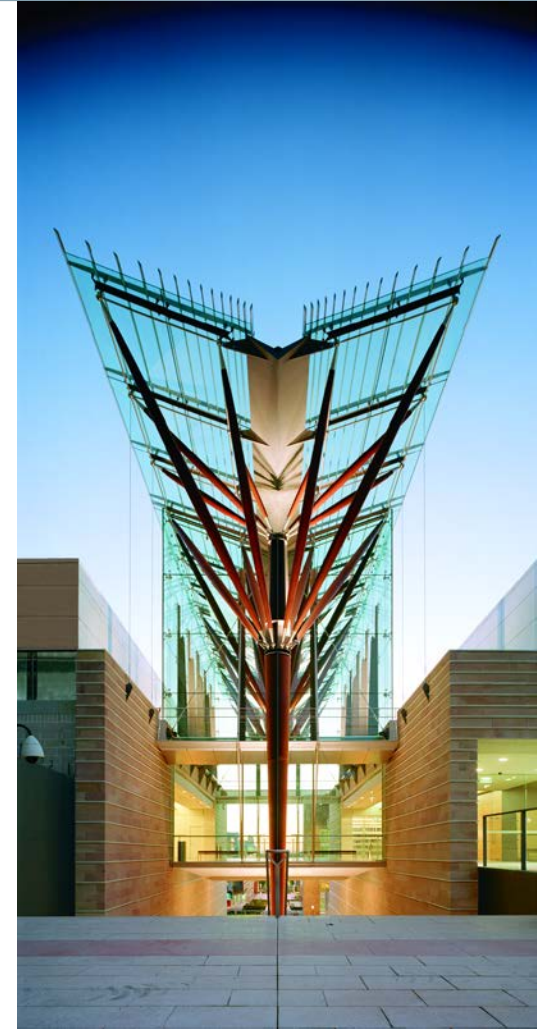


## **Auditing Carbon Emissions**

## **Auditing & Assurance Special Interest Group (AASIG)**

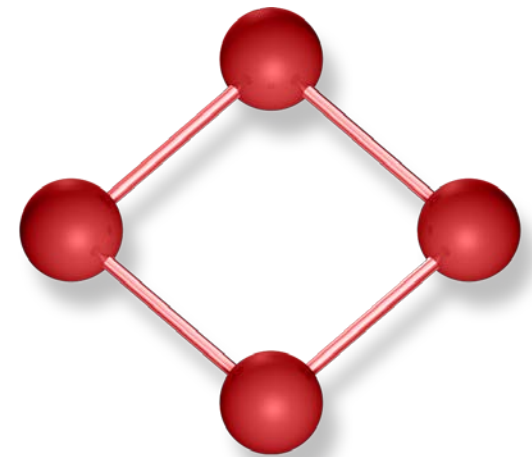
**Prof. Roger Simnett**

Melbourne,  
1 July 2012



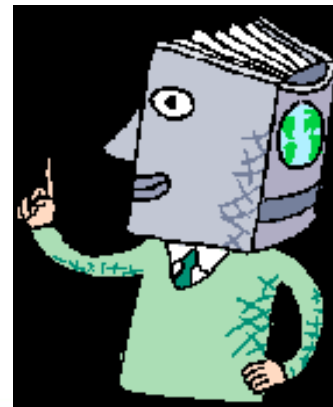
# Structure of the presentation

- Update on Standards Development: ISAE 3410
- Update on Integrated Reporting: IR Framework
- Potential Research and Teaching Opportunities



# Development of international assurance standard on GhG Disclosures

- Such assurance engagements (within the profession) currently undertaken under ISAE 3000
- ISAE 3000 is seen as standing up reasonably well in practice, but practitioners have expressed desire for more specific guidance.
- Originally tried for broad assurance standard on sustainability reporting but lack of suitable criteria (GRI)
- GhG disclosures narrower (but high public interest) subject matter, and alignable to current assurance model



# ISAE 3410 standard development

- Project proposal accepted December 2007.
- IAASB considered issues paper in December 2008. Primarily considered issues from roundtables.
- Discussion paper released for comments October 2009, comments returned February 2010.
- ED released January 2011 (5 months exposure).
- ISAE 3410 (ASAE 3410) released June 2012, effective for engagements starting on or after 30 September 2013 (1 July 2012) with earlier adoption allowed.



# ISAE 3410 Considerations

- ISAE 3000 is an umbrella standard
- Risk analysis approach for limited assurance engagements
- Differences between LA and RA engagements
  - Understanding the entity and environment
  - Identifying and assessing risks of material misstatement
  - Other responses to assess risk and further procedures



# ISAE 3410 Considerations (cont.)

- Trigger point for additional procedures in an LA engagement
- Summary of the procedures in the assurance report for LA and RA engagement
- Comparative information
- Site visits
- Scientific uncertainty and estimation uncertainty



# Potential research agenda - assurance

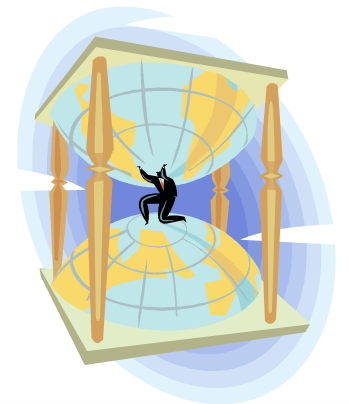
Research desperately needed to aid assurance standard setting

- Most research undertaken by auditing researchers examines financial statement auditing
  - Mature product, little incremental benefit
- Consider market-based research (CDSB, Corporate Register)
  - Evolving, competitive market
- Consider behavioural research
  - impact of different cues, weight of evidence on auditor judgments
  - engagement team research → greater divide between assurance expertise and subject matter expertise for these engagements compared with financial statement audits.
- Consider analytical research
  - Which APs work better?



# Integrated Reporting has been mentioned: Where is IR currently at?

- Discussion Paper published September 2011
- Response to Discussion Paper published June 2012
- Integrated Reporting Framework: Aim to publish by December 2013

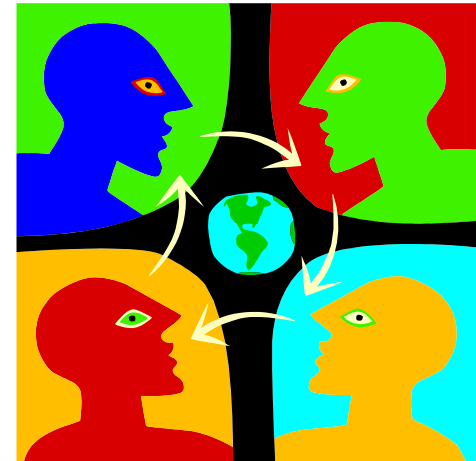




# Working Group (Research Opportunities)

Australian  
School of  
Business

- IIRC has developed five working groups on the following issues:
  - Materiality
  - The capitals
  - Connectivity (Capitals; strategy, risk, governance, remuneration)
  - The concept of value (More than profit, cash flow)
  - The business model (value proposition)



# Implications for the Assurance Profession (6<sup>th</sup> Task Force)

- Recognised that assurance is an essential component in getting relevant and reliable IRs
- Very little reference to assurance in the Discussion Paper  
**Assurance providers** – some of the information in an Integrated Report (e.g. future orientated, narrative) may be less assurable than information disclosed under traditional reporting frameworks. New standards, techniques, reporting mechanisms and liability considerations may be required for assurance providers.
- Task Force headed by South Africans are considering implications for assurance
- IAASB has a watching brief



# Teaching IR in the classroom

- Good way of challenging, extending thinking on current reporting model
- IR can be taught in introductory accounting as to how current accounting information is deficient for decision-making purposes
- Need to come back to concepts of IR towards the end of course, either in capstone course, or advanced assurance services course



# Teaching broader assurance

- Many parties provide reports to users as an aid to making decisions.
- Reports are potentially biased due to the vested interests of the report providers.
- Users may demand that the credibility of the report be enhanced by having an independent expert examine it.
- Financial statements are just one type — the most common — of report that can be assured. Teach this up front.
- Assurance services. Teach an example assurance service such as assurance on sustainability reports or GHG statements, or water accounts as an example towards end of course. Most current textbooks now have significant coverage of the newer assurance services discussed today.

