

INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS (ISAE) 3410 ASSURANCE ON A GREENHOUSE GAS STATEMENT

CLEAN DRAFT

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<p>[Proposed] International Standard on Assurance Engagements (ISAE) 3410, “Assurance on a Greenhouse Gas Statement,” should be read in conjunction with the “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services.”</p>

Introduction

1. With the increasing attention given to the link between GHGs and climate change, many entities are quantifying their GHG emissions for internal management purposes, and an increasing number are also preparing a GHG statement:
 - (a) As part of a regulatory disclosure regime;
 - (b) As part of an emissions trading scheme; or
 - (c) To inform investors and others on a voluntary basis. Voluntary disclosures may be, for example, published as a stand-alone document; included as part of a broader sustainability report or in an entity’s annual report; or made to support inclusion in a “carbon register.”

Scope of this ISAE

2. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements to report on an entity’s greenhouse gas (GHG) statement.
3. The assurance engagement may cover a GHG statement and other information, for example, when the practitioner is engaged to report on a sustainability report of which a GHG statement is only one part. In such cases, this ISAE applies with respect to the GHG statement, and is cited in the assurance report along with ISAE 3000 or the subject matter-specific standard in accordance with which the remainder of the engagement was conducted.
4. Although this ISAE does not deal with, or provide specific guidance for, assurance engagements to report on the following, it may nonetheless assist practitioners with such engagements, which would be conducted in accordance with ISAE 3000:¹
 - (a) Statements of emissions other than GHG emissions, for example, nitrogen oxides (NO_x) and sulfur dioxide (SO₂);²
 - (b) Other GHG-related information, such as product or service lifecycle “footprints,” and key performance indicators based on emissions data. (Ref: Para. A1)
5. This ISAE does not apply to assurance engagements to report separately on instruments, processes or mechanisms, such as offset projects, used by other entities as emissions deductions. However, where an entity’s GHG statement includes emissions deductions that are subject to assurance, the requirements of this ISAE apply in relation to those emissions deductions as appropriate.

Assertion-based and Direct Reporting Engagements

6. The Assurance Framework notes that an assurance engagement may be either an assertion-based engagement or a direct reporting engagement. This ISAE deals only with assertion-based engagements.

¹ ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information.”

² NO_x (i.e., NO and NO₂, which differ from the GHG nitrous oxide, N₂O) and SO₂ are associated with “acid rain” rather than climate change.

Reasonable Assurance and Limited Assurance Engagements

7. The Assurance Framework notes that an assurance engagement may be either a reasonable assurance engagement or a limited assurance engagement.³ This ISAE deals with both reasonable and limited assurance engagements.
8. For both reasonable and limited assurance engagements, evidence on which to base the practitioner’s conclusion is obtained by performing:
 - (a) Risk assessment procedures; and
 - (b) Further evidence-gathering procedures, which comprise:
 - (i) Tests of controls, when required by the ISAEs or when the practitioner has chosen to do so; and
 - (ii) Other evidence-gathering procedures, including tests of details and analytical procedures.
9. Because the desired level of assurance is lower for a limited assurance engagement, the procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.⁴ For assurance engagements on a GHG statement, the primary differences between the evidence-gathering procedures for a reasonable assurance engagement and for a limited assurance engagement are: (Ref: Para. A2)
 - (a) *The extent of further evidence-gathering procedures:* The extent of further evidence-gathering procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement.
 - (b) *The nature of analytical procedures:* In a reasonable assurance engagement, analytical procedures are ordinarily more rigorous than in a limited assurance engagement.
 - (c) *The emphasis placed on various procedures:* The emphasis placed on various procedures as a source of evidence may also differ depending on the engagement circumstances.

Relationship with Other Professional Pronouncements

10. The performance of assurance engagements other than audits or reviews of historical financial information requires the practitioner to comply with ISAE 3000. ISAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, evidence, and documentation that apply to all assurance engagements, including engagements in accordance with this ISAE. This ISAE expands on how ISAE 3000 is to be applied in an assurance engagement to report on an entity’s GHG statement. The Assurance Framework, which defines and describes the elements and objectives of an assurance engagement, provides context for understanding this ISAE and ISAE 3000.

³ International Framework for Assurance Engagements, paragraph 11.

⁴ International Framework for Assurance Engagements, paragraph 53, and ISAE 3000, paragraph 37.

11. Compliance with ISAE 3000 requires, among other things, that the practitioner comply with the independence and other requirements of *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (the IESBA Code) and implement quality control procedures that are applicable to the individual engagement.⁵

Effective Date

- 12 This ISAE is effective for assurance reports covering periods ending on or after [date].⁶

Objectives

13. The objectives of the practitioner are:
- (a) To obtain the desired level of assurance (reasonable or limited) about whether the GHG statement is free from material misstatement, whether due to fraud or error, thereby enabling the practitioner to express a conclusion conveying that level of assurance (reasonable or limited); and
 - (b) To report on the entity’s GHG statement, and communicate as required by this ISAE, in accordance with the practitioner’s findings.

Definitions

14. For purposes of this ISAE, the following terms have the meanings attributed below:
- (a) Applicable criteria – The criteria used by the entity to quantify and report its emissions.⁷
 - (b) Assertions – Representations by the entity, explicit or otherwise, that are embodied in the GHG statement, as used by the practitioner to consider the different types of potential misstatements that may occur.
 - (c) Comparative information – The amounts and disclosures included in the GHG statement in respect of one or more prior periods in accordance with the applicable criteria.
 - (d) Emissions – The GHGs that, during the relevant period, have been emitted to the atmosphere or would have been emitted to the atmosphere had they not been captured and channeled to a sink. Emissions can be categorized as:
 - Direct emissions (also known as Scope 1 emissions), which are emissions from sources that are owned or controlled by the entity. (Ref: Para. A3)
 - Indirect emissions, which are emissions that are a consequence of the activities of the entity, but which occur at sources that are owned or controlled by another entity. Indirect emissions can be further categorized as:

⁵ ISAE 3000, paragraphs 4 and 6.

⁶ This date will be at least 6 months after the date on which the ISAE is approved for issue. Paragraph 16 of the Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services permits application before the effective date.

⁷ Criteria are discussed in the International Framework for Assurance Engagements, paragraph 34-38.

- Scope 2 emissions, which are emissions associated with energy that is transferred to and consumed by the entity. (Ref: Para. A4)
- Scope 3 emissions, which are all other indirect emissions. (Ref: Para. A5)

The entity’s emissions (and its removals and emissions deductions, where applicable) is the “subject matter” of the engagement.⁸

- (e) Emissions deduction – Any item included in the entity’s GHG statement that is deducted from the total reported emissions, but which is not a removal; it commonly includes offsets (where the entity pays another entity to remove emissions from the atmosphere, or to undertake measures that lower the other entity’s emissions), but can also include a variety of other instruments or mechanisms such as performance credits and allowances that are recognized by a regulatory or other scheme of which the entity is a part. Where an entity’s GHG statement includes emissions deductions that are subject to assurance, the requirements of this ISAE apply in relation to emissions deductions as appropriate. (Ref: Para. A6-A7)
- (f) Emissions factor – A mathematical factor or ratio for converting the measure of an activity (for example, liters of fuel consumed, kilometers travelled, the number of animals in husbandry, or tonnes of product produced) into an estimate of the quantity of GHGs associated with that activity.
- (g) Entity – The legal entity, economic entity, or the identifiable portion of a legal or economic entity (for example, a single factory or other form of facility, such as a land fill site), or combination of legal or other entities or portions of those entities (for example, a joint venture) to which the emissions in the GHG statement relate.
- (h) Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- (i) GHG statement – A statement setting out constituent elements and quantifying an entity’s GHG emissions for a period, and where applicable, comparative information (sometimes known as an emissions inventory), plus explanatory notes including a summary of significant quantification and reporting policies. An entity’s GHG statement may also include a categorized listing of removals or emissions deductions. Where the engagement does not cover the entire GHG statement, the term “GHG statement” is to be read as that portion that is covered by the engagement. The GHG statement is the “subject matter information” of the engagement.⁹
- (j) Greenhouse gases (GHGs) – Carbon dioxide (CO₂) and any other gases required by the applicable criteria to be included in the GHG statement, such as: methane; nitrous oxide; sulfur hexafluoride; hydrofluorocarbons; perfluorocarbons; and

⁸ International Framework for Assurance Engagements, paragraph 8.

⁹ International Framework for Assurance Engagements, paragraph 8.

chlorofluorocarbons. These other gases are often expressed in terms of carbon dioxide equivalents (CO₂-e).

- (k) Organizational boundary – The boundary that determines which operations to include in the entity’s GHG statement.
- (l) Performance materiality – The amount or amounts set by the practitioner at less than materiality for the GHG statement to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the GHG statement. If applicable, performance materiality also refers to the amount or amounts set by the practitioner at less than the materiality level or levels for particular types of emissions or disclosures.
- (m) Quantification – The process of determining the quantity of GHGs that relate to the entity, either directly or indirectly, as emitted (or removed) by particular sources (or sinks).
- (n) Removal – GHGs the entity has removed from the atmosphere, or emissions the entity has prevented from being released to the atmosphere, during the period. Where an entity’s GHG statement includes removals that are subject to assurance, the requirements of this ISAE apply in relation to those removals as appropriate. (Ref: Para. A8)
- (o) Sink – A physical unit or process that removes GHGs from the atmosphere.
- (p) Source – A physical unit or process that releases GHGs into the atmosphere.
- (q) Type of emissions – A grouping of emissions based on, for example, source of emission, type of gas, region, or facility.

Requirements

ISAE 3000

- 15. The practitioner shall not represent compliance with this ISAE unless the practitioner has complied with the requirements of this ISAE and ISAE 3000. (Ref: Paras.A9, A10, A11, A12-A13, A15-A22, A36, and -)

Acceptance and Continuance

Preconditions for the Engagement

- 16. In order to establish whether the preconditions for the engagement are present:
 - (a) The engagement partner shall determine that both the GHG statement and the engagement have sufficient scope to be useful to intended users, considering, in particular: (Ref: Para. A14)
 - (i) If the GHG statement is to exclude significant emissions that have been, or could readily be, quantified; or
 - (ii) If the engagement is to exclude significant emissions that are included in the GHG statement,

whether such exclusions are reasonable in the circumstances.

- (b) As part of assessing the suitability of the applicable criteria in accordance with ISAE 3000,¹⁰ the practitioner shall determine whether they encompass at a minimum: (Ref: Para. A23-A26)
 - (i) The method for determining the entity’s organizational boundary; (Ref: Para. A27)
 - (ii) The GHGs to be accounted for;
 - (iii) Acceptable quantification methods; and
 - (iv) Adequate disclosures such that intended users can understand the significant judgments made in preparing the GHG statement. (Ref: Para. A28)
- (c) The practitioner shall obtain the agreement of the entity that it acknowledges and understands its responsibility:
 - (i) For stating in its GHG statement the applicable criteria it has used and, when it is not readily apparent from the engagement circumstances, who developed them; (Ref: Para. A34)
 - (ii) For the preparation of its GHG statement in accordance with the applicable criteria; (Ref: Para. A35)
 - (iii) For such internal control as the entity determines is necessary to enable the preparation of a GHG statement that is free from material misstatement, whether due to fraud or error; and

Agreement on Engagement Terms

- 17. The agreed terms of the engagement, as required by ISAE 3000,¹¹ shall include:
 - (a) The objective and scope of the engagement;
 - (b) The responsibilities of the practitioner;
 - (c) The responsibilities of the entity;
 - (d) Identification of the applicable criteria for the preparation of the GHG statement;
 - (e) Reference to the expected form and content of any reports to be issued by the practitioner and a statement that there may be circumstances in which a report may differ from its expected form and content; and
 - (f) An acknowledgement that the entity agrees to provide a representation letter at the conclusion of the engagement.

¹⁰ ISAE 3000, paragraph 19.

¹¹ ISAE 3000, paragraph 10.

Fraud

18. The practitioner shall: (Ref: Para A37-A40)
- (a) Identify and assess the risks of material misstatement of the GHG statement due to fraud;
 - (b) Obtain sufficient appropriate evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and
 - (c) Respond appropriately to fraud or suspected fraud identified during the engagement.

Laws and Regulations

19. The practitioner shall:
- (a) Obtain sufficient appropriate evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the content of the GHG statement; and
 - (b) Respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the engagement. (Ref: Para A41)

Planning

20. In establishing the overall engagement strategy, as required by ISAE 3000,¹² the practitioner shall: (Ref: Para. A42-A44)
- (a) Identify the characteristics of the engagement that define its scope;
 - (b) Ascertain the reporting objectives of the engagement to plan the timing of the engagement and the nature of the communications required;
 - (c) Consider the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts;
 - (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant;
 - (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement; and
 - (f) Determine the impact of the internal audit function on the engagement.

¹² ISAE 3000, paragraph xx.

Materiality in Planning and Performing the Engagement

Determining Materiality and Performance Materiality When Planning the Engagement

21. When establishing the overall engagement strategy, the practitioner shall determine materiality for the GHG statement.
22. The practitioner shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further evidence-gathering procedures. (Ref: Para. A45-A50)

Revision as the Engagement Progresses

23. The practitioner shall revise materiality for the GHG statement (and, if applicable, the materiality level or levels for particular types of emissions or disclosures) in the event of becoming aware of information during the engagement that would have caused the practitioner to have determined a different amount (or amounts) initially. (Ref: Para. A51)

Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Risk Assessment Procedures and Related Activities

24. The practitioner shall perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the GHG statement and assertion levels. Risk assessment procedures by themselves, however, do not provide sufficient appropriate evidence on which to base the assurance conclusion. (Ref: Para. A52-A57)
25. The risk assessment procedures shall include the following:
 - (a) Inquiries of those within the entity who in the practitioner’s judgment may have information that is likely to assist in identifying risks of material misstatement due to fraud or error.
 - (b) Analytical procedures (Ref: Para. A58-A60).
 - (c) Observation and inspection.
26. If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying risks of material misstatement. (Ref: Para. A61)
27. The engagement partner and other key members of the engagement team, and any key practitioner’s external experts, shall discuss the susceptibility of the entity’s GHG statement to material misstatement whether due to fraud or error, and the application of the applicable criteria to the entity’s facts and circumstances. The engagement partner shall determine which matters are to be communicated to members of the engagement team, and to any practitioner’s external experts not involved in the discussion.

The Entity and Its Environment

28. The practitioner shall obtain an understanding of the following:

- (a) Relevant industry, regulatory, and other external factors including the applicable criteria.
 - (b) The nature of the entity, including:
 - (i) The nature of the operations included in the entity’s organizational boundary, including: (Ref: Para. A27)
 - a. the types of emissions sources;
 - b. the contribution of each to the entity’s overall emissions; and
 - c. the uncertainties associated with the quantities reported in the GHG statement. (Ref: Para.A15-A22)
 - (ii) Changes in the nature or extent of operations, including whether there have been any mergers, acquisitions, or sales of emissions sources, or outsourcing of functions with significant emissions that may require adjustment of comparative emissions relating to a prior period(s) or base year, or disclosure in the GHG statement; and
 - (iii) The frequency or nature of incidents such as shut downs.
 - (c) The entity’s selection and application of quantification methods and reporting policies, including the reasons for changes thereto and the potential for double-counting of emissions;
 - (d) The requirements of the applicable criteria relevant to estimates, including related disclosures.
 - (e) The entity’s climate change objective and strategy, if any, and associated economic, regulatory, physical and reputational risks. (Ref: Para. A62)
 - (f) The oversight of, and responsibility for, emissions information within the entity.
29. The practitioner shall evaluate whether the entity’s quantification methods and reporting policies, including the determination of the entity’s organizational boundary, are appropriate for its operations, and are consistent with the applicable criteria and quantification and reporting policies used in the relevant industry and in prior periods.

The Entity’s Internal Control

- 30. The practitioner shall obtain an understanding of internal control relevant to the engagement. When obtaining an understanding of controls that are relevant to the engagement, the practitioner shall evaluate the design of those controls and determine whether they have been implemented, by performing procedures in addition to inquiry of the entity’s personnel.
- 31. The practitioner shall obtain an understanding of the components of internal control relevant to the engagement, being:
 - (a) The control environment;
 - (b) The entity’s risk assessment process;

- (c) The information system, including the related business processes, relevant to emissions quantification and reporting, and communication of emissions reporting roles and responsibilities and significant matters relating to emissions reporting; (Ref: Para. A63-A64)
- (d) Control activities relevant to the engagement, being those the practitioner judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further evidence-gathering procedures responsive to assessed risks. An assurance engagement does not require an understanding of all the control activities related to each significant type of emission and disclosure in the GHG statement or to every assertion relevant to them. (Ref: Para. A63-A64)
- (e) Monitoring of controls and the collective effectiveness of all five components of internal control, including the internal audit function and its activities with respect to emissions where applicable.

Identifying and Assessing Risks

- 32. The practitioner shall identify and assess the risks of material misstatement at:
 - (a) The GHG statement level; and (Ref: Para. A52-A54)
 - (b) The assertion level for types of emissions and disclosures to provide a basis for designing and performing further evidence-gathering procedures. (Ref: Para. A55-A57)
- 33. For this purpose, the practitioner shall:
 - (a) Identify risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the types of emissions and disclosures in the GHG statement;
 - (b) Assess the identified risks, and evaluate whether they relate more pervasively to the GHG statement and potentially affect many assertions;
 - (c) Relate the identified risks to what can go wrong at the assertion level, taking account of relevant controls that the practitioner intends to test; and
 - (d) Consider the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement is of a magnitude that could result in a material misstatement.
- 34. In identifying and assessing risks of material misstatement, the practitioner shall consider at least the following factors: (Ref: Para. A65-66)
 - (a) The possibility of intentional misstatement in the GHG statement, and the possibility of omission of a potentially significant emission; (Ref: Para. A37-A40, and A65(a))
 - (b) Significant economic or regulatory changes; (Ref: Para. A65(b))
 - (c) The nature of operations; (Ref: Para. A65(c))
 - (d) The nature of quantification methods; (Ref: Para. A65(d))

- (e) The degree of complexity in determining the organizational boundary and whether related parties are involved; (Ref: Para. A27)
- (f) Whether there are significant emissions that are outside the normal course of business for the entity, or that otherwise appear to be unusual; (Ref: Para. A65(e))
- (g) The degree of subjectivity in the quantification of emissions; (Ref: Para. A65(e))
- (h) Whether Scope 3 emissions are included in the GHG statement. (Ref: Para. A65(f))
- (i) How the entity makes significant estimates, and the data on which they are based, including:
 - (i) An understanding of the data on which estimates are based;
 - (ii) The method, including where applicable the model, used in making estimates;
 - (ii) Relevant controls;
 - (iii) Whether the entity has used an expert;
 - (iv) The assumptions underlying estimates;
 - (v) Whether there has been or ought to have been a change from the prior period in the methods for making estimates, and if so, why; and
 - (vi) Whether, and if so how, the entity has assessed the effect of estimation uncertainty on the GHG statement. (Ref: Para. A65(g)).

Risks for Which Tests of Controls are Necessary to Provide Sufficient Appropriate Evidence

35. In respect of some risks, the practitioner may judge that it is not possible or practicable to obtain sufficient appropriate evidence without performing tests of controls. In such cases, the entity’s controls over such risks are relevant to the engagement and the practitioner shall obtain an understanding of them. (Ref: Para. A67)

Revision of Risk Assessment

36. The practitioner’s assessment of the risks of material misstatement at the assertion level may change during the course of the engagement as additional evidence is obtained. In circumstances where the practitioner obtains evidence from performing further evidence-gathering procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner shall revise the assessment and modify the further planned evidence-gathering procedures accordingly.

Responses to Assessed Risks

Overall Responses

37. The practitioner shall design and implement overall responses to address the assessed risks of material misstatement at the GHG statement level. (Ref: Para. A68-A70)

Evidence-gathering Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

38. The practitioner shall design and perform further evidence-gathering procedures whose nature, timing, and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. (Ref: Para. A71)
39. In designing the further evidence-gathering procedures to be performed, the practitioner shall:
 - (a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each type of emissions and disclosure, including: (Ref: Para. A72)
 - (i) The likelihood of material misstatement due to the particular characteristics of the relevant type of emission or disclosure (that is, the inherent risk); and
 - (ii) Whether the risk assessment takes account of relevant controls (that is, the control risk) to an extent that requires the practitioner to obtain evidence to determine whether the controls are operating effectively (that is, the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of other evidence-gathering procedures).; (Ref: Para. A73)
 - (b) Obtain more persuasive evidence the higher the practitioner’s assessment of risk; and (Ref: Para. A74)
 - (c) Obtain more extensive evidence for a reasonable assurance engagement than for a limited assurance engagement. (Ref: Para. A2)

Tests of Controls

40. The practitioner shall design and perform tests of controls to obtain sufficient appropriate evidence as to the operating effectiveness of relevant controls if:
 - (a) The practitioner’s assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of other evidence-gathering procedures); or (Ref: Para. A72)
 - (b) Evidence-gathering procedures other than tests of controls cannot alone provide sufficient appropriate evidence at the assertion level. (Ref: Para. A67)

Evaluating the Operating Effectiveness of Controls

41. If deviations from controls upon which the practitioner intends to rely are detected, the practitioner shall make specific inquiries to understand these matters and their potential consequences, and shall determine whether:
 - (a) The tests of controls that have been performed provide an appropriate basis for reliance on the controls;
 - (b) Additional tests of controls are necessary; or
 - (c) The potential risks of misstatement need to be addressed using other evidence-gathering procedures.

Evidence-gathering Procedures other than Tests of Control

42. Irrespective of the assessed risks of material misstatement, the practitioner shall design and perform evidence-gathering procedures in addition to tests of control for each material type of emission and disclosure. (Ref: Para. A71)
43. The practitioner shall consider whether external confirmation procedures are to be performed. (Ref: Para. A76)

Analytical Procedures Performed in Response to Assessed Risks

44. When designing and performing analytical procedures either alone or in combination with tests of details, the practitioner shall: (Ref: Para. A2 and A77-A80)
 - (a) Determine the suitability of particular analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions;
 - (b) Evaluate the reliability of data from which the practitioner’s expectation of recorded quantities or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation; and
 - (c) In the case of a reasonable assurance engagement:
 - (i) Develop an expectation of recorded quantities or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the GHG statement to be materially misstated; and
 - (ii) Determine the amount of any difference from that expected that is acceptable without further investigation as required by paragraph 45.
45. If analytical procedures identify fluctuations or relationships that are significantly inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner shall investigate such differences by:
 - (a) Inquiring of the entity, and in the case of a reasonable assurance engagement, obtaining additional evidence relevant to the entity’s responses; and
 - (b) Performing other evidence-gathering procedures as necessary in the circumstances.

Evidence-gathering Procedures Regarding the GHG Statement Aggregation Process

46. The practitioner’s evidence-gathering procedures shall include the following procedures related to the GHG statement aggregation process: (Ref: Para. A81)
 - (a) Agreeing or reconciling the GHG statement with the underlying records; and
 - (b) Examining material adjustments made during the course of preparing the GHG statement.

Evidence-gathering Procedures Regarding Estimates

47. Based on the assessed risks of material misstatement, the practitioner shall conclude:
- (a) Whether the entity has appropriately applied the requirements of the applicable criteria relevant to estimates; and
 - (b) Whether the methods for making estimates are appropriate and have been applied consistently, and whether changes, if any, in reported estimates or in the method for making them from the prior period are appropriate in the circumstances.
48. In responding to an assessed risk of material misstatement, the practitioner shall undertake one or more of the following, taking account of the nature of estimates: (Ref: Para. A82)
- (a) Test how the entity made the estimate and the data on which it is based. In doing so, the practitioner shall evaluate whether:
 - (i) The method of quantification used is appropriate in the circumstances; and
 - (ii) The assumptions used by the entity are reasonable in light of the applicable criteria.
 - (b) Test the operating effectiveness of the controls over how the entity made the estimate, together with other appropriate evidence-gathering procedures.
 - (c) Develop a point estimate or a range to evaluate the entity’s estimate. For this purpose:
 - (i) If the practitioner uses assumptions or methods that differ from the entity’s, the practitioner shall obtain an understanding of the entity’s assumptions or methods sufficient to establish that the practitioner’s point estimate or range takes into account relevant variables and to evaluate any significant differences from the entity’s point estimate.
 - (ii) If the practitioner concludes that it is appropriate to use a range, the practitioner shall narrow the range, based on evidence available, until all outcomes within the range are considered reasonable.

Sampling

49. When designing a sample, the practitioner shall consider the purpose of the evidence-gathering procedure, the characteristics of the population from which the sample will be drawn, and the desired level of assurance (reasonable or limited).
50. The practitioner shall:
- (a) Determine a sample size sufficient to reduce sampling risk to an acceptably low level. Because the acceptable level of assurance engagement risk is lower for a reasonable assurance engagement than for a limited assurance engagement, so too will be the level of sampling risk that is ordinarily acceptable. Therefore, when sampling is used in a reasonable assurance engagement, the sample size will ordinarily be larger than when used in similar circumstances in a limited assurance engagement.

- (b). Select items for the sample in such a way that each sampling unit in the population has a chance of selection, and shall perform evidence-gathering procedures, appropriate to the purpose, on each item selected. If the practitioner is unable to apply the designed evidence-gathering procedures, or suitable alternative procedures, to a selected item, the practitioner shall treat that item as a deviation from the prescribed control, in the case of tests of controls, or a misstatement, in the case of tests of details.
- (c) Investigate the nature and cause of any deviations or misstatements identified, and evaluate their possible effect on the purpose of the evidence-gathering procedure and on other areas of the engagement.
- (d) Evaluate:
 - (i) The results of the sample, including, for tests of details, projecting misstatements found in the sample to the population; and
 - (ii) Whether the use of sampling has provided a reasonable basis for conclusions about the population that has been tested.

Evaluation of Misstatements Identified during the Engagement

Accumulation of Identified Misstatements

- 51. The practitioner shall accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: Para. A83)

Consideration of Identified Misstatements as the Engagement Progresses

- 52. The practitioner shall determine whether the overall engagement strategy and engagement plan need to be revised if:
 - (a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the engagement, could be material; or
 - (b) The aggregate of misstatements accumulated during the engagement approaches materiality determined in accordance with paragraphs 21-23 of this ISAE.
- 53. If, at the practitioner’s request, the entity has examined a type of emission or disclosure and corrected misstatements that were detected, the practitioner shall perform additional evidence-gathering procedures to determine whether misstatements remain.

Communication and Correction of Misstatements

- 54. The practitioner shall communicate on a timely basis all misstatements accumulated during the engagement with the appropriate level within the entity and shall request the entity to correct those misstatements.
- 55. If the entity refuses to correct some or all of the misstatements communicated by the practitioner, the practitioner shall obtain an understanding of the entity’s reasons for not making the corrections and shall take that understanding into account when forming the practitioner’s conclusion.

Evaluating the Effect of Uncorrected Misstatements

56. Prior to evaluating the effect of uncorrected misstatements, the practitioner shall reassess materiality determined in accordance with paragraphs 21-23 of this ISAE to confirm whether it remains appropriate in the context of the entity’s actual emissions.
57. The practitioner shall determine whether uncorrected misstatements are material, individually or in aggregate. In making this determination, the practitioner shall consider the size and nature of the misstatements, and the particular circumstances of their occurrence, in relation to particular types of emissions or disclosures and the GHG statement.

Using the Work of Component Practitioners

58. When the practitioner intends using the work of component practitioners regarding components of the GHG statement, the practitioner shall: (Ref: Para. A84)
 - (a) Communicate clearly with those component practitioners about the scope and timing of their work on those components and their findings; and (Ref: Para. A85-A86)
 - (b) Obtain sufficient appropriate evidence regarding those components and the process for including related information in the GHG statement to express a conclusion. (Ref: Para. A87)

Using the Work of Internal Audit

59. The practitioner shall, where the entity has an internal audit function, determine whether it is likely to be relevant to the engagement, and if so: (Ref: Para. A88)
 - (a) Determine whether, and to what extent, to use specific work of the internal auditors; and
 - (b) If using the specific work of the internal auditors, determine whether that work is adequate for the purposes of the engagement.

Written Representations

60. The practitioner shall request written representations from the entity:
 - (a) That the entity has fulfilled its responsibility for the preparation of the GHG statement in accordance with the applicable criteria, as set out in the terms of the engagement;
 - (b) That the entity has provided the practitioner with all relevant information and access as agreed in the terms of the engagement and reflected all relevant matters in the GHG statement;
 - (c) Whether the entity believes the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the GHG statement. A summary of such items shall be included in or attached to the written representation;
 - (d) That significant assumptions used in making estimates are reasonable; and
 - (e) That the entity has communicated to the practitioner all deficiencies in internal control relevant to the engagement that are not clearly trivial and inconsequential of which the entity is aware.

Written Representations about the Entity’s Responsibilities

61. The practitioner shall disclaim a conclusion on the GHG statement if:
- (a) The practitioner concludes that there is sufficient doubt about the integrity of the entity such that the written representations required by paragraphs 60(a) and (b) are not reliable; or
 - (b) The entity does not provide the written representations required by paragraphs 60(a) and (b).

Subsequent Events

62. The practitioner shall: (Ref: Para. A89)
- (a) Obtain sufficient appropriate evidence about whether events occurring between the date of the GHG statement and the date of the assurance report that require adjustment of, or disclosure in, the GHG statement are appropriately reflected in that GHG statement in accordance with the applicable criteria; and
 - (b) Respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report.

Comparative Information

63. The practitioner shall determine whether the GHG statement includes the comparative information required by the applicable criteria and whether such information is appropriately classified. For this purpose, the practitioner shall evaluate whether:
- (a) The comparative information agrees with the amounts and other disclosures presented in the prior period or, when appropriate, has been properly restated and that restatement has been adequately disclosed; and
 - (b) The quantification policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes, whether they have been properly applied and adequately disclosed.
64. If the practitioner becomes aware of a possible material misstatement in the comparative information while performing the current period engagement, the practitioner shall perform such additional evidence-gathering procedures as are necessary in the circumstances. (Ref: Para. A90)

Documentation

65. In documenting the nature, timing and extent of evidence-gathering procedures performed, as required by ISAE 3000,¹³ the practitioner shall record:
- (a) The identifying characteristics of the specific items or matters tested;
 - (b) Who performed the engagement work and the date such work was completed; and

¹³ ISAE 3000, paragraph xx.

- (c) Who reviewed the engagement work performed and the date and extent of such review.
- 66. The practitioner shall document discussions of significant matters with the entity and others, including the nature of the significant matters discussed and when and with whom the discussions took place. (Ref: Para. A93)

Quality Control

- 67. The practitioner shall include in the engagement documentation:
 - (a) Issues identified with respect to compliance with relevant ethical requirements and how they were resolved.
 - (b) Conclusions on compliance with independence requirements that apply to the engagement, and any relevant discussions with the firm that support these conclusions.
 - (c) Conclusions reached regarding the acceptance and continuance of client relationships and assurance engagements.
 - (d) The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

Matters Arising after the Date of the Assurance Report

- 68. If, in exceptional circumstances, the practitioner performs new or additional evidence-gathering procedures or draws new conclusions after the date of the assurance report, the practitioner shall document:
 - (a) The circumstances encountered;
 - (b) The new or additional evidence-gathering procedures performed, evidence obtained, and conclusions reached, and their effect on the assurance report; and
 - (c) When and by whom the resulting changes to engagement documentation were made and reviewed.

Assembly of the Final Engagement File

- 69. The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. (Ref. Para A94)
- 70. After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period.
- 71. In circumstances other than those envisaged in paragraph 68 where the practitioner finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed, the practitioner shall, regardless of the nature of the modifications or additions, document:
 - (a) The specific reasons for making them; and

- (b) When and by whom they were made and reviewed.

Engagement Quality Control Review

- 72. For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required, the engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve.
 - (a) Discussion of significant matters with the engagement partner;
 - (b) Review of the GHG statement and the proposed assurance report;
 - (c) Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached;
 - (d) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate;
 - (e) Consideration of the engagement team’s evaluation of the firm’s independence in relation to the engagement;
 - (f) Consideration of whether appropriate consultation has taken place on matters involving differences of conclusion or other difficult or contentious matters, and the conclusions arising from those consultations; and
 - (g) Consideration of whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached.

Forming the Assurance Conclusion

- 73. The practitioner shall conclude as to whether the practitioner has obtained the desired level of assurance (reasonable or limited) about the GHG statement. That conclusion shall take into account the following procedures, and the requirement of paragraph 57 of this ISAE:
 - (a) Based on the evidence-gathering procedures performed and the evidence obtained, the practitioner shall evaluate before the conclusion of the engagement whether the assessments of the risks of material misstatement at the assertion level remain appropriate.
 - (b) If the practitioner has not obtained sufficient appropriate evidence as to a material GHG statement assertion, the practitioner shall attempt to obtain further evidence.
 - (c) The practitioner shall evaluate: in the case of a reasonable assurance engagement, whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria; and in the case of a limited assurance engagement, whether anything has come to the attention of the practitioner that causes the practitioner to believe that the GHG statement is not prepared, in all material respects, in accordance with the applicable criteria. This evaluation shall include consideration of: the qualitative aspects of the entity’s quantification methods and reporting practices, including indicators of possible bias in judgments and decisions in the making of

estimates and in preparing the GHG statement;¹⁴ and whether, in view of the applicable criteria:

- (i) The quantification methods and reporting policies selected and applied are consistent with the applicable criteria and are appropriate;
 - (ii) Estimates made in preparing the GHG statement are reasonable;
 - (iii) The information presented in the GHG statement is relevant, reliable, complete, comparable and understandable;
 - (iv) The GHG statement provides adequate disclosure of the applicable criteria and other matters such that intended users can understand the significant judgments made in its preparation; and (Ref Para. A28 and A95-A97)
 - (v) The terminology used in the GHG statement is appropriate.
74. When appropriate in the context of the criteria, the wording of the assurance conclusion, or other engagement circumstances, the evaluation required by paragraph 73(d) shall also include consideration of: (Ref: Para. A98)
- (a) The overall presentation, structure and content of the GHG statement; and
 - (b) Whether the GHG statement represents the underlying emissions in a manner that achieves fair presentation.

Assurance Report Content

75. The assurance report shall include the following basic elements: (Ref: Para. A99)
- (a) A title that clearly indicates the report is an independent assurance report.
 - (b) The addressee of the assurance report. (Ref: Para. A100)
 - (c) Identification of the GHG statement and, if any information in that statement is not covered by the practitioner’s conclusion, identification of that information, and a statement that the practitioner has not performed any evidence-gathering procedures with respect to it and that, therefore, no conclusion on it is expressed. (Ref: Para. A101)
 - (d) A description of the entity’s responsibilities.
 - (e) A statement identifying the uncertainties relevant to emissions.
 - (f) If the GHG statement includes emissions deductions that are covered by the practitioner’s conclusion, identification of those emissions deductions, and a statement of the practitioner’s responsibility with respect to them. (Ref: Para. A102-A105)
 - (g)
 - (i) Identification of the applicable criteria;
 - (ii) Identification of how those criteria can be accessed;

¹⁴ Indicators of possible bias do not themselves constitute misstatements for the purposes of drawing conclusions on the reasonableness of individual estimates.

- (iii) If those criteria are available only to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose; and
 - (iv) If established criteria need to be supplemented by disclosures in the explanatory notes to the GHG statement for those criteria to be suitable, identification of the relevant note(s).
- (h) A description of the practitioner’s responsibilities, including:
- (i) A statement that the engagement was performed in accordance with ISAE 3410, “Assurance on a Greenhouse Gas Statement.”
 - (ii) A summary of the practitioner’s procedures, including, in the case of a limited assurance engagement, a statement that the extent of evidence-gathering procedures is substantially less than a reasonable assurance (or audit) 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.
- (i) The practitioner’s conclusion, expressed in the positive form in the case of a reasonable assurance engagement or in the negative form in the case of a limited assurance engagement, about whether the GHG statement is prepared, in all material respects, in accordance with the criteria identified in paragraph 75(g)(i).
- (j) If the practitioner expresses a conclusion that is modified, a clear description of all the reasons therefor.
- (k) The name of the practitioner or the practitioner’s firm.
- (l) The date of the report.
- (m) The name of the city where the office that has responsibility for the engagement is.

Emphasis of Matter Paragraphs and Other Matter Paragraphs

76. If the practitioner considers it necessary to:

- (a) Draw intended users’ attention to a matter presented or disclosed in the GHG statement that, in the practitioner’s judgment, is of such importance that it is fundamental to intended users’ understanding of the GHG statement (an emphasis of matter paragraph); or
- (b) Communicate a matter other than those that are presented or disclosed in the GHG statement that, in the practitioner’s judgment, is relevant to intended users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report (an other matter paragraph),

and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner’s conclusion is not modified in respect of the matter. (Ref: Para. A106-A111)

Other Reporting Requirements

77. The practitioner shall communicate appropriately to the entity the following matters that come to the practitioner’s attention during the course of the engagement, and shall determine whether there is a responsibility to report them to a party outside the entity:
- (a) Deficiencies in internal control that, in the practitioner’s professional judgment, are of sufficient importance to merit attention.
 - (b) Identified or suspected fraud.
 - (c) Matters involving non-compliance with laws and regulations, other than when the matters are clearly inconsequential

Application and Other Explanatory Material

Introduction

Key Performance Indicators Based on GHG Data (Ref: Para. 4(b))

- A1. An example of a key performance indicator based on GHG data is the weighted average of emissions per kilometer of vehicles manufactured by an entity during a period, which is required to be calculated and disclosed by law or regulation in some jurisdictions.

Limited Assurance Engagements (Ref: Para. 9, 39(c) and 44)

- A2. Because the desired level of assurance is lower for a limited assurance engagement, the procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.¹⁵ For assurance engagements on a GHG statement, the primary differences between the evidence-gathering procedures for a reasonable assurance and a limited assurance engagement are:
- (a) *The extent of further evidence-gathering procedures:* The extent of further evidence-gathering procedures performed in a limited assurance engagement is less than in a reasonable assurance engagement. This involves reducing the number of items to be examined, for example, reduced sample sizes. It may also involve performing fewer procedures (for example, omitting a confirmation procedure that would be used in a reasonable assurance engagement), or performing fewer elements of a selected procedure (for example, using only one of the methods identified in paragraph 48 with respect to an estimate in circumstances when the practitioner would use more than one for a reasonable assurance engagement). The requirements of this ISAE that differentiate between reasonable assurance and limited assurance engagements on the basis of the extent of evidence-gathering procedures are paragraph 39(c), regarding evidence-gathering procedures responsive to the assessed risks of material misstatement at the assertion level, and paragraphs 49 and 50 regarding sampling.

¹⁵ International Framework for Assurance Engagements, paragraph 53, and ISAE 3000, paragraph 37.

- (b) *The nature of analytical procedures:* In a reasonable assurance engagement, analytical procedures performed in response to assessed risks are ordinarily more rigorous than in a limited assurance engagement because the level of assurance sought by the practitioner is higher. In particular, they involve the development of expectations of recorded quantities or ratios designed with sufficient precision to identify material misstatements (see paragraph 44(c)), and the investigation of differences involves obtaining evidence in addition to inquiring of the entity (see paragraph 45).

While the practitioner is likely to consider similar types of relationships amongst information in a limited assurance engagement as in reasonable assurance engagement, the practitioner will not necessarily develop expectations of recorded quantities or ratios prior to doing so. Analytical procedures in a limited assurance engagement are ordinarily designed to be more directional in nature rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement. Further, when significant fluctuations or relationships that are inconsistent with other relevant information are identified, appropriate evidence is ordinarily obtained by making inquiries of the entity and considering responses received in the light of known engagement circumstances, rather than by obtaining additional evidence.

In addition, when undertaking analytical procedures in a limited assurance engagement the practitioner may, for example:

- Use data that is more highly aggregated, for example, data at a regional level rather than at site level, or monthly data rather than weekly data. (See paragraph 44(a))
 - Use data that has not been subjected to separate evidence-gathering procedures to test its reliability to the same extent as it would be for a reasonable assurance engagement. (See paragraph 44(b))
 - Where an expectation of a recorded quantity or ratios is developed, determine a higher difference from expected quantities and ratios that is acceptable without further investigation. (See paragraph 44(c))
- (c) The emphasis placed on various procedures as a source of evidence may also differ depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on inquiries of the entity’s personnel, analytical procedures, and the work of internal audit, and relatively less emphasis on tests of internal control and obtaining evidence from external sources than would be the case for a reasonable assurance engagement.

Definitions

Emissions (Ref: Para. 14(d) and Appendix 1)

- A3. Scope 1 emissions may include stationary combustion (from fuel burned in the entity’s stationary equipment, such as boilers, incinerators, engines, and flares), mobile combustion (from fuel burned in the entity’s transport devices, such as trucks, trains, airplanes and boats),

process emissions (from physical or chemical processes, such as cement manufacturing, petrochemical processing, and aluminum smelting), and fugitive emissions (intentional and unintentional releases, such as equipment leaks from joints and seals and emissions from wastewater treatment, pits, and cooling towers).

- A4. Almost all entities purchase energy in a form such as electricity, heat or steam; therefore almost all entities have Scope 2 emissions. Scope 2 emissions are indirect because the emissions associated with, for example, electricity that the entity purchases occur at the power station, which is outside the entity’s organizational boundary.
- A5. Scope 3 emissions may include emissions associated with, for example: employee business travel; outsourced activities; consumption of fossil fuel or electricity required to use the entity’s products; extraction and production of materials purchased as inputs to the entity’s processes; and transportation of purchased fuels. Scope 3 emissions are further discussed in paragraphs A30-A33.

Emissions Deductions (Ref: Para. 14(e) and Appendix 1)

- A6. A common deduction in many jurisdictions is a purchased offset, i.e., where the entity has paid another entity to:
 - (a) Enable that other entity to lower that other entity’s emissions or increase that other entity’s emissions reductions compared to a hypothetical baseline of what would have been the case had that other entity not received money from selling offsets. That money may be spent on emissions reduction projects such as replacing energy generation using fossil fuels with renewable energy sources or implementing energy efficiency measures, or it may be compensation for not undertaking an action that would otherwise be undertaken, such as deforestation or forest degradation; or
 - (b) Remove emissions from the atmosphere, for example, by planting and maintaining trees that would otherwise not have been planted or maintained.
- A7. Emissions deductions can also include jurisdiction-specific items, such as credits and allowances for which there is not necessarily any established link between the quantity of emissions allowed by the criteria to be deducted, and any lowering of emissions that may occur as a result of the money paid or other action taken by the entity in order for it to claim the emissions deduction.

Removal (Ref: Para. 14(n) and Appendix 1)

- A8. Removal may be achieved by storing GHGs in geological sinks (for example, underground) or biological sinks (for example, trees). Removal of GHGs the entity would have otherwise emitted to the atmosphere are ordinarily reported in the GHG statement on a gross basis, i.e., both the source and the sink are disclosed in the GHG statement.

ISAE 3000 (Ref: Para. 15)

- A9. ISAE 3000 includes a number of requirements that apply to all assurance engagements, including engagements in accordance with this ISAE. In some cases, this ISAE may include additional requirements or application material in relation to those topics.

Competency, Quality Control, and Ethical Requirements

Skills, Knowledge and Experience of GHG Quantification and Reporting (Ref: Para. 15)

A10. ISAE 3000 requires the engagement partner to have sufficient skills, knowledge and experience with respect to the subject matter to accept responsibility for the assurance conclusion.¹⁶ In some cases, an assurance engagement on a GHG statement may be quite straightforward. This may be the case for instance when a service entity has no Scope 1 emissions and is reporting only Scope 2 emissions using an emissions factor specified in regulation, applied to electricity consumption at a single location. In this case, the engagement may focus largely on the system used to record and process electricity consumption figures identified on invoices, and arithmetical application of the specified emissions factor. General GHG skills, knowledge or experience that may, nonetheless, be relevant in such cases include:

- General understanding of climate science, including the scientific processes that relate GHGs to climate change.
- Understanding who the intended users of the information in the entity’s GHG statement are, and how they are likely to use that information (see paragraph A48).
- Understanding emissions trading schemes and related market mechanisms, when relevant.
- Knowledge of applicable laws and regulations, if any, that affect how the entity should report its emissions, and may also, for example, impose a limit on the entity’s emissions.
- Knowledge of the applicable criteria, including, for example:
 - Identifying appropriate emissions factors.
 - Identifying those aspects of the criteria that call for significant or sensitive estimates to be made, or for the application of considerable judgment.
 - Methods used for determining the entities whose emissions are to be included in the GHG statement.
 - Which emissions deductions are permitted to be included in the entity’s GHG statement.

¹⁶ ISAE 3000, paragraph xx.

Collective Competence and Capabilities (Ref: Para. 15)

- A11. ISAE 3000 requires the practitioner to be satisfied that the engagement team and any practitioner’s external experts collectively have appropriate competence and capabilities.¹⁷ When the engagement is not straightforward (see paragraph A10), it is likely to require specialist skills, knowledge and experience in the quantification and reporting of emissions. Particular areas of expertise that may be relevant in such cases include:

¹⁷ ISAE 3000, paragraph xx.

Information systems expertise

- Understanding how emissions information is generated, including the assessment of controls over how data is initiated, recorded, processed, corrected as necessary, collated and reported in a GHG statement.

Scientific expertise

- Mapping the flow of materials through a production process, and the accompanying processes that create emissions, including identifying the relevant points at which source data are gathered. This may be particularly important in considering whether the entity’s identification of emissions sources is complete.
- Analyzing chemical and physical relationships between inputs, processes and outputs, and relationships between emissions and other variables. The capacity to understand and analyze these relationships will often be important in designing analytical procedures.
- Identifying the effect of uncertainty on the GHG statement.
- Experience with specific industries and related emissions creation and removal processes. Procedures for Scope 1 emissions quantification vary greatly depending on the industries and processes involved, for example, the nature of electrolytic processes in aluminum production; combustion processes in the production of electricity using fossil fuels; and chemical processes in cement production are all different.
- The operation of physical sensors and other quantification methods, and the selection of appropriate emissions factors.

Independence (Ref: Para. 15)

A12. ISAE 3000 requires the practitioner to comply with relevant ethical requirements, including those pertaining to independence, relating to assurance engagements.¹⁸ The IESBA Code adopts a threats and safeguards approach to independence. Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

- Self-interest, for example, undue dependence on total fees from the entity.
- Self-review, for example, performing another service for the entity that directly affects the GHG statement, such as involvement in the quantification of the entity’s emissions.
- Advocacy, for example, acting as an advocate on behalf of the entity with respect to the interpretation of the applicable criteria.
- Familiarity, for example, a member of the engagement team having a long association, or close or immediate family relationship, with an employee of the entity who is in a position to exert direct and significant influence over the preparation of the GHG statement.

¹⁸ ISAE 3000, paragraph xx.

- Intimidation, for example, being pressured to reduce inappropriately the extent of work performed in order to lower fees, or being threatened with withdrawal of the practitioner’s registration by a registering authority that is associated with the entity’s industry group.

A13. Safeguards created by the profession, laws or regulations, or safeguards in the work environment, may eliminate or reduce such threats to an acceptable level.

Acceptance and Continuance

Scope of the GHG Statement and the Engagement (Ref: Para. 16(a))

A14. Examples of circumstances where the reasons for excluding known emissions sources from the GHG statement, or excluding disclosed emissions sources from the engagement, may not be reasonable in the circumstances include where:

- The entity has significant Scope 1 emissions but only includes Scope 2 emissions in the GHG statement.
- The entity is a part of a larger legal entity that has significant emissions that are not being reported on because of the way the organizational boundary has been determined, and this is likely to mislead intended users.
- The emissions that the practitioner is reporting on are only a small proportion of the total emissions included in the GHG statement.

Assessing the Appropriateness of the Subject Matter (Ref: Para. 15 and 28(b)(i)c.)

A15. ISAE 3000 requires the practitioner to assess the appropriateness of the subject matter.¹⁹ In the case of a GHG statement, the entity’s emissions (and removals and emissions deductions if applicable) are the subject matter of the engagement. That subject matter will be appropriate if, amongst other things, the entity’s emissions are capable of consistent quantification using suitable criteria.²⁰

A16. GHG sources may be quantified by:

- (a) Direct measurement (or direct monitoring) of GHG concentration and flow rates using continuous emissions monitoring or periodic sampling; or
- (b) Measuring a surrogate activity, such as fuel consumption, and calculating emissions using, for example, mass balance equations,²¹ entity-specific emissions factors, or average emissions factors for a region, source, industry or process.

¹⁹ ISAE 3000, paragraph 18.

²⁰ Assurance Framework, paragraph 34-38, and ISAE 3000, paragraph 19-21.

²¹ That is, equating the amount of a substance entering and exiting a defined boundary, for example, the amount of carbon in a hydrocarbon based fuel entering a combustion device equals the amount of carbon exiting the device in the form of carbon dioxide.

Uncertainty

A17. The GHG quantification process is rarely 100% accurate due to:

- (a) *Scientific uncertainty*: This arises because of incomplete scientific knowledge. For example, many factors associated with ‘global warming potential’ values, which are used to combine emissions of different gases and report them as carbon dioxide equivalents, are subject to incomplete scientific knowledge. The degree to which scientific uncertainty affects the quantification of reported emissions is ordinarily beyond the control of the entity; and
- (b) *Estimation uncertainty*: This results from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge. Estimation uncertainty may relate to the data on which an estimate is based, or the method, including where applicable the model, used in making the estimate (sometimes known as parameter and model uncertainty, respectively). The degree of estimation uncertainty is often controllable by the entity. Reducing the degree of estimation uncertainty ordinarily involves greater cost.

A18. The fact that quantifying an entity’s emissions is subject to uncertainty does not ordinarily mean that an entity’s emissions are inappropriate as a subject matter. For example, the applicable criteria may require Scope 2 emissions from electricity to be calculated by applying a prescribed emissions factor to the number of kilowatt hours consumed. The prescribed emissions factor will be based on assumptions and models that may not hold true in all circumstances. However, as long as the assumptions and models are reasonable in the circumstances and adequately disclosed, information in the GHG statement will ordinarily be capable of being assured.

A19. The situation in the previous paragraph can be contrasted with quantification in accordance with criteria that use models and assumptions based on an entity’s individual circumstances. Using entity-specific models and assumptions will likely result in more accurate quantification than using, for example, average emissions factors for an industry; it will also likely introduce additional risks with respect to how the entity-specific models and assumptions were arrived at. Again, as long as the assumptions and models are reasonable in the circumstances and adequately disclosed, information in the GHG statement will ordinarily be capable of being assured.

A20. In some cases, however, the practitioner may decide that it is inappropriate to undertake an assurance engagement if the impact of estimation uncertainty on information in the GHG statement is very high. This may be the case when, for example, a significant proportion of the entity’s reported emissions are from unmonitored fugitive sources and estimation methods are not sufficiently sophisticated. It should be noted that decisions whether to undertake an assurance engagement in such circumstances are not affected by the desired level of assurance, i.e., if it is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa.

A21. Including in the explanatory notes to the GHG statement a discussion of the nature, causes, and effects of the uncertainties that affect the entity’s GHG statement alerts intended users to the uncertainties associated with the quantification of emissions. This may be particularly

important where the intended users did not determine the criteria to be used. For example, a GHG statement may be available to a broad range of intended users even though the criteria used were developed for a particular regulatory purpose.

- A22. Because uncertainty is a significant characteristic of all GHG statements, paragraph 75(e) requires it to be mentioned in the assurance report regardless of what, if any, disclosures are included in the explanatory notes to the GHG statement.²²

Assessing the Suitability of the Criteria

Specifically Developed and Established Criteria (Ref: Para. 16(b))

- A23. Suitable criteria exhibit the following characteristics: relevance, completeness, reliability, neutrality, and understandability. Criteria may be “specifically developed” or they may be “established,” i.e., embodied in laws or regulations, or issued by authorized or recognized bodies of experts that follow a transparent due process.²³ Ordinarily, established criteria are suitable when they are relevant to the needs of the intended users, for example, criteria established by a regulator can be presumed to be relevant when that regulator is the intended user. Some established criteria may be developed for a special purpose and be unsuitable for application in other circumstances. For example, criteria developed by a regulator that include emissions factors for a particular region may render misleading information if used for emissions in another region; or criteria that are designed to report only on particular regulatory aspects of emissions may be unsuitable for reporting to intended users other than the regulator that established the criteria.
- A24. Specifically developed criteria may be appropriate when, for example, the entity has very specialized machinery or is aggregating emissions information from different jurisdictions where the established criteria used in those jurisdictions differ. Special care may be necessary when assessing the neutrality and other characteristics of specifically developed criteria, particularly if they are not substantially based on established criteria generally used in the entity’s industry or region, or are inconsistent with such criteria.
- A25. The applicable criteria may comprise established criteria supplemented by disclosures, in the explanatory notes to the GHG statement, of specific boundaries, methods, assumptions, emissions factors, etc. In some cases, established criteria may not be suitable, even when supplemented by disclosures in the explanatory notes to the GHG statement. A26. It should be noted that the suitability of the applicable criteria is not affected by the desired level of assurance, i.e., if they are not appropriate for a reasonable assurance engagement, they are also not appropriate for a limited assurance engagement, and vice versa.

Operations Included in the Entity’s Organizational Boundary (Ref: Para. 16(b)(i), 28(b)(i), and 34(e))

- A27. Determining which operations to include in the entity’s GHG statement is known as determining the entity’s organizational boundary. In some cases, the applicable criteria may allow a choice

²² See also ISAE 3000, paragraph 49(e).

²³ Assurance Framework, paragraphs 36-37.

between different methods for determining the entity’s organizational boundary, for example, the criteria may allow a choice between an approach that aligns the entity’s GHG statement with its financial statements, or another approach that treats, for example, joint ventures or associates differently. Determining the entity’s organizational boundary may require the analysis of complex organizational structures such as joint ventures, partnerships, and trusts, and complex or unusual contractual relationships. For example, a facility may be owned by one party, operated by another, and process materials solely for another party.

Adequate Disclosures (Ref: Para. 16(b)(iv) and 73(c)(iv)),

A28. Disclosure in the GHG statement of such matters as the following may be necessary, particularly in voluntary reporting situations, for intended users to understand the significant judgments made in preparing the GHG statement:

- (a) Which operations are included in the entity’s organizational boundary, and the method used for determining that boundary if the applicable criteria allow a choice between different methods; (see paragraph A27)
- (b) Significant quantification methods and reporting policies selected, including:
 - (i) The method used to determine which Scope 1 and Scope 2, emissions have been included in the GHG statement; (see paragraph A29)
 - (ii) Any significant interpretations made in applying the applicable criteria in the entity’s circumstances, including data sources, and when choices between different methods are allowed, or entity-specific methods are used, disclosure of the method used and the rationale for doing so; and
 - (iii) How the entity determines whether previously reported emissions should be restated.
- (c) The categorization of emissions attributable to each material type of emission included in the GHG statement;
- (d) A statement regarding the uncertainties relevant to the entity’s quantification of its emissions, including: their causes; how they have been addressed; their effects on the GHG statement; and, where the GHG statement includes Scope 3 emissions, an explanation of: (see paragraph A30-A33)
 - (i) The nature of Scope 3 emissions, including that it is not practicable for an entity to include all Scope 3 emissions in its GHG statement; and
 - (ii) The basis for selecting those Scope 3 emissions sources that have been included; and
- (e) Changes, if any, in the matters mentioned in this paragraph or in other matters that materially affect the comparability of the GHG statement with a prior period(s) or base year.

Scope 1 and Scope 2 Emissions

A29. Criteria commonly call for all material Scope 1, Scope 2, or both Scope 1 and Scope 2 emissions, to be included in the GHG statement. Where some Scope 1 or Scope 2 emissions have been excluded, it is important that the explanatory notes to the GHG statement disclose

the basis for determining which emissions are included and which are excluded, particularly if those that are included are not likely to be the largest for which the entity is responsible.

Scope 3 Emissions

- A30. While some criteria require the reporting of specific Scope 3 emissions, more commonly the inclusion of Scope 3 emissions is optional because it would be impracticable for nearly any entity to attempt to quantify the full extent of its indirect emissions as this includes all sources both up and down the entity’s supply chain. For some entities, reporting particular categories of Scope 3 emissions provides important information for intended users, for example, where an entity’s Scope 3 emissions are considerably larger than its Scope 1 and Scope 2 emissions, as may be the case with many service sector entities. In these cases, the practitioner may consider it inappropriate to undertake an assurance engagement if significant Scope 3 emissions are not included in the GHG statement.
- A31. Where some Scope 3 emissions sources have been included in the GHG statement, it is important that the basis for selecting which sources to include is reasonable, particularly if those included are not likely to be the largest sources for which the entity is responsible.
- A32. In some cases, the source data used to quantify Scope 3 emissions may be maintained by the entity. For example, the entity may keep detailed records as the basis for quantifying emissions associated with employee air travel. In some other cases, the source data used to quantify Scope 3 emissions may be maintained in a well controlled and accessible source outside the entity. Where this is not the case, however, it may be unlikely that the practitioner will be able to obtain sufficient appropriate evidence with respect to such Scope 3 emissions. In such cases, it may be appropriate to exclude those Scope 3 emissions sources from the engagement.
- A33. It may also be appropriate to exclude Scope 3 emissions from the engagement where the quantification methods in use are heavily dependent on estimation and lead to a high degree of uncertainty in reported emissions. For example, various quantification methods for estimating the emissions associated with air travel can give widely varying quantifications even when identical source data is used. If such Scope 3 emissions sources are included in the engagement, it is important that the quantification methods used are selected objectively and that they are fully described along with the uncertainties associated with their use.

Who Developed the Criteria (Ref: Para. 16(c)(i))

- A34. When the GHG statement has been prepared for a regulatory disclosure regime or emissions trading scheme where the applicable criteria and form of reporting are prescribed, it will ordinarily be apparent from the engagement circumstances that it is the regulator or body in charge of the scheme that developed the criteria. In voluntary reporting situations, however, it may not be clear who developed the criteria unless it is stated in the explanatory notes to the GHG statement.

The Entity’s Responsibility for the Preparation of the GHG Statement (Ref: Para. 16(c)(ii))

A35. As noted in paragraph A52, for some engagements concerns about the condition and reliability of an entity’s records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the GHG statement. This may occur when the entity has little experience with the preparation of GHG statements. In such circumstances, it may be more appropriate for the practitioner to undertake an agreed-upon procedures engagement in preparation for an assurance engagement in a later period, or a consulting engagement to assist the entity to develop suitable quantification and reporting methodologies.

Acceptance of a Change in the Terms of the Engagement (Ref: Para. 15)

A36. ISAE 3000 requires that the practitioner not agree to a change in the terms of the engagement where there is no reasonable justification for doing so. A request to change the scope of the engagement may not have a reasonable justification when, for example, the request is made to exclude certain emissions sources from the scope of the engagement because of the likelihood that the practitioner’s conclusion would be modified.

Fraud (Ref: Para. 18 and 34(a))

A37. Misstatements in the GHG statement can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the GHG statement is intentional or unintentional.

A38. Incentives for intentional misstatement of the GHG statement may arise if, for example, those who are directly involved with, or have the opportunity to influence, the emissions reporting process have a significant portion of their compensation contingent upon achieving aggressive GHG targets. As noted in paragraph A62, other incentives to either under or overstate emissions may result from the entity’s climate change strategy, if any, and associated economic, regulatory, physical and reputational risks.

A39. Although fraud is a broad legal concept, for the purposes of this ISAE, the practitioner is concerned with fraud that causes a material misstatement in the GHG statement. Although the practitioner may suspect or, in rare cases, identify the occurrence of fraud, the practitioner does not make legal determinations of whether fraud has actually occurred.

A40. In responding to fraud or suspected fraud identified during the engagement, it may be appropriate for the practitioner to, for example:

- Discuss the matter with the entity.
- Request the entity to consult with an appropriately qualified third party, such as the entity’s legal counsel.
- Consider the implications of the matter in relation to other aspects of the engagement, including the practitioner’s risk assessment and the reliability of written representations from the entity.
- Obtain legal advice about the consequences of different courses of action.

- Communicate with third parties (for example, a regulator).
- Withhold the assurance report.
- Withdraw from the engagement.

Laws and Regulations (Ref: Para. 19(b))

A41. The actions noted in paragraph A40 may be appropriate in responding to non-compliance or suspected non-compliance with laws and regulations identified during the engagement. It may also be appropriate to describe the matter in an “other matter” paragraph in the practitioner’s report in accordance with paragraph 76 of this ISAE, unless the practitioner:

- (a) Concludes that the non-compliance has a material effect on the GHG statement and has not been adequately reflected in the GHG statement; or
- (b) Is precluded by the entity from obtaining sufficient appropriate evidence to evaluate whether non-compliance that may be material to the GHG statement has, or is likely to have, occurred,

in which case paragraph 51 of ISAE 3000 applies.

Planning (Ref: Para. 20)

A42. When establishing the overall engagement strategy it may be relevant to consider the emphasis given to different aspects of the design and implementation of the GHG information system. For example, in some cases the entity may have been particularly conscious of the need for adequate internal control to ensure the reliability of reported information, while in other cases the entity may have focused more on accurately determining the scientific, operational or technical characteristics of the information to be gathered.

A43. Smaller engagements or more straightforward engagements (see paragraph A10), may be conducted by a very small engagement team. With a smaller team, co-ordination of, and communication between, team members are easier. Establishing the overall engagement strategy for a smaller engagement, or for a more straightforward engagement, need not be a complex or time-consuming exercise. For example, a brief memorandum based on discussions with the entity, can serve as the documented engagement strategy if it covers the matters noted in paragraph 20.

A44. The practitioner may decide to discuss elements of planning with the entity to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned evidence-gathering procedures with the work of the entity’s personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner’s responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed evidence-gathering procedures with the entity may compromise the effectiveness of the engagement by making the evidence-gathering procedures too predictable.

Materiality in Planning and Performing the Engagement (Ref: Para. 21-22)

Determining Materiality and Performance Materiality When Planning the Engagement

A45. The criteria may discuss the concept of materiality in the context of the preparation and presentation of the GHG statement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes that:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of users taken on the basis of the GHG statement;
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgments about matters that are material to intended users of the GHG statement are based on a consideration of the common information needs of intended users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not ordinarily considered.

A46. Such a discussion, if present in the applicable criteria, provides a frame of reference to the practitioner in determining materiality for the engagement. If the applicable criteria do not include a discussion of the concept of materiality, the characteristics referred to above provide the practitioner with such a frame of reference.

A47. The practitioner’s determination of materiality is a matter of professional judgment, and is affected by the practitioner’s perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users:

- (a) Have a reasonable knowledge of GHG related activities, and a willingness to study the information in the GHG statement with reasonable diligence;
- (b) Understand that the GHG statement is prepared and assured to levels of materiality, and have an understanding of any materiality concepts included in the applicable criteria;
- (c) Understand that the quantification of emissions involves uncertainties; and (see paragraphs A17-A22)
- (d) Make reasonable decisions on the basis of the information in the GHG statement.

A48. Intended users and their information needs may include, for example:

- Management and those charged with governance of the entity who use information about emissions for strategic and operational decisions, such as choosing between alternative technologies and investment and divestment decisions, perhaps in anticipation of a regulatory disclosure regime or entering an emissions trading scheme.
- Regulators and policy makers in the case of a regulatory disclosure regime. Their information needs may relate to monitoring compliance with the disclosure regime, and a broad range of government policy decisions related to climate change mitigation and adaptation, usually based on aggregated information.

- Market participants in the case of an emissions trading scheme, whose information needs may relate to decisions to trade negotiable instruments (such as permits, credits or allowances) created by the scheme, or impose fines or other penalties on the basis of excess emissions.
- Investors and other stakeholders such as suppliers, customers, employees, and the broader community in the case of voluntary disclosures. Their information needs may relate to decisions to buy or sell equity in the entity; lend to, trade with, or be employed by the entity; or make representations to the entity or others, for example, politicians.

The practitioner may not be able to identify all those who will read the assurance report, particularly where there is a large number of people who have access to it. In such cases, particularly where possible readers are likely to have a broad range of interests with respect to emissions, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by law.

A49. Judgments about materiality are made in light of surrounding circumstances, and are affected by both quantitative and qualitative factors. It should be noted, however, that decisions regarding materiality are not affected by the desired level of assurance, i.e., materiality for a reasonable assurance engagement is the same as for a limited assurance engagement.

A50. A percentage is often applied to a chosen benchmark as a starting point in determining materiality. Factors that may affect the identification of an appropriate benchmark include:

- The elements included in the GHG statement (for example, Scope 1, Scope 2 and Scope 3 emissions, emissions deductions, and removals). A benchmark that may be appropriate, depending on the circumstances, is gross reported emissions, i.e., the aggregate of reported Scope 1, Scope 2 and Scope 3 emissions before subtracting any emissions deductions or removals. Materiality relates to the emissions covered by the engagement. Therefore, when the engagement does not cover the entire GHG statement, materiality is set in relation to only that portion of the GHG statement that is covered by the engagement as if it were the GHG statement.
- The quantity of a particular type of emission or the nature of a particular disclosure. In some cases, there are particular types of emissions or disclosures for which misstatements of lesser amounts than materiality for the GHG statement in its entirety is appropriate. For example, the practitioner may consider it appropriate to set a lower materiality for emissions from a particular jurisdiction, or for a particular gas or particular facility.
- How the GHG statement presents relevant information, for example, whether it includes a comparison of emissions with a prior period(s), base year, or a ‘cap’, in which case determining materiality in relation to the comparative information may be a relevant consideration. Where a ‘cap’ is relevant, materiality is ordinarily set in relation to the cap if it is lower than reported emissions.

- The relative volatility of the benchmark. For example, if emissions vary significantly from period to period, it may be appropriate to set materiality relative to the lower end of the fluctuation range even if the current period is higher.
- The requirements of the applicable criteria. In some cases, the applicable criteria may set a threshold for accuracy and may refer to this as materiality. For example, the criteria may state an expectation that emissions are measured with a 5% “materiality threshold.” Where this is the case, the threshold set by the criteria provides a frame of reference to the practitioner in determining materiality for the engagement.

A50. Qualitative factors may include:

- The sources of emissions.
- The types of gases involved.
- The context in which the information in the GHG statement will be used (for example, whether the information is for use in an emissions trading scheme, is for submission to a regulator, or is for inclusion in a widely distributed sustainability report); and the types of decisions that intended users are likely to make.
- Whether there are one or more types of emissions or disclosures on which the attention of the intended users tends to be focused, for example, gases that, as well as contributing to climate change, are ozone depleting.
- The nature of the entity, its climate change strategies and progress toward related objectives.
- The industry and the economic and regulatory environment in which the entity operates.

Revision as the Engagement Progresses (Ref: Para. 23)

A51 If during the engagement the practitioner concludes that a lower materiality for the GHG statement (and, if applicable, materiality level or levels for particular types of emissions or disclosures) than that initially determined is appropriate, it may be necessary to revise performance materiality, and the nature, timing and extent of the further evidence-gathering procedures.

Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Risks of material misstatement at the GHG statement level (Ref: Para. 24 and 32(a))

A52. Risks of material misstatement at the GHG statement level refer to risks that relate pervasively to the GHG statement as a whole and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of type of emission or disclosure level. Rather, they represent circumstances that may increase the risks of material misstatement at the assertion level, for example, through management override of internal control. GHG statement level risks may be especially relevant to the practitioner’s consideration of the risks of material misstatement arising from fraud.

A53. Risks at the GHG statement level may derive in particular from a deficient control environment. For example, deficiencies such as management’s lack of competence may have a more pervasive effect on the GHG statement and may require an overall response by the practitioner. Other risks of material misstatement at the GHG statement may include, for example:

- Inadequate, poorly controlled or poorly documented mechanisms for collecting data, quantifying emissions and preparing GHG statements.
- Lack of staff competence in collecting data, quantifying emissions and preparing GHG statements.
- Lack of management involvement in quantifying emissions and preparing GHG statements.
- Failure to identify accurately all sources of GHGs.
- Risk of fraud, for example, in connection with emissions trading markets.
- Presenting information covering prior periods that is not prepared on a consistent basis, for example, because of changed boundaries or changes in measurement methodologies.
- Misleading presentation of information in the GHG statement, for example, unduly highlighting particularly favorable data or trends.
- Inconsistent quantification methods and reporting policies, including different methods for determining the organizational boundary, at different components.
- Errors in unit conversion when consolidating information from components.
- Inadequate disclosure of scientific uncertainties and key assumptions in relation to estimates.

A54. The practitioner’s understanding of internal control may raise doubts about whether sufficient appropriate evidence is available for the practitioner to complete the engagement. For example: (see paragraphs A63-A64, A69-A70, and A73 also)

- Concerns about the integrity of those preparing the GHG statement may be so serious as to cause the practitioner to conclude that the risk of management misrepresentation in the GHG statement is such that an engagement cannot be conducted.
- Concerns about the condition and reliability of an entity’s records may cause the practitioner to conclude that it is unlikely that sufficient appropriate evidence will be available to support an unmodified conclusion on the GHG statement.

The Use of Assertions (Ref: Para. 24 and 32(b))

A55. In representing that the GHG statement is in accordance with the applicable criteria, the entity implicitly or explicitly makes assertions regarding the quantification, presentation and disclosure of emissions.

A56. Assertions used by the practitioner to consider the different types of potential misstatements that may occur fall into the following categories and may take the following forms:

- (a) Assertions about the quantification of emissions for the period subject to assurance:
 - (i) Occurrence—emissions that have been recorded have occurred and pertain to the entity.
 - (ii) Completeness—all emissions that should have been recorded have been recorded.²⁴
 - (iii) Accuracy—the quantification of emissions has been recorded appropriately.
 - (iv) Cutoff—emissions have been recorded in the correct reporting period.
 - (v) Classification—emissions have been recorded as the proper type.
- (b) Assertions about presentation and disclosure:
 - (i) Occurrence and responsibility—disclosed emissions and other matters have occurred and pertain to the entity.
 - (ii) Completeness—all disclosures that should have been included in the GHG statement have been included.
 - (iii) Classification and understandability—emissions information is appropriately presented and described, and disclosures are clearly expressed.
 - (iv) Accuracy and quantification—emissions quantification and other information included in the GHG statement are appropriately disclosed.
 - (v) Consistency—quantification policies are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed; and comparative information, if any, is as reported in the prior period or has been appropriately restated.

A57. The practitioner may use the assertions as described above or may express them differently provided all aspects described above have been covered.

Analytical Procedures performed as risk assessment procedures (Ref: Para. 25(b))

A58. Analytical procedures performed as risk assessment procedures may identify aspects of the entity of which the practitioner was unaware and may assist in assessing the risks of material misstatement in order to provide a basis for designing and implementing responses to the assessed risks. Analytical procedures performed as risk assessment procedures may include, for example, comparing GHG emissions from various sites with production figures for those sites.

A59. Analytical procedures may help identify the existence of unusual events, and amounts, ratios, and trends that might indicate matters that have implications for the engagement. Unusual or unexpected relationships that are identified may assist the practitioner in identifying risks of material misstatement.

²⁴ See paragraphs A28-A31 of this ISAE for a discussion of completeness with respect to various Scopes.

- A60. However, when such analytical procedures use data aggregated at a high level (which may be the situation with analytical procedures performed as risk assessment procedures), the results of those analytical procedures only provide a broad initial indication about whether a material misstatement may exist. Accordingly, in such cases, consideration of other information that has been gathered when identifying the risks of material misstatement together with the results of such analytical procedures may assist the practitioner in understanding and evaluating the results of the analytical procedures.

Other Engagements Performed for the Entity (Ref: Para. 26)

- A61. Information obtained from other engagements performed for the entity may relate to, for example, aspects of the entity’s control environment and risk assessment procedures.

Objectives and Strategies (Ref: Para. 28(e))

- A62. Consideration of the entity’s climate change strategy, if any, and associated economic, regulatory, physical and reputational risks, may assist the practitioner to identify risks of material misstatement. For example, if the entity has made commitments to become carbon neutral, this may provide an incentive to understate emissions so the target will appear to be achieved within a declared timeframe. Conversely, if the entity is expecting to be subject to a regulated emissions trading scheme in the future, this may provide an incentive to overstate emissions in the meantime to increase the opportunity for it to receive a larger permit quota at the outset of the scheme.

Control Activities Relevant to the Engagement (Ref: Para. 31(c) and (d))

- A63. The practitioner’s judgment about whether particular control activities are relevant to the engagement may be affected by the level of sophistication, documentation and formality of the entity’s information system, including the related business processes, relevant to reporting emissions. As reporting of emissions evolves, it can be expected that so too will the level of sophistication, documentation and formality of information systems and related control activities relevant to the quantification and reporting of emissions.
- A64. In the case of very small entities or immature information systems, particular control activities are likely to be more rudimentary, less well documented, and may only exist informally. When this is the case, it is less likely the practitioner will judge it necessary to understand particular control activities in order to assess the risks of material misstatement at the assertion level and design further evidence-gathering procedures responsive to assessed risks. In some regulated schemes, on the other hand, the information system and control activities may be required to be formally documented and their design approved by the regulator. Even in some of these cases, however, not all relevant data flows and associated controls may be documented. For example, it may be more likely that control activities with respect to source data collection from continuous monitoring are sophisticated, well documented, and more formal than control activities with respect to subsequent data processing and reporting. (See paragraphs A54, A69-A70 and A73 also)

Causes of Risks of Material Misstatement (Ref: Para. 34)

A65. Examples of factors referred to in paragraph 34 include:

- (a) Omission of one or more emissions sources is more likely for sources that are less obvious and may be overlooked, such as fugitive emissions.
- (b) Significant economic or regulatory changes may include, for example, increases in renewable energy targets or significant price changes for permits under an emissions trading scheme, which may lead to, for example, increased risk of misclassification of sources at an electricity generator.
- (c) The nature of the entity’s operations may be complex (for example, it may involve multiple and disparate sites and processes), discontinuous (for example, peak load electricity generation), or result in few or weak relationships between the entity’s emissions and other measurable activity levels (for example, a cobalt nickel plant). In such cases, the opportunity for meaningful analytical procedures may be significantly reduced.

Changes in operations or boundaries, for example, introduction of new processes, or the sale, acquisitions or outsourcing of emissions sources or removal sinks may also introduce risks of material misstatement, for example, through unfamiliarity with quantification or reporting procedures. Also double counting of an emissions source or removals sink may occur due to inadequate coordination in the identification of sources and sinks at a complex installation.

- (d) Selection of an inappropriate quantification method, for example, calculating emissions using an emissions factor when using a more accurate direct measurement method is available and would be more appropriate. Selecting an appropriate quantification method is particularly important when the method has been changed. This is because intended users are often interested in emissions trends over time, or relative to a base year. Some criteria may require that quantification methods are only changed when a more accurate method is to be used. Other factors related to the nature of quantification methods include:
 - Incorrect application of a quantification method, such as not calibrating meters or not reading them sufficiently frequently, or use of an emissions factor that is inappropriate in the circumstances. For example, an emissions factor may be predicated on an assumption of continuous use and may not be appropriate to use after a shut down.
 - Complexity in quantification methods, which will likely involve higher risk, for example, extensive or complex mathematical manipulation of source data, such as the need to use complex mathematical models, or extensive use of state conversion factors, such as those to convert measures of liquid to measures of gas, or unit conversion factors, such as those to convert imperial measures to metric measures.
 - Changes in quantification methods or input variables, for example, if the quantification method used is based on the carbon content of biomass, and the composition of the biomass used changes during the period.

- (e) Significant non-routine emissions or judgmental matters are a source of greater risk relative to routine, non-complex emissions that are subject to systematic quantification and reporting. Non-routine emissions are those that are unusual, in size or nature, and that therefore occur infrequently, for example one-off events such as a plant malfunction or major leak. Judgmental matters may include the development of subjective estimates. Risks of material misstatement may be greater because of matters such as:
- Greater management intervention to specify the quantification methods or reporting treatment.
 - Greater manual intervention for data collection and processing.
 - Complex calculations or quantification methods and reporting principles.
 - The nature of non-routine emissions, which may make it difficult for the entity to implement effective controls over the risks.
 - Quantification methods and reporting principles for estimates may be subject to differing interpretation.
 - Required judgments may be subjective or complex.
- (f) The inclusion of Scope 3 emissions where the source data used in quantification are not maintained by the entity, or where quantification methods commonly in use are imprecise or lead to large variations in reported emissions.²⁵
- (g) Matters that the practitioner may consider in obtaining an understanding of whether and, if so, how the entity has assessed the effect of estimation uncertainty include, for example:
- Whether and, if so, how the entity has considered alternative assumptions or outcomes by, for example, performing a sensitivity analysis to determine the effect of changes in the assumptions on an estimate;
 - How the entity determines the estimate when analysis indicates a number of outcome scenarios.
 - Whether the entity monitors the outcome of estimates made in the prior period, and whether it has appropriately responded to the outcome of that monitoring procedure.

A66. Examples of other factors that may lead to risks of material misstatement include:

- Human error in the quantification of emissions, which may be more likely to occur if personnel are unfamiliar with, or not well trained regarding, emissions processes or data recording.
- Undue reliance on a poorly designed information system, which may have few effective controls, for example, the use of spreadsheets without adequate controls.
- Manual adjustment of otherwise automatically recorded activity levels, for example, manual input may be required if a flare meter becomes overloaded.

²⁵ See paragraphs A29-A31 of this ISAE.

- Significant external developments such as heightened public scrutiny of a particular facility.

Risks for Which Tests of Controls are Necessary to Provide Sufficient Appropriate Evidence (Ref: Para. 35 and 40(b))

A67. The quantification of emissions may include processes that are highly automated with little or no manual intervention. For example, where relevant information is recorded, processed, or reported only in electronic form such as in a continuous monitoring system, or when the processing of activity data is integrated with an IT-based financial reporting information system. In such cases:

- Evidence may be available only in electronic form, and its sufficiency and appropriateness dependant on the effectiveness of controls over its accuracy and completeness.
- The potential for improper initiation or alteration of information to occur and not be detected may be greater if appropriate controls are not operating effectively.

Responses to Assessed Risks

Overall Responses (Ref: Para. 37)

A68. Overall responses to address the assessed risks of material misstatement at the GHG statement level may include:

- Emphasizing to the assurance personnel the need to maintain professional skepticism.
- Assigning more experienced staff or those with special skills or using experts.
- Providing more supervision.
- Incorporating additional elements of unpredictability in the selection of further evidence-gathering procedures to be performed.
- Making general changes to the nature, timing, or extent of evidence-gathering procedures, for example: performing procedures at the period end instead of at an interim date; or modifying the nature of procedures to obtain more persuasive evidence.

A69. The assessment of the risks of material misstatement at the GHG statement level, and thereby the practitioner’s overall responses, is affected by the practitioner’s understanding of the control environment. An effective control environment may allow the practitioner to have more confidence in internal control and the reliability of evidence generated internally within the entity and thus, for example, allow the practitioner to conduct some evidence-gathering procedures at an interim date rather than at the period end. Deficiencies in the control environment, however, have the opposite effect; for example, the practitioner may respond to an ineffective control environment by:

- Conducting more evidence-gathering procedures as of the period end rather than at an interim date.
- Obtaining more extensive evidence from evidence-gathering procedures other than tests of control.

- Increasing sample sizes and the extent of procedures, such as the number of site visits.

A70. Such considerations, therefore, have a significant bearing on the practitioner’s general approach, for example, the relative emphasis on tests of controls versus other evidence-gathering procedures. (See paragraphs A54, A63-A64, and A73 also)

Site Visits (Ref: Para. 38)

A71. Where the GHG statement includes emissions from different processes, or processes using different technologies, it may be appropriate to perform further evidence-gathering procedures at a selection of facilities relevant to each process or technology, considering such things as the number of facilities, the size of each facility and its contribution to overall emissions, the methods used at each facility to gather emissions information, and the experience of relevant staff at each facility. For facilities that are not visited, sources such as energy flow and material flow diagrams may be reviewed.

Factors that May Influence Assessed Risks of Material Misstatement (Ref: Para. 39(a) and 40(a))

A72. Factors that may influence the assessed risks of material misstatement include:

- The nature and frequency of instrument calibration.
- The number, nature, geographical spread, and ownership characteristics of facilities from which data is collected.
- The number and nature of the various gases and emissions sources included in the GHG statement.
- Whether processes to which emissions relate are continuous or intermittent, and the risk of disruption to such processes.
- The complexity of methods for activity measurement and for calculating emissions, for example, some processes require unique measurement and calculation methods.
- The risk of unidentified fugitive emissions.
- The extent to which the quantity of emissions correlates with readily available input data.
- Whether personnel who perform data collection are trained in relevant methods, and the frequency of turnover of such personnel.
- The nature and level of automation used in data and manipulation.
- The quality control policies and procedures implemented at testing laboratories, whether internal or external.
- The complexity of criteria and of quantification and reporting policies, including how the organizational boundary is determined.

Operating Effectiveness of Controls (Ref: Para. 39(a) and 40a))

A73. In the case of very small entities or immature information systems, there may not be many control activities that could be identified by the practitioner, or the extent to which their

existence or operation have been documented by the entity may be limited. In such cases, it may be more efficient for the practitioner to perform further evidence-gathering procedures that are primarily other than tests of control. In some rare cases, however, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate evidence. (See paragraph A54, A63-A64, and A69-A70 also)

Persuasiveness of Evidence (Ref: Para. 39(b))

A74. To obtain more persuasive evidence because of a higher assessment of risk, the practitioner may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining corroborating evidence from a number of independent sources.

Other Evidence-gathering Procedures (Ref: Para. 42)

A75. In addition to confirmation and analytical procedures, and procedures related to the GHG statement aggregation process (see paragraphs A76-A81), other evidence-gathering procedures may include, for example:

- Agreeing emissions factors to appropriate sources, for example, government publications, and considering their applicability in the circumstances.
- Reviewing joint venture agreements and other contracts relevant to determining the entity’s organizational boundary.
- Reconciling recorded data to, for example, odometers on vehicles owned by the entity.
- Reperforming calculations, for example, mass balance and energy balance calculations, and reconciling differences noted.
- Taking readings from continuous monitoring equipment.
- Observing or reperforming physical measurements, such as dipping oil tanks.
- Analyzing the soundness and appropriateness of unique measurement or quantification techniques, particularly complex methods that may involve, for example, recycle or feedback loops.
- Sampling and independently analyzing the characteristics of materials such as coal, or observing the entity’s sampling techniques and reviewing laboratory test results.
- Checking the accuracy of calculations and the suitability of calculation methods used, for example, the conversion and aggregation of input measurements.
- Agreeing recorded data back to source documents, such as production records, fuel usage records, and invoices for purchased energy.

Confirmation Procedures (Ref: Para. 43)

A76. Situations where external confirmation procedures may provide relevant evidence include:

- Activity data collected by a third party, such as a travel agent that collates data on employee air travel, a supplier that meters the inflow of energy to a facility, or an external fleet manager records kilometers travelled by entity-owned vehicles.
- The accuracy of industry benchmark data used in calculating emissions factors.
- The terms of agreements, contracts, or transactions between the entity and other parties, or whether other parties are, or are not, including particular emissions in their GHG statement, when considering the entity’s organizational boundary.
- Results of laboratory analysis of, for example, the calorific value of input samples.

Analytical Procedures Performed in Response to Assessed Risks (Ref: Para. 44)

- A77. In many cases, the fixed nature of physical or chemical relationships between particular emissions and other measurable phenomena allows for the design of powerful analytical procedures, both as risk assessment and other evidence-gathering procedures, for example, the relationship between fuel consumption and carbon dioxide and nitrous oxide emissions.
- A78. Similarly, a reasonably predictable relationship may exist between emissions and financial or operational information, for example, the relationship between Scope 2 emissions from electricity and the general ledger balance for electricity purchases or hours of operation. Other analytical procedures may involve comparisons of information about the entity’s emissions with external data such as industry averages; or the analysis of trends during the period to identify anomalies for further investigation, and trends across periods for consistency with other circumstances such as the acquisition or disposal of sites.
- A79. analytical procedures may be particularly effective when disaggregated data is readily available, or when the practitioner has reason to consider the data to be used is reliable, such as when it is extracted from a well controlled source. In some cases, data to be used may be captured by the financial reporting information system, or may be entered in another information system in parallel with the entry of related financial data, and some common input controls applied. For example, the quantity of fuel purchased as recorded on suppliers’ invoices may be input under the same conditions that relevant invoices are entered into an accounts payable system. In some cases, data to be used may be an integral input to operational decisions and therefore subject to increased scrutiny by operational personnel, or subject to separate external audit procedures, for example, as part of a joint venture agreement or oversight by a regulator.
- A80. As described at paragraph A2(b), analytical procedures performed in a limited assurance engagement are ordinarily less rigorous than in a reasonable assurance engagement.

Evidence-gathering Procedures Related to the GHG Statement Aggregation Process (Ref: Para. 46)

- A81. As noted in paragraph A63, as reporting of emissions evolves, it can be expected that so too will the level of sophistication, documentation and formality of information systems relevant to the quantification and reporting of emissions. In immature information systems, the aggregation process may be very informal. In more sophisticated systems the aggregation process may be more systematic and formally documented. The nature, and also the extent, of the practitioner’s

examination of adjustments and the manner in which the practitioner agrees or reconciles the GHG statement with the underlying records depends on the nature and complexity of the entity’s quantifications and reporting process and the related risks of material misstatement.

Evidence-gathering Procedures Regarding Estimates (Ref: Para. 48)

A82. In some cases it may be appropriate for the practitioner to evaluate, in addition to other evidence-gathering procedures for a particular type of emission or disclosure, how the entity has considered alternative assumptions or outcomes, and why it has rejected them.

Evaluation of Misstatements Identified during the Engagement

Accumulation of Identified Misstatements (Ref: Para. 51)

A83. The practitioner may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the practitioner expects that the accumulation of such amounts clearly would not have a material effect on the GHG statement. “Clearly trivial” is not another expression for “not material.” Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with this ISAE, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.

Using the Work of Component Practitioners

Planning to Use the Work of a Component Practitioner (Ref: Para. 58)

A84. Components may comprise, for example, a factory or other form of facility at a remote location; a subsidiary, division or branch in a foreign jurisdiction; or a joint venture or associate. Relevant considerations when the engagement team plans to request a component practitioner to perform work on the information of a component may include

- Whether the component practitioner understands and complies with the ethical requirements that are relevant to the engagement and, in particular, is independent.
- The component practitioner’s professional competence.
- The extent of the engagement team’s involvement in the work of the component practitioner.
- Whether the component practitioner operates in a regulatory environment that actively oversees practitioner.

Communication to Component Practitioners (Ref: Para. 58(a))

A85. Relevant matters to communicate with component practitioners about the work to be performed, the use to be made of that work, and the form and content of the component practitioner’s communication with the engagement team may include:

- A request that the component practitioner, knowing the context in which the engagement team will use the work of the component practitioner, confirms that the component practitioner will cooperate with the engagement team.
- Performance materiality for the component (and, if applicable, the materiality level or levels for particular types of emissions or disclosures) and the threshold above which misstatements cannot be regarded as clearly trivial to the GHG statement.
- Identified risks of material misstatement of the GHG statement that are relevant to the work of the component practitioner; and a request that the component practitioner communicate on a timely basis any other identified risks in the component that may be material to the GHG statement, and the component practitioner’s responses to such risks.

Communication from Component Practitioners (Ref: Para. 58(a))

A86. Relevant matters that the engagement team may request the component practitioner to communicate include:

- Whether the component practitioner has complied with ethical requirements that are relevant to the group engagement, including independence and professional competence;
- Whether the component practitioner has complied with the group engagement team’s requirements;
- Information on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the GHG statement.
- A list of uncorrected misstatements of the component information that are not clearly trivial.
- Indicators of possible bias in the preparation of the component information.
- Description of any identified significant deficiencies in internal control at the component level.
- Other significant matters that the component practitioner has communicated or expects to communicate to the component, including fraud or suspected fraud.
- Any other matters that may be relevant to the GHG statement, or that the component practitioner wishes to draw to the attention of the engagement team, including exceptions noted in any written representations that the component practitioner requested from the component.
- The component practitioner’s overall findings, conclusions or opinion.

Evidence (Ref: Para. 58(b))

A87. Relevant considerations when obtaining sufficient appropriate evidence regarding components and the process for including related information in the GHG statement may include:

- Discussions with the component practitioner, or the component itself, regarding those of the component’s business activities that are significant to the GHG statement.

- Discussions with the component practitioner regarding the susceptibility of the component to material misstatement of the GHG statement.
- Reviewing the component practitioner’s documentation of identified risks of material misstatement, responses to those risks, and conclusions. Such documentation may take the form of a memorandum that reflects the component practitioner’s conclusion with regard to the identified risks.

Using the Work of Internal Audit (Ref: Para. 59)

A88. The entity’s internal audit function is likely to be relevant to the engagement if the nature of the internal audit function’s responsibilities and activities are related to the entity’s GHG reporting, and the practitioner expects to use the work of the internal auditors to modify the nature or timing, or reduce the extent, of evidence-gathering procedures to be performed.

Subsequent Events (Ref: Para. 62)

A89. Subsequent events may include, for example, the publication of revised emissions factors by a body such as a government agency, changes to relevant legislation or regulations, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, or the discovery of a significant error.

Comparative Information (Ref: Para. 63-64)

A90. The GHG quantities reported in a prior period may need to be restated in accordance with the applicable criteria because of, for example, improved scientific knowledge, significant structural changes in the entity, the availability of more accurate quantification methods, the revision of an estimate, or the discovery of a significant error.

Other Information (Ref: Para. 15)

A91. ISAE 3000 requires the practitioner to read other information included in documents containing the subject matter information and the assurance report thereon.²⁶ A GHG statement may be published as a stand-alone document, or with other information, for example, it may be included as part of an entity’s annual report or sustainability report, or included with information such as:

- A strategic analysis, including:
 - A statement of the entity’s position on climate change.
 - An explanation of significant actions the entity is taking to maximize opportunities and minimize risks associated with climate change.
 - Emissions reduction targets and an analysis of performance against those targets.
 - A description of the entity’s assessment of future movements in direct and indirect emissions for timescales over which the entity typically plans its

²⁶ ISAE 3000, paragraph xx.

strategies and assesses risks and opportunities, including detailed information on trends and factors likely to affect the assessment; and

- A description of corporate governance actions taken to address climate change.
- Regulatory risks from climate change, including an analysis of the material legal and financial effects that current and prospective climate change-related regulation may have on the entity’s business and operations.
- Physical risks from climate change, including a qualitative overview of the entity’s current and potential material exposure to direct and indirect physical risks due to climate change.

A92. In some cases, the entity may publish emissions information that is calculated on a different basis from that used in preparing the GHG statement. For example, the other information may be prepared on a “like-for-like” basis whereby emissions are recalculated to omit the effect of non-recurring events, such as the commissioning of new plant or the closing down of a facility. The practitioner may seek to have such information removed if the methods used to prepare it would be disallowed by the criteria used to prepare the GHG statement. The practitioner may also seek to have removed any narrative information that is inconsistent with the quantitative data included in the GHG statement or cannot be substantiated (for example, projections or claims about future action).

Documentation

Documentation of the Evidence-gathering Procedures Performed and Evidence Obtained (Ref: Para. 65-66)

A93. ISAE 3000 requires the practitioner to prepare engagement documentation on a timely basis.²⁷ The following may be appropriate to include in the engagement documentation:

Fraud

- The identified and assessed risks of material misstatement due to fraud.
- The overall responses to the assessed risks of material misstatement due to fraud at the GHG statement level and the nature, timing and extent of evidence-gathering procedures, and the linkage of those procedures with the assessed risks of material misstatement due to fraud at the assertion level.
- Communications about fraud made to the entity, regulators and others.

Laws and Regulations

- Identified or suspected non-compliance with laws and regulations and the results of discussion with the entity and other parties outside the entity.

²⁷ ISAE 3000, paragraph xx.

Planning

- The overall engagement strategy.
- The engagement plan.
- Any significant changes made during the engagement to the overall engagement strategy or the engagement plan, and the reasons for such changes.

Materiality

- The following amounts and the factors considered in their determination:
 - Materiality for the GHG statement;
 - If applicable, the materiality level or levels for particular types of emissions or disclosures;
 - Performance materiality; and
 - Any revision of (i)-(iii) as the engagement progressed.

Identifying and Assessing Risks

- The discussion required by paragraph 27, and the significant decisions reached.
- Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 28 and of each of the internal control components specified in paragraph 31; the sources of information from which the understanding was obtained; and the risk assessment procedures performed.
- The identified and assessed risks of material misstatement at the GHG statement level and at the assertion level as required by paragraph 32 for which in the practitioner’s professional judgment further procedures were required.

Responses to Assessed Risks

- The overall responses to address the assessed risks of material misstatement at the GHG statement level, and the nature, timing, and extent of the further evidence-gathering procedures performed.
- The linkage of those procedures with the assessed risks at the assertion level.
- The results of the evidence-gathering procedures, including the conclusions where these are not otherwise clear.
- If the practitioner plans to use evidence about the operating effectiveness of controls obtained in previous engagements, the conclusions reached about relying on such controls that were tested in a previous engagement.
- How the GHG statement agrees or reconciles with the underlying records.

Evaluation of Misstatements

- The amount below which misstatements would be regarded as clearly trivial.

- All misstatements accumulated during the engagement and whether they have been corrected.
- The practitioner’s conclusion as to whether uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.

Assembly of the Final Engagement File (Ref: Para. 69)

A94. ISQC 1 (or national requirements that are at least as demanding) requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.²⁸ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.²⁹

Forming the Assurance Conclusion

Description of the Applicable Criteria (Ref: Para. 73(c)(iv))

- A95. ISAE 3000 requires the practitioner to evaluate whether the subject matter information adequately refers to or describes the applicable criteria.³⁰ The preparation of the GHG statement by the entity requires the inclusion of an adequate description of the applicable criteria in the explanatory notes to the GHG statement. That description advises intended users of the framework on which the GHG statement is based, and is particularly important when there are significant differences between various criteria regarding how particular matters are treated in a GHG statement, for example: which emissions deductions are included, if any, how they have been quantified and what they represent; and the basis for selecting which Scope 3 emissions are included, and how they have been quantified.
- A96. A description that the GHG statement is prepared in accordance with particular criteria is appropriate only if the GHG statement complies with all the requirements of those criteria that are effective during the period covered by the GHG statement.
- A97. A description of the applicable criteria that contains imprecise qualifying or limiting language (for example, “the GHG statement is in substantial compliance with the requirements of XYZ”) is not an adequate description as it may mislead users of the GHG statement.

Fair presentation (Ref: Para. 74)

- A98. It may be appropriate for the practitioner to consider the matters noted in paragraph 74 when, for example, the assurance conclusion is worded in terms of the “fair presentation” of the GHG statement, or the applicable criteria:
- Acknowledge explicitly or implicitly that it may be necessary for the entity to provide disclosures beyond those specifically required by the criteria; or

²⁸ ISQC 1, paragraph 45.

²⁹ ISQC 1, paragraph A54.

³⁰ ISAE 3000, paragraph xx.

- Acknowledge explicitly that it may be necessary for the entity to depart from a requirement of the criteria. Such departures are expected to be necessary only in extremely rare circumstances.

Assurance Report Content

Illustrative Assurance Report (Ref: Para. 75)

A99. Example wording of an assurance report on a GHG statement is included in Appendix 2.

Use of the Assurance Report (Ref: Para. 75(b))

A100. As well as identifying the addressee of the assurance report, the practitioner may consider it appropriate to include wording in the body of the assurance report that specifies the purpose for which, or the intended users for whom, the report was prepared. In addition, the practitioner may consider it appropriate to include wording that specifically restricts distribution of the assurance report other than to intended users, its use by others, or its use for other purposes.

Information Not Covered by the Practitioner’s Conclusion (Ref: Para. 75(c))

A101. To avoid misunderstanding and undue reliance on unassured information, where the GHG statement includes information that is not covered by the practitioner’s conclusion, that information is ordinarily marked as such in the GHG statement itself, as well as being identified in the practitioner’s assurance report.

Emissions Deductions (Ref: Para. 75(f))

A102. The wording of the statement to be included in the assurance report when the GHG statement includes emissions deductions may vary considerably depending on the circumstances.

A103. The availability of relevant and reliable information in relation to offsets and other emissions deductions varies greatly and, therefore, so does the evidence available to practitioners to support entities’ claimed emissions deductions

A104. Because of the varied nature of emissions deductions and the often reduced number and nature of evidence-gathering procedures that can be applied to emissions deductions by the practitioner, this ISAE requires identification in the assurance report of those emissions deductions, if any, that are covered by the practitioner’s conclusion, and a statement of the practitioner’s responsibility with respect to them.

A105. A statement of the practitioner’s responsibility with respect to emissions deductions may be worded as follows when the emissions deductions are comprised of offsets: “The GHG statement includes a deduction from ABC’s emissions for the year of yyy tonnes of CO_{2-e} relating to offsets. We have performed evidence-gathering procedures as to whether these offsets were acquired during the year, and whether the description of them in the GHG statement is a reasonable summary of the relevant contracts and related documentation. We have not, however, performed any evidence-gathering procedures regarding the external

providers of these offsets, and express no opinion about whether the offsets have resulted, or will result, in a reduction of yyy tonnes of CO_{2-e}.”

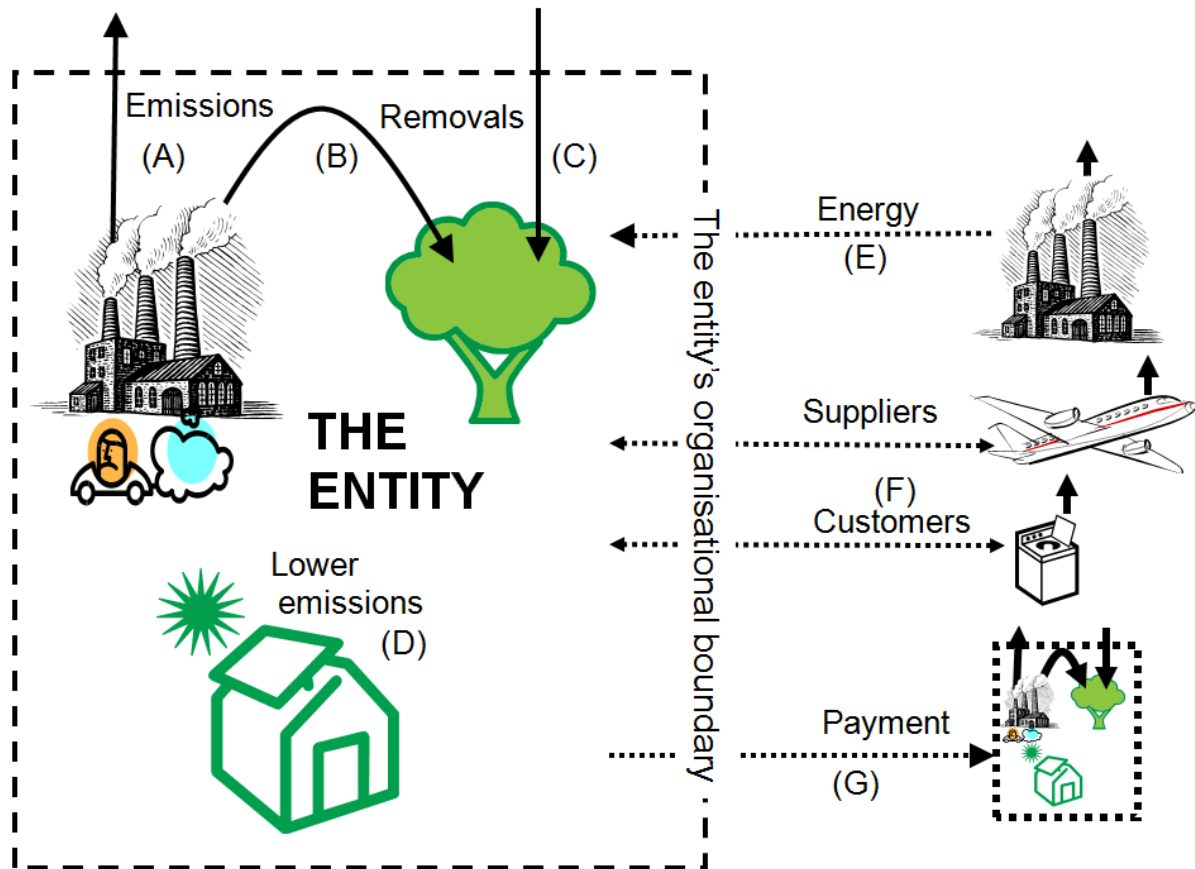
Emphasis of Matter Paragraphs and Other Matter Paragraphs (Ref: Para. 76)

- A106. A widespread use of emphasis of matter or other matter paragraphs diminishes the effectiveness of the practitioner’s communication of such matters.
- A107. An emphasis of matter paragraph may be appropriate when, for example, different criteria have been used than in previous years and this has had a fundamental effect on reported emissions, or a system breakdown for part of the period being accounted for means that extrapolation was used to estimate emissions for that time and this has been stated in the GHG statement.
- A108. An other matter paragraph may be appropriate when, for example, the scope of the engagement has changed significantly from the previous period and this has not been stated in the GHG statement.
- A109. The content of an emphasis of matter paragraph includes a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the GHG statement.
- A110. The content of an other matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the GHG statement. Paragraph 76 limits the use of an other matter paragraph to matters relevant to users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report, that the practitioner considers it necessary to communicate in the assurance report.
- A111. Unless required by law or regulation, it is not appropriate to include the practitioner’s recommendations on matters such as improvements to the entity’s information system or the presentation of its GHG statement in the assurance report. Including such recommendations may imply that the matters addressed have not been appropriately dealt with in preparing the GHG statement. Such matters may be communicated in accordance with paragraph 54 of ISAE 3000, for example, in a management letter or in discussion with those charged with governance. An other matter paragraph does not include information that the practitioner is prohibited from providing by law, regulation or other professional standards, for example, ethical standards relating to confidentiality of information. An other matter paragraph also does not include information that is required to be provided by management.

Appendix 1

(Ref: Para. A3-A8)

Emissions, Removals and Emissions Deductions



A = Direct, or Scope 1, emissions (see paragraph A3).

B = Emissions that are generated within the entity’s boundary but captured and stored within that boundary rather than released into the atmosphere. They are ordinarily accounted for on a gross basis, i.e. as a Scope 1 emission and a removal.

C = Removals (see paragraph A8).

D = Actions the entity takes to lower its emissions. Such actions might reduce Scope 1 emissions (for example, using more fuel efficient vehicles), Scope 2 emissions (for example, installing solar panels to reduce the quantity of purchased electricity), or Scope 3 emissions (for example, reducing business travel or selling products that require less energy to use). The entity might discuss such actions in the explanatory notes to the GHG statement, but they only effect the quantification of emissions on the face of the entity’s GHG statement to the extent that reported emissions are lower than they would otherwise be

or they constitute an emissions deduction in accordance with the applicable criteria (see paragraphs A6-A7).

E = Scope 2 emissions (see paragraph A4).

F = Scope 3 emissions (see paragraph A5).

G = Purchased offsets, which are a form of emissions deduction (see paragraph A6-A7)

Example Assurance Reports

This form of reasonable assurance report may be appropriate when the entity’s GHG statement contains no emissions deductions.

Independent Assurance Report on ABC’s Greenhouse Gas Statement

To: addressee

Section 1: Report on GHG Statement *(this heading not needed if this is the only section)*

Information Subject to Assurance

We have undertaken a reasonable assurance engagement of the following information in the accompanying GHG statement of ABC for the year to December 31, 20X1 the Emissions Inventory and the Explanatory Notes on pages xx – yy. Our engagement does not cover: information in respect of the year to December 31, 20X3; 20X8 targets; 20X0 baseline; and percentage changes. We have not performed any evidence-gathering procedures with respect to that information and accordingly express no opinion on it.

ABC’s Responsibility for the GHG Statement

ABC is responsible for the preparation of the GHG statement in accordance with [*applicable criteria*³¹], 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 (*fair presentation*) of a GHG statement that is free from material misstatement, whether due to fraud or error.

Uncertainties Affecting the Quantification of Emissions

Greenhouse gas quantification is subject to uncertainty because of such things as emissions factors that are used by mathematical models to calculate emissions, and the inability of those models to precisely characterize under all circumstances the relationships between various inputs and the resultant emissions because of incomplete scientific knowledge.

Further, while ABC reports certain Scope 3 emissions, it is not practicable for all such emissions to be included. The full extent of Scope 3 emissions for nearly any entity would be impossible to quantify as it includes all sources both up and down the supply chain.

The effect of these uncertainties, and the actions taken by ABC to reduce them as far as practicable, are explained in Note 2 to the Emissions Inventory.

³¹ [*Applicable criteria*] are available for free download from www.GHGcriteria.org.

Independence, Quality Control and Expertise

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

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

This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.

Our Responsibilities

Our responsibility is to express an opinion on the information subject to assurance based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3410, “Assurance on a Greenhouse Gas Statement,” issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the information subject to assurance is free from material misstatement.

A reasonable assurance engagement with respect to a GHG statement involves performing procedures to obtain evidence about the quantification of emissions, and about the other information disclosed as part of the GHG statement that is subject to assurance. The procedures selected depend on the practitioner’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the information subject to assurance. In making those risk assessments, we considered internal control relevant to the entity’s preparation of the GHG statement. Our engagement also included:

- Assessing the suitability in the circumstances of ABC’s use of *[applicable criteria]*, applied as explained in Note 1 to the Emissions Inventory, as the basis for preparing the GHG statement;
- Evaluating the appropriateness of quantification methods and reporting policies used and the reasonableness of necessary estimates made by ABC; and
- Evaluating the overall presentation of the GHG statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Our opinion has been formed on the basis of the matters outlined in this report. In our opinion, the information subject to assurance is prepared, in all material respects, in accordance with the *[applicable criteria]* applied as explained in Note 1 to the Emissions Inventory.

Section 2: 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 practitioner’s assurance report]

[Practitioner’s address]