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Mr. James Gunn
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International Federation of Accountants
545 Fifth Avenue, 14th Floor
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Dear Sir

**INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD ("IAASB") CONSULTATION
PAPER: ASSURANCE ON A GREENHOUSE GAS STATEMENT**

The Auditing and Assurance Standards Board ("AASB") of the Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the Consultation Paper ("Paper") on Assurance on a Greenhouse Gas ("GHG") Statement.

MIA commends IAASB's effort in developing this document on Assurance on a GHG Statement that serves to provide guidance to practitioners and also garner expectations from stakeholders of GHG assurance engagements.

The comments set forth in this submission reflect the discussions and views from auditors, environmentalist consultants and the relevant government agencies. We have categorised our response into general comments, specific comments and other comments as follows:

General comments:

There is no mandatory requirement on GHG reporting in Malaysia at this juncture. It will be a challenging task to the practitioners to render a reasonable assurance report in Malaysia as voluntary preparation of GHG statement by corporate companies are still in the infancy stage. Given the undefined framework on GHG reporting and the scope of audit to be determined therefrom, it would be more appropriate to render a limited assurance or an agreed upon-procedures report as quantification of emissions is substantially based on estimates and is subject to significant uncertainties.

Developing and emerging economies often face more significant challenges due to their lack of access to resources (financial, technical, and human) and the lack of clear regulatory framework. As Corporate Malaysia has not reached its maturity level of preparation of GHG statement, the availability of competent experts; be it internal or external is limited. It is essential that the credentials of the experts such as the necessary accreditation and qualification to be established. Guidance on determining the credentials of experts is paramount for an assurance engagement on GHG statement.

Specific comments to the questions:

Q2. Is the ISAE an appropriate place to provide benchmarks or further guidance regarding the skills, knowledge and experience an engagement partner should possess with respect to:

- (a) Assurance concepts and processes; or
- (b) GHG quantification and reporting?

If so, please provide examples of suitable benchmarks or guidance.

ISAE is the appropriate place to provide benchmarks or further guidance regarding the skills, knowledge and experience an engagement partner should possess with respect to (a) and (b). Unlike assurance engagements on historical financial information that are under the more established frameworks, more specific benchmarks or guidance on GHG quantification and reporting should be given in the ISAE. This will facilitate the practitioner in demonstrating that he/she has the relevant skills, knowledge and experience to undertake the engagement. In this respect, accreditation or the like will be useful and practical.

Q3. Given that engagements, in particular complex engagements, are ordinarily undertaken by a multidisciplinary team, does the working draft adequately reflect how multidisciplinary teams should operate? For example, does the working draft adequately address the collective competence and capabilities of the team? What further improvements could be made?

The auditor is the person primarily responsible for the report. Consistent with ISAE 3000, the auditor should exercise professional judgement whether to involve specialists in the engagement and to determine the manner in which the practitioner would work with the external experts. More guidance is therefore required in terms of the credentials and suitability of the external experts.

Q5. Should external experts be required to be independent? If so:

- (a) In what circumstances should an external expert be required to be independent?

Generally, the extent the external expert is required to be independent depends on the degree of reliance and the nature of the expert's work. The extent will also have a bearing on the practitioner's assessment of the objectivity of the experts. External experts should be independent to the extent that their objectivity is not impaired and their involvement does not create any threats to independence of the engagement team.

Q8. Are there any additional matters the IAASB should take into account with respect to engagements conducted in accordance with local laws or regulations?

The ISAE should be expanded to provide guidance on how to deal with situations in which engagements conducted in accordance with local laws or regulations conflict with the requirements of the ISAE including guidance on reporting the conflicts, resolution of the conflicts and implications arising from the conflicts.

Specific comments to the questions: (continued)

Q13. As well as referring to the risks of material misstatement at the assertion level, paragraphs 39 and 47 of the working draft refer to risks at the GHG statement level. In your experience, what are commonly the most significant risks at the GHG statement level?

The common most significant risks at the GHG statement level are the availability, reliability and accuracy of the data required and gathered for GHG reporting in view of the uncertainties surrounding the bases used in estimates.

Q14. Do the requirements and guidance in the working draft with respect to materiality need modification or elaboration? If so, please provide details. For example:

(e) When the engagement covers many but not all of the component elements of a GHG statement, should materiality be based on the total emissions or on assured emissions only (WD, paragraph A44)?

Performance materiality used in the GHG should be based on assured emissions only as opposed to total emissions. Consideration to determine performance materiality based on total emissions instead of assured emissions will only distort the nature, timing and extent of the procedures to be performed on the emission quantification.

Other comments:

Paragraph 10(c)

The definition section should cover all elements relevant to the quantification and reporting process, for example, consideration for emission used for co-generation should also be included in addition to those being captured and channelled to a sink.

Inclusion of examples on emissions from sources that are owned and controlled by the entity; (emissions deductions and emission sources) would improve clarity of the guidance.

Paragraph 10(f)

To enhance clarity, the definition and method of removal could be expanded to include example such as if removals refer to emissions captured or offsets where the entity pays another entity to remove emissions from the atmosphere, or to undertake measures that lower the entity's emission.

Paragraph 15(a)

The objectives in paragraph 9 of the draft ISAE are to obtain reasonable assurance about whether the GHG statement is free from material misstatement, whether due to fraud or error, thereby enabling the practitioner to express an opinion on whether the GHG statement is prepared, in all material respects, in accordance with the applicable criteria; and to report on the entity's GHG statement, and communicate as required by this ISAE, in accordance with the practitioner's findings.

The intended users may comprise stakeholders from a broad spectrum of industry. The determination that the engagement has sufficient scope to be useful to intended users involves considerations of various factors. Therefore, further guidance is essential on the basis an engagement partner would use (especially on the criteria to scope an engagement and reporting on GHG statement) to ensure that the GHG statement and the engagement have sufficient scope to be useful to the intended users.

Other comments: (continued)

Paragraph 34(a)


To ensure consistent interpretation of this paragraph, further guidance on the identification of the characteristics of the engagement to define the scope in establishing the overall engagement strategy is helpful.

Application guidance A56(e)

We suggest that the definition of significant non-routine emissions to be included in the main text of the draft ISAE, under the definitions section.

Yours sincerely,

MALAYSIAN INSTITUTE OF ACCOUNTANTS



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President