customized.
8. Benefits of a “customized” approach to the inclusion of procedures in a Limited Assurance Report include:
- Detailing more about the procedures performed allows users to better understand the context of the assurance conclusion based on the procedures that were performed, i.e., providing a more informative report.
 - Avoiding the risk that some users may assume that the level of assurance is the same when it is not. Due to the large range of engagements, and levels of assurance, not allowing additional descriptions of the procedures may be less informative and potentially misleading as it does not allow users to assess the assurance obtained.
 - It is a more transparent approach, particularly when the market is demanding more information in these types of engagements.
 - It is consistent with current practice.

Requirements for the Description of Procedures in the Assurance Report

9. The Task Force considered whether the options discussed previously (i.e., the “standardized” approach discussed in para. 6(i) and the “customized” approach discussed in para. 6(ii)) would be allowable within the relevant requirements of the applicable standards.
10. To assert compliance with ED 3410, the practitioner must also³ have complied with the requirements of ISAE 3000⁴ (ED 3410 has been based on the requirements of the extant ISAE 3000). The requirements within both ED 3410 and ISAE 3000 (extant) in relation to the content of the assurance report in this area are as follows:
- (i) ED 3410⁵ : A summary of the practitioner’s procedures; and
 - (ii) ISAE 3000 (extant)⁶ : A summary of the work performed: the summary will help the intended users understand the nature of the assurance conveyed by the assurance report.....

Because in a limited assurance engagement an appreciation of the nature, timing and extent of evidence-gathering procedures performed is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, the summary of work performed:

- (i) Is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of evidence-gathering procedures. It

³ ED 3410, Para 14

⁴ ISAE 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

⁵ ISAE 3410, Para 73(h)(ii)

⁶ ISAE 3000, Para 49(i)

may be appropriate to indicate procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement; and....

11. The Task Force concluded that both options under consideration would be permissible under the relevant requirements of the applicable standards.

Task Force Recommendation

12. The Task Force recommends that two example Limited Assurance illustration reports be included in the final standard, one describing the basic procedures in a “standardized” approach, and the other allowing for a more detailed description in a “customized” approach.
13. In the Task Force’s view, this recommendation would effectively address the mixed views expressed by both the IAASB members and respondents. Further, it would be a pragmatic approach to address the concerns that have been raised. It would also allow a degree of consistency while not limiting what may be more appropriate in the circumstances.
14. The decision by practitioners about which approach to use would be influenced by such matters as legal and regulatory requirements, common practice in the jurisdiction and the circumstances of the engagement.
15. Monitoring by the IAASB of the use of the standard, including the reports, after implementation will be important given that this is an emerging and evolving area.

Illustrative Reports

16. To demonstrate the differences in approach, i.e., “standardized” versus “customized”, the Task Force has included two Limited Assurance illustrative reports in the Appendices:
 - (i) Appendix 1 “Standardized Short Form” Report – this illustrates the “standardized” approach.
 - (ii) Appendix 2 “Customized Short Form” Report– this illustrates the “customized” approach. Examples of the types of procedures to be listed here, and guidance on how much to include, have been provided in the report.

Matters for IAASB Consideration

17. The Task Force is requesting direction from the IAASB on the description of procedures in a Limited Assurance Report, in order to prepare a final draft of ISAE 3410 for the IAASB’s approval in March 2012. As indicated above, the Task Force has recommended that the final standard includes illustrative reports which allow the practitioner the option of using either a “standardized” or a “customized” approach.

Q1. Does the IAASB agree with the proposed inclusion of both the “standardized” and “customized” illustrative reports in the final standard?

- If not, which report would be the preferred illustrative report to be included?

The IAASB is asked to provide reasons for the answers above, as it would be helpful to the Task Force in their further deliberations on this.

Q2. Does the IAASB agree with the description of the procedures as they have been articulated, in Appendix 1 for the ‘standardized’ approach (second paragraph of “Our Responsibility”) and Appendix 2 for the ‘customized’ approach (second and third paragraphs of “Our Responsibility”)? If concerns exist, please provide specific suggestions for change and the reason why.

B. Paragraph to Distinguish a Limited Assurance Engagement from a Reasonable Assurance Engagement

18. ISAE 3000⁷ requires that a statement is made in the assurance report that the evidence gathering procedures performed in a Limited Assurance engagement are more limited than in a reasonable assurance engagement and therefore less assurance is obtained.
19. ED 3410⁸ requires that the limited assurance report contains a statement that allows the user an appreciation of the nature, timing and extent of the procedures performed, and highlights that this is less than would ordinarily be performed in a reasonable assurance engagement and consequently that the practitioner has not obtained the assurance necessary to identify all the significant matters that might have been identified in a reasonable assurance engagement.
20. Paragraph 73 (h) (ii) in ED 3410 was amended for the IAASB discussion in December 2011 based on comments from respondents, and the illustrative Limited Assurance Report amended to reflect the revised requirements. Some IAASB members questioned the wording of the revisions in this area, including the use of terminology, the inclusion of concepts that were difficult to understand such as “meaningful level of assurance”, and overall clarity of the paragraph. The Task Force was encouraged to further develop the wording of this paragraph so that users of the limited assurance report would understand that the procedures performed in a limited assurance engagement are less than in a reasonable assurance engagement, and that the assurance for a limited assurance engagement would be less than a reasonable assurance engagement.

Matter for IAASB Consideration

21. The Task Force has revised this paragraph included in the Illustrative Limited Assurance Reports in the Appendices (this paragraph is the same for both reports).

Q3. Does the IAASB agree with the revised paragraph (as shown in Appendix 1, third paragraph of “Our Responsibility”) to distinguish a limited assurance engagement from a reasonable assurance engagement? If concerns exist, please provide specific suggestions for change and the reason why.

C. Other Aspects of the Illustrative Reports

Q4. Does the IAASB have any further comments on any other areas within the illustrative reports?

⁷ ISAE 3000, Para 49 (i) (ii)

⁸ ED 3410, Para73 (h)(ii)

Appendix 1

Illustration 1 – ‘Standardized’ Short Form Limited Assurance Report

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

Circumstances include the following:

Limited assurance engagement.

The entity's GHG statement contains no Scope 3 emissions.

The entity's GHG statement contains no emissions deductions.

INDEPENDENT LIMITED ASSURANCE REPORT ON ABC'S GREENHOUSE GAS (GHG) STATEMENT

[Appropriate Addressee]

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

We have undertaken a limited assurance engagement of the accompanying GHG statement of ABC for the year ended December 31, 20X1, comprising the Emissions Inventory and the Explanatory Notes on pages xx–yy.

ABC's Responsibility for the GHG Statement

ABC is responsible for the preparation of the GHG statement in accordance with [*applicable criteria*⁹], applied as explained in Note 1 to the Emissions Inventory. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

[As discussed in Note 1 to the GHG statement],¹⁰ GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Independence and Quality Control

We have complied with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

⁹ [*Applicable criteria*] are available for free download from www.#####.org.

¹⁰ Where there is no discussion of the inherent uncertainty in Note 1 to the GHG statement, the words in the brackets should be deleted.

In accordance with International Standard on Quality Control 1,¹¹ [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

Our responsibility is to express a limited assurance conclusion on the GHG statement based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements (“ISAE 3410”), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG statement is free from material misstatement, whether due to fraud or error. This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.¹²

A limited assurance engagement with respect to a GHG statement in accordance with ISAE 3410 involves assessing the suitability in the circumstances of ABC’s use of [applicable criteria] as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement and performing procedures to respond to these assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. The nature, timing and extent of the procedures we selected was based on our judgment and included inquiries of management, observation of processes and procedures as they are being performed, inspection of documents and physical equipment, analytical procedures, recalculation of a sample of emissions appearing in the GHG statement, tracing emissions factors back to (source reference), evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying accounting records.¹³

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the assessment of the risks of material misstatement, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is 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 Emissions Inventory.

¹¹ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

¹² The sentence should be deleted if it is not applicable to the engagement (for example if the engagement was to report only on Scope 2 emissions and no other experts were used).

¹³ The procedures listed in this illustrative report are examples of the types of procedures performed in a limited assurance engagement on a GHG statement but may not be applicable to the circumstances of the engagement. Procedures that are not applicable should be deleted.

Limited Assurance Conclusion

On the basis of the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that ABC's GHG statement for the year ended December 31, 20X1 is not prepared, in all material respects, in accordance with the [*applicable criteria*] applied as explained in Note 1 to the Emissions Inventory.

Report on Other Legal and Regulatory Requirements (*applicable for some engagements only*)

[Form and content of this section will vary depending on the nature of the practitioner's other reporting responsibilities.]

[Practitioner's signature]

[Date of the assurance report]

[Practitioner's address]

Appendix 2

Illustration 2 – ‘Customized’ Short Form Limited Assurance Report

The following illustrative report is for guidance only and is not intended to be exhaustive or applicable to all situations.

Circumstances include the following:

Limited assurance engagement.

The entity’s GHG statement contains no Scope 3 emissions.

The entity’s GHG statement contains no emissions deductions.

INDEPENDENT LIMITED ASSURANCE REPORT ON ABC’S GREENHOUSE GAS (GHG) STATEMENT

[Appropriate Addressee]

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

We have undertaken a limited assurance engagement of the accompanying GHG statement of ABC for the year ended December 31, 20X1, comprising the Emissions Inventory and the Explanatory Notes on pages xx–yy.

ABC’s Responsibility for the GHG Statement

ABC is responsible for the preparation of the GHG statement in accordance with [*applicable criteria*¹⁴], applied as explained in Note 1 to the Emissions Inventory. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error.

[As discussed in Note 1 to the GHG statement],¹⁵ GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Independence and Quality Control

We have complied with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

¹⁴ [*Applicable criteria*] are available for free download from www.#####.org.

¹⁵ Where there is no discussion of the inherent uncertainty in Note 1 to the GHG statement, this should be deleted.

In accordance with International Standard on Quality Control 1,¹⁶ [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

Our responsibility is to express a limited assurance conclusion on the GHG statement based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements (“ISAE 3410”), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the GHG statement is free from material misstatement, whether due to fraud or error. This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.¹⁷

A limited assurance engagement with respect to a GHG statement in accordance with ISAE 3410 involves assessing the suitability in the circumstances of ABC’s use of [applicable criteria] as the basis for the preparation of the GHG statement, assessing the risks of material misstatement of the GHG statement and performing procedures to respond to these assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG statement. The nature, timing and extent of the procedures we selected was based on our judgment and included inquiries of management, observation of processes and procedures as they are being performed, inspection of documents and physical equipment, analytical procedures, recalculation of a sample of emissions appearing in the GHG statement, tracing emissions factors back to (source reference), evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying accounting records.¹⁸ In addition, given the nature of the engagement and emissions sources, our procedures also included:

[Insert a summary of the nature, timing and extent of those procedures performed in the engagement, beyond those already described, which in the practitioners judgment are relevant to the users’ understanding for the basis of the practitioners’ conclusion. The procedures should be summarized but not to the extent that they are ambiguous, nor written in a way that is overstated or embellished, and in most cases will not detail the entire work plan. The following examples have been provided as guidance, and are not an exhaustive list of either the type, or extent, of the procedures which would be important for the users’ understanding of the work done.]

¹⁶ ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

¹⁷ The sentence should be deleted if it is not applicable to the engagement (for example if the engagement was to report only on Scope 2 emissions and no other experts were used).

¹⁸ The procedures listed in this illustrative report are examples of the types of procedures performed in a limited assurance engagement on a GHG statement but may not be applicable to the circumstances of the engagement. Procedures that are not applicable should be deleted.

- Using data provided by management, evaluating whether ABC's methods for making estimates are appropriate and have been applied consistently.; and
- Undertaking site visits at XYZ processing site to perform procedures 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.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the assessment of the risks of material misstatement, and the procedures performed in response to the assessed risks. Consequently, the level of assurance obtained in a limited assurance engagement is 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 Emissions Inventory.

Limited Assurance Conclusion

On the basis of the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that ABC's GHG statement for the year ended December 31, 20X1 is not prepared, in all material respects, in accordance with the [*applicable criteria*] applied as explained in Note 1 to the Emissions Inventory.

Report on Other Legal and Regulatory Requirements (*applicable for some engagements only*)

[Form and content of this section will vary depending on the nature of the practitioner's other reporting responsibilities.]

[Practitioner's signature]

[Date of the assurance report]

[Practitioner's address]

Appendix 3

Summary of Comments - Inclusion of Procedures in the Practitioner's Report

The following summarizes the comments from the responses to ED 3410:

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?”

Agree	Effectively conveys to users the level of assurance obtained.	ICAP, IdW, AOB, RACOPK, KPMG, SAICA, JICPA
	In the absence of listing procedures, users may have difficulty assessing whether the engagement meets their assurance needs.	ACCA
	Promotes consistency.	CIPFA
	For transparency.	CAASB, DTT, ICAEW, LRQA, PWC, TCR
	Agreed but no further comment or reason provided.	FEE, F.Irungu, ICPAS
Concerns	By listing procedures, it is possible for users to gain the impression that a higher level of assurance was obtained.	AICPA, AUASB, IRBA, DHC
	By listing procedures, it is possible for users to gain the impression that a higher level of assurance was obtained.	AICPA, AUASB, IRBA, DHC
	Level of assurance should not be communicated through the procedures conducted.	AUASB
	Unlikely a list of procedures will convey the level of assurance without a lot of detail being provided.	NZICA, CGA
	Without knowing risk assessments a list of procedures wouldn't provide sufficient information about the level of assurance.	RSM
	A longer list of procedures may infer more assurance.	AICPA
	Lists of procedures that vary from engagement to engagement may lead to confusion in the market place.	EYG
	Without clear wording in the standard, there is a risk that generic wording would develop, potentially become complicated and confusing, and may lack substance.	AAP
	Listing procedures looks more like agreed upon procedures	BDO
	To obtain and report varying levels of assurance are not the objective described in paragraph 12 (of the Exposure Draft).	GT