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RE: IFAC Consultation Paper on Assurance Aspects of G3

As suggested in your consultation paper *Assurance Aspects of G3 – The Global Reporting Initiative’s 2006 Draft Sustainability Reporting Guidelines*, the Certified General Accountants Association of Canada (CGA-Canada) has issued a response to the Global Reporting Initiative (GRI) on its draft Sustainability Reporting Guidelines (“G3” or “Guidelines”). A copy of our response, which includes recommendations aimed at making the Guidelines more suitable for third party assurance, is attached to this letter.

We are pleased that the International Federation of Accountants (IFAC) has taken an active role in contributing to the creation of generally accepted sustainability reporting guidelines and maintains an interest in improving the assurance of sustainability information. As preparers, users, and assurers of sustainability reports, we agree that professional accountants are certainly well positioned to play a key role in shaping future directions in the reporting and assurance of sustainability information.

In this regard, we encourage IFAC to issue its own response to GRI including recommendations on how to improve G3 and make the Guidelines more suitable for external assurance. In addition, we also encourage the International Auditing and Assurance Standards Board (IAASB) to consider revising its Framework and International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagement’s Other than Audits or Reviews of Historical Financial Information* with a goal of developing generally accepted standards for the assurance of sustainability reports.

As discussed in our response to GRI, like sustainability reporting guidelines, there is a need for generally accepted standards for the assurance of sustainability information. We feel that ISAE 3000, as part of the International Framework for Assurance Engagements, represents a good starting point for the development of an internationally accepted standard for the assurance of sustainability information.

However, if this standard is to become the generally accepted standard for assurance of sustainability information, we believe more specific guidance is needed that appropriately considers the more qualitative attributes of sustainability reports. In addition, as the GRI’s Guidelines increasingly become the accepted standard used to produce sustainability reports, it is also considered useful for this assurance standard to align with GRI’s reporting framework. As a result, in encouraging the development of specific assurance standards suitable for the assurance of sustainability information reported using the GRI’s Guidelines, we recommend the following:

- Further guidance on how the scope of an assurance engagement may be affected by incremental application of the Guidelines (i.e. use of alternative Reporting Levels under GRI) and by limitations in the suitability of different classes of information as criteria for assurance;
- Consider alternative assurance levels for different classes of information due to concerns with the reliability of certain qualitative disclosures, similar to what is suggested in the consultation paper:

- § “Reasonable assurance” regarding the reliability of performance indicators;
 - § “Limited assurance” regarding the reliability of other disclosures required by the Guidelines, and the completeness of issues and indicators covered by the report; and
 - § No assurance regarding the effectiveness of management systems and the reliability of future oriented information that is reliant on the organization’s intentions, expectations and assumptions about uncertain future events.
- The GRI’s definition of Relevance and Materiality as “issues and indicators that would substantively influence the decisions of the stakeholders using the report” has implications on how the assurance service provider assesses materiality and obtains sufficient appropriate evidence. More specific guidance in these areas is needed and may require assurance service providers, as suggested by IFAC, to engage directly with stakeholders;
 - As sustainability information is typically more qualitative in nature than financial information and can often require specialized expertise in its collection and disclosure, additional guidance for assurance providers may be useful when using the work of an expert for the collection and evaluation of evidence;
 - To ensure professional accountants continue to play a prominent role in this emerging field, further training and education of professional accountants in the preparation of sustainability reports and the provisioning of assurance on the information contained in these reports is also considered useful.

Even if IFAC decides not to move forward with the development of specific assurance standards in the manner recommended here, we still believe that with its expertise and experience, IFAC should continue to actively participate in both the development of generally accepted sustainability reporting guidelines and sustainability assurance standards.

If you have any questions regarding the recommendations made here or those forwarded to the Global Reporting Initiative, please feel free to contact Philip Gans at pgans@cga-canada.org or by telephone at (613) 789-7771 ext. 231.

Regards,

[Original signed by:]

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President & CEO