

IFAC Letterhead

Royal NIVRA

Assurance Standards Board

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Sustainability Exposure Drafts

Introduction

We welcome the efforts of Royal NIVRA, in particular the members of the working group and the Assurance Standards Board, in developing Standard for Assurance Engagements 3410 – Exposure Draft “Assurance Engagements Relating To Sustainability Reports” (ED 3410), and Standard for Assurance Engagements 3010 – Exposure Draft “Practitioners Working With Subject Matter Experts From Other Disciplines On Non-Financial Assurance Engagements” (ED 3010) (the EDs). We acknowledge that developing EDs such as these is a difficult task, and are pleased to provide comments that we hope will assist Royal NIVRA to finalize these documents.

These comments have been prepared by a Task Force of the International Auditing and Assurance Standards Board (IAASB), and IAASB technical staff. In preparing these comments, we have focused particularly on whether the EDs are consistent with published IAASB documents. We have also obtained considerable subject matter-specific input from a Sustainability Experts Advisory Panel (the members of which are listed in the Appendix to this letter).

We believe these comments are consistent with published IAASB documents, in particular the International Framework for Assurance Engagements (IAF) and International Standard for Assurance Engagements, ISAE 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.” Many of the issues addressed in the EDs are, however, complex, e.g., the role of stakeholder engagement and joint responsibility with a subject matter expert, and have not been considered in any detail by the IAASB, either in the context of sustainability or more broadly in the context of assurance engagements generally. Therefore, while members of the IAASB have briefly reviewed these comments, they do not necessarily represent the views of the IAASB.

Major issues

Our comments on the EDs are contained in the attachment to this letter. The major issues noted in those comments are as follows.

Role of criteria

ED 3410 needs to clarify that all requirements with which the sustainability report is to comply are part of the criteria (see comment B1 in the attached).

Determining the reporting entity

Determining and describing the reporting boundaries used in a sustainability report is a significant issue for report preparers, the assurance aspects of which require further attention in ED 3410 (see comment B4 in the attached).

The practitioner's responsibilities

We recommend that the ED 3410 include further clarification of the practitioner's responsibilities, including mention of the inherent limitations of assurance, and the practitioner's responsibilities with respect to fraud and illegal acts (see Section C in the attached).

Broad definition of "target groups of stakeholders"

We are uncomfortable with the position taken in ED 3410 for identifying the information needs to be addressed in the sustainability report. We believe it is far too broad (see comment D1 in the attached).

Completeness

We recommend that the Assurance Standards Board:

- Consider whether practitioners should ordinarily express only limited assurance regarding completeness (see comment E2 in the attached), and
- Attempt to specify particular procedures that will provide a generally accepted level of assurance for completeness (see comment E3 in the attached).

Joint responsibility

Although the IAASB does not have a stated position on "joint responsibility", it did touch on this matter when developing the IAF and ISAE 3000, and recognizes the complexity of the issues involved. Further, while the position adopted in the EDs does not appear to be inconsistent with the IAF or ISAE 3000, jurisdictions will likely differ with respect to the legal implications of the various models identified (see comment G4 in the attached).

The difference between audit and review

We see significant difficulties with the way the document currently distinguishes between an audit and a review (see comment H3 in the attached).

Reference to criteria in the wording of the conclusion

We recommend that ED 3410 require that the practitioner's conclusion be expressed directly in terms of the subject matter and the criteria (see comment I7 in the attached).

Drafting style and structure

We believe the drafting style of the EDs should be tightened significantly to make the documents more concise, and more precise (and therefore more likely to be applied consistently by practitioners). Also, we suggest a revised structure similar to ISAE 3000 be considered (see Section J in the attached).

Conclusion

We would like to offer to work with the Assurance Standards Board on further modifications to the EDs.

Please feel free to contact Michael Nugent, michael.nugent@ifac.org, ph: +61 (3) 9909 7678; fax: +61 (3) 9909 7669, with any queries you may have on this submission or to pursue our offer of further assistance.

Prof Roger Simnett
Chair IAASB Task Force
Chair SEAP

Michael N Nugent
Technical Manager - IAASB

Appendix

**Sustainability Experts Advisory Panel
Membership matrix**

		Firm or other	Active in member body	Other relevant affiliations	Region
1	Roger Simnett (Chair)	Academia	CPA Australia	IAASB independent member	Oceania
2	Peter Wong	Ex Deloitte	Hong Kong ICPA	<ul style="list-style-type: none"> • GRI Board • Ex IFAC Board 	Asia
3	Roger Adams	ACCA	ACCA	<ul style="list-style-type: none"> • GRI Board • AccountAbility Council 	UK
4	Alun Bowen	KPMG		AccountAbility Technical Committee	UK
5	Nancy Kamp-Roelands	EY	Royal NIVRA	<ul style="list-style-type: none"> • FEE Sus. Assurance Group • NIVRA Standard Setting Group on Sus. Assurance 	Europe
6	Alan Willis	CICA	Canadian ICA	Chair, former GRI Verification WG	Canada
7	Lars-Olle Larsson	KPMG	FAR (Sweden)	Chair, FEE Sustainability Assurance Group	Scandinavia
8	Susan Todd	Solstice Sustainability Works Inc		<ul style="list-style-type: none"> • AccountAbility practitioner • GRI Social Indicators Advisory Group 	Canada
9	Robert Langford	ICAEW	ICA England & Wales	<ul style="list-style-type: none"> • FEE Sus. Assurance Group • GRI Boundaries Working Group 	UK
10	Beth Schneider	Deloitte	American ICPA	Chair, former AICPA/CICA Task Force Sustainability	US
11	Takeshi Mizuguchi	Academia	Japanese ICPA	Advisory Committee of GRI Forum Japan	Asia
12	Fatima Reyes	Consultant	Philippines ICPA	UN Division for Sustainable Development's Experts Working Group on EMA	Asia
13	Johan Piet	Consultant	Netherlands	<ul style="list-style-type: none"> • Chair, FEE Sustainability Group • AccountAbility Technical Committee 	Europe
14	Preben Soerensen	Deloitte	Denmark	AccountAbility Technical Committee	Scandinavia
<i>IFAC Staff</i>					
	Michael Nugent	IAASB	ICA and CPA Australia	<ul style="list-style-type: none"> • GRI Tech Advisory Committee • www.accountability.org.au 	Oceania
	Paul Thompson	PAIB	ICA England & Wales	Centre for Social and Environmental Accounting Research (CSEAR)	US/UK