

Your ref: ED 02/25 ASSA 5010

Our ref: Comments from GHD's sustainability & climate assurance team

16 November 2024

The Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007
Lodged via auasb.gov.au/projects/open-for-comment

Pathway for assurance of mandatory climate disclosures

Dear Chair & members of the Board of the AUASB

Thank you for the opportunity to provide comments in respect of the proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

As a leading provider of sustainability and climate assurance services in Australia, GHD's sustainability & climate assurance team (S&C assurance team team) follows these new sustainability and climate assurance requirements closely. We already support and are keen to continue to support credible sustainability and climate reporting through assurance. Given our credentials and capability we may play a significant role in addressing the significant capability and capacity gap that exists, noting:

- The framework for assurance under the new *International Standard for Sustainability Assurance 5000 General Requirements for Sustainability Assurance Engagements* (ISSA 5000) sets out an international framework whereby different disciplines is supposed to play a larger role in achieving credible and high-quality assurance outcomes over sustainability related information.
- In its consultation for the proposed mandatory assurance framework, Treasury noted that whilst financial auditors should lead on mandatory climate assurance under the Corporations Act 2001 (Act), it emphasised the importance of delegation and involvement of other providers with the following comments:

Delegation to third party assurance providers increases the available pool of auditors and broadens the market, whilst maintaining professional, ethical and quality controls [by financial auditors leading].

It is important that new players are encouraged to enter the market to build capacity and avoid entrenching a highly concentrated assurance market that inhibits competition.

Delegation to Registered Greenhouse and Energy Auditors (RGEAs) was particularly mentioned by Treasury as desirable to address the capability and capacity gap and avoid unnecessary market concentration.

- We are not Registered Company Auditors (RCAs) under the Act, and it is silent on any role we may have in contributing to better assurance outcomes, e.g., aligned with Treasury's comments mentioned above. We look to the AUASB to make appropriate standards, pronouncements and guidance to enable the use of broader disciplines to achieve what ISSA 5000 suggests is necessary to achieve appropriate assurance quality over sustainability information, and Treasury's public comments regarding the importance of delegation to other providers. We believe AUASB will have to make some specific appropriate pronouncements in this regard, as otherwise the RCA that per the Act leads these

audits may be reluctant to let it occur, given it may not be in their own commercial interest – which in turn will increase the significant capability and capacity gap that must be addressed to avoid significant risks that the new mandatory assurance required does not achieve appropriate assurance quality.

We note the proposed ASSA 5010 does not address this concern, even as it would likely impact on the feasibility of the proposed pathway – we encourage the AUASB to consider these aspects shortly, refer further below.

In this letter we provide our considered response to some of the questions made by AUASB in respect of ASSA 5010 – whilst not commenting on other questions.

1. GHD’s credentials as climate assurance providers

GHD is an employee-owned global professional services company with over 11,000 employees in 200 offices on five continents – and with approximately 5,000 of our employees in Australia in 44 locations across the nation. Our professional services are primarily within engineering and environmental services focussing on making water, energy, and communities sustainable for generations to come.

1.1 We are a leading climate assurance practice in Australia

We are currently one of Australia’s leading assurance providers in respect of climate aspects, with nine (9) Category 2 Registered Greenhouse and Energy Auditors (RGEA Cat 2s) practicing as lead auditors for National Greenhouse and Energy Reporting (NGER), projects under the Australian Carbon Credit Unit (ACCU) scheme and under the Safeguard Mechanism. We also conduct assurance of climate disclosures contained within annual corporate sustainability reporting, as well as broader corporate sustainability report assurance – primarily for several ASX 200 companies.

Our RGEA Cat 2s annually lead up to 80-100 or more such assurance engagements. GHD is also on the Clean Energy Regulator’s (CER) panel for auditors leading assurance engagements under its regulatory compliance programme – with the CER over the last five years having commissioned more such engagements to GHD than from any other firm, including more than any big-4 accounting firm.

1.2 We deliver climate assurance applying AUASB’s standards

To deliver these assurance engagements GHD and its lead auditors (RGEA Cat 2s) must apply assurance approaches based on standards issued by the AUASB – including ASAE 3000 and ASAE 3410¹, as well as applying AUASB’s quality management standards such as ASQM1² and meeting relevant professional, ethical and independence requirements set out in APES 110³ – equivalent to the requirements of RCAs. It is mandated in a legislative requirement for performing audits and assurance engagements under the CER’s schemes – and is subject to regulatory oversight and inspection by the CER, with GHD’s RGEA Cat 2 auditors being subject to regulatory inspections by the CER’s audit inspectors.

Accordingly, we consider that we can provide informed commentary to some of your questions for the proposed ASSA 5010.

¹ That is the Australian Standard on Assurance Engagements 3000 *Assurance Engagements other than Audits of or Reviews of Historical Financial Information* (ASAE 3000), and Australian Standard on Assurance Engagements 3410 *Greenhouse Gas Statements* (ASAE 3410)

² That is AUASB’s Australian Standard for Quality Management 1 (ASQM1).

³ That is the Code of Ethics for Professional Accountants (APES 110) by the Accounting Professional & Ethical Standards Board (APESB) referred to in AUASB’s standards.

2. Response to Q1 – whether we agree with the assurance pathway proposed in draft ASSA 5010?

There is an appealing logic to the proposed pathway, given the transition period to phase in the full assurance scope is relatively short – in particular, the proposed symmetry across the 3 disclosure groups, and achieving the full assurance scope in the 4th reporting year for each group.

However, there are some significant matters that need to be clarified to enable what will be a very challenging assurance pathway – until these matters are clarified we suggest it may be premature to determine the timing for some of disclosure topics in the pathway. In summary:

- **What to assure – the Act appears to require assurance of the sustainability report “as a whole”**, rather than as 8 different disclosure topics as per the proposed pathway – refer wording of sections 307AA and 309A compared to sections 307 and 308 for the required audit of the financial report, which is “as a whole”. This seems to imply the proposed pathway may be aimed at an inappropriate end destination? **The good news is that assuring it “as a whole” should make for a more realistic assurance pathway**, including one that aims to achieve the full assurance scope in year 4 of reporting. Refer section 2.1 below.
- **How to assure – there are significant unresolved technical challenges with assuring significant parts of the topics in scope** considering the significant judgements required for complex and often qualitative disclosures of a forward-looking nature. This relates especially to forward-looking information, where ISSA 5000 provides some but insufficient clarity, particularly relating to technically challenging disclosure topics such as narrative reporting on climate risks and opportunities and climate resilience based on scenario analysis. Refer section 2.2 below.
- **Addressing the significant capability and capacity gap** which seems unresolved in terms of how it can enable the proposed assurance pathway. This is related to the unresolved technical challenges noted above, as well as the scale of the mandatory audits and the lack of existing experience and capability in performing the required assurance.

This is unlikely to be addressed with guidance on how to use experts, as we understand is envisioned by the AUASB. We believe the AUASB needs to consider all the options available in ISSA 5000 to use the work of others to address the significant capability and capacity gap – in particular “use of another practitioner’s work”, especially in relation to RGEAs performing part of the assurance as envisioned by Treasury.

This will likely require an enabling framework through a AUASB pronouncement that encourages other providers to be involved, which per Treasury’s comments is important to address the capability and capacity gap. This would particularly **include a pronouncement on how the auditor can rely on the work of an RGEA performing emissions assurance using the coming Australian version of ISSA 5000 and issuing a long-form assurance report aligned with what RGEAs prepares under the NGER Audit Determination** – perhaps with some additional specific aspects to include in the long-form report to enable it. This should in most cases address the key requirements for using the work of another practitioner as set out in ISSA 5000 – and would provide confidence by audited companies to select this option to the benefit of better assurance outcomes and assist in reducing the capability and capacity gap.

Without an AUASB pronouncement to encourage this the auditor may discourage this option by insisting on additional inquiry and scrutiny – e.g., insisting on reviewing the RGEAs working papers, despite the long-form assurance report addressing all the ISSA 5000 requirements for using the work of another practitioner, and against the public interest of cost-effective assurance. – because it may not be in the auditor’s own commercial interest. This would unfortunately significantly increase the capability and capacity gap, which in turn would make the proposed assurance pathway (whether “as a whole” or 8 separate disclosure topics) harder to achieve.

Refer section 2.3 below.

2.1 What to assure – the whole or 8 different disclosure topics?

The Act appears to require assurance of the sustainability report “as a whole”, rather than as 8 different disclosure topics as per the proposed assurance pathway – which seems to imply that the proposed assurance pathway may be aiming for the wrong destination?

The audit requirement is set out sections 307AA and 309A of the Act. These mirror similar sections in the Act setting out the audit requirement for the financial report, which AUASB’s standards clarify are to be audited as a whole, i.e., reasonable assurance of the financial report as a whole – rather than bespoke assurance of its constituent parts.

Accordingly, whilst we are not legal practitioners nor experts on corporations law, sections 307AA and 309A appears to be a requirement for reasonable assurance of the sustainability report as a whole, rather than reasonable assurance of 8 different disclosure topics within the sustainability report.

AASB’s S2 standard on *Climate-related disclosures* (AASB S2) also suggests the audited matter and its criteria should be considered as a whole, and the required Directors’ declaration on the reporting also appears to be a declaration of the sustainability report as a whole. If both AASB S2 and the Director’s declaration are to be for the report as a whole, why would the auditor’s report be anything other than for the report as a whole?

2.1.1 “As a whole” makes for a more realistic assurance pathway

The difference in terms of materiality, risk and effort will likely be significant and have a significant impact on the assurance technical challenges involved (refer section 2.2), as well as the size of the challenging capability and capacity gap (refer section 2.3).

We suggest the implication would be that a different and more realistic assurance pathway is appropriate, as it should be a pathway to the final scope of assuring the sustainability report “as a whole”. It is easier to achieve the full reasonable “as a whole” assurance scope, than the full reasonable assurance scope for the 8 different disclosure topics within the sustainability report – both in terms of the technical challenges needing to be resolved, and the capability and capacity gap having to be addressed – even as both those will remain substantial and challenging also when assuring the report as a whole.

This different “as a whole” assurance pathway should consider that when all disclosure topics are to be assured at minimum limited level of assurance then that should be limited assurance of the reporting as a whole – rather than at the level of the different disclosure topics. Additionally, in the pathway to assure the whole report, perhaps the assurance of different topics during the pathway should also be performed in the context of considering those topics as part of the report as a whole – which would lessen the technical challenge and scale of the mandatory assurance requirement.

Section 1 of Appendix A provides further details of our analysis and considerations in this regard.

2.2 How to assure – significant outstanding technical challenges

There are significant unresolved technical challenges with assuring significant parts of the scope considering the substantial judgements required for complex and often qualitative disclosures of a forward-looking nature – especially when assuring at the level of 8 different disclosure topics, as it requires assurance of more technical detail and more granular assurance conclusions, which in turn requires more assurance capability and capacity. If assuring it “as a whole” these technical challenges will remain substantial but less challenging than when assuring 8 separate disclosure topics as proposed.

Unlike preparing climate disclosures where reporting entities can draw on and learn from proven experience, there are significant aspects of the mandated climate assurance where there is no or limited experience to learn from. For scope 1 and 2 emissions there is sufficient experience and substantial capacity among RGEAs to build upon, and there are also proven approaches to assure scope 3 emissions as well as other historical metrics. The technical challenge relates primarily to assurance of forward-looking information.

2.2.1 ISSA 5000 provides insufficient clarity

Whilst ISSA 5000 provides for assurance of some of the forward-looking information prepared per AASB S2, there is limited or no experience in performing this assurance. Additionally, ISSA 5000 does not provide sufficient clarity for assurance of all the forward-looking information in climate statements prepared per AASB S2.

ISSA 5000 covers mostly assurance of specific projections, forecasts and future plans – however, mandatory climate disclosures prepared per AASB S2 will include other forward-looking information, e.g., narrative descriptions of material risks and opportunities and climate resilience assessments based on scenario analysis. These types of forward-looking information differ substantially from projects, forecasts or future plans that ISSA 5000 clarifies how to assure. The information is more qualitative and requiring substantial judgements to prepare, and in the case of scenario analysis requiring application of technical aspects that is unfamiliar to most people, including most RCAs. Yet it appears that the auditor is supposed to use ISSA 5000's process to evaluate whether the reporting entity's application of technical criteria are suitable, and use assertions, including "completeness", to assure these matters. How this is to be done is not clarified yet, and as there no proven experience and approach in how to achieve it, it seems like a challenge that requires significant clarification to achieve – yet the proposed assurance pathway proposes to do so in a little more than two years' time. We question whether that is realistic, given the substantial unresolved technical challenge involved?

We suggest that these technical challenges need to be clarified before the timing for assurance of such disclosure topics is set in a standard.

Section 2 of Appendix A provides further details of our analysis and considerations in this regard.

2.3 Addressing the capability and capacity gap

A significant capability and capacity gap exists that needs to be considered and addressed – it appears unresolved how to address this, and before knowing how it is to be addressed it would appear premature to determine the appropriate specific timing for different disclosure topics in the pathway.

2.3.1 Scale of these audits – perhaps 50-100% of audit fees?

Treasury's impact assessment significantly underestimated the cost (and therefore scale) of the new assurance requirement – at an estimated \$82k on average per audited company – which appeared to be 1.66 times an estimated cost of \$49k for limited assurance of scope 1 and 2 emissions only.

The full cost of the assurance, once fully implemented, is obviously significant – perhaps at least 5-10 times higher than Treasury's estimate if performing reasonable assurance over 8 different disclosure topics – which may be around 50-100% of the financial audit fees for the reporting entities. Whilst lower if assured as a whole, it would still be significantly more than estimated by Treasury.

2.3.2 Perhaps 2-3,000 additional audit staff required?

Using scenario analysis with the assumption of 5 times higher fees (refer section 4.1 of Appendix A), this could imply up to 2-3,000 additional professional audit staff required to deliver the chargeable work required. The assumptions used for this scenario analysis should be tested and challenged – we encourage the AUASB to consider similar scenario analysis to evaluate the realism in the proposed assurance pathway.

Additionally, a too aggressive pathway could significantly increase the costs as audit firms scramble to deliver the required audits without the necessary capability and capacity to deliver them cost-effectively.

Section 4 of Appendix A provides further details of our analysis and considerations in this regard.

2.3.3 Are there enough competent lead auditors?

ISSA 5000 prohibits the engagement leader (i.e., lead auditor) to accept the engagement unless personally appropriately competent in the matter to be audited (refer paragraphs A81 – A83 of ISSA 5000), as well as supported by an appropriately competent engagement team (refer paragraph A98 of ISSA 5000). Using the

work of an expert cannot address this requirement on its own, refer especially paragraph A82 of ISSA 5000.

Given climate statements prepared per AASB S2 include complex disclosures requiring substantial judgements, it requires more competent engagement leaders and engagement teams to meet the threshold for engagement acceptance. Noting in this respect that this also includes evaluating the suitability of the additional fair presentation criteria that needs to be developed by the reporting entity and evaluated by the auditor to enable assurance. This implies that RCAs and their engagement teams need to meet a significant competence threshold to be able to accept being able to perform the mandatory audit in accordance with ISSA 5000, especially if assuring across 8 different disclosure topics as per the proposed assurance pathway.

2.3.4 Implications if RCA insufficiently competent?

If the competence threshold is not met, then ISSA 5000 provides that the engagement cannot be accepted because it cannot drive the minimum quality expected for ISSA 5000 assurance – which may not be an acceptable outcome under the Act. If going ahead anyway it may result in assurance performed by an engagement leader and engagement team that the reporting entity and its directors considers insufficient at providing the assurance and which may not drive appropriate assurance quality in support of robust mandatory climate disclosures.

If the Act is requiring the same RCA as for the financial audit, this could have the unintended consequence of impacting the RCAs ability to accept the role also as financial auditor, despite clearly being competent for that role and the reporting entity being keen to use that RCA for the financial audit. Alternatively, the sustainability audit must be performed without applying ISSA 5000, given it is prohibited using ISSA 5000 when not meeting the competence threshold.

Given the number of companies that must be audited under the new audit requirement, a considerable number of RCAs and their engagement teams need to achieve sufficient competence to lead and perform these audits – which further may make the pathway unrealistic.

Section 3 of Appendix A provides further details of our analysis and considerations in this regard.

2.3.5 Enabling RGEAs to be part of addressing the gap

We understand that the AUASB intends to provide significant guidance on the use of experts to address this challenge – however, it cannot be addressed primarily through the use of experts, refer especially paragraph A82 of ISSA 5000. To address the capability and capacity gap AUASB should consider all the possibilities for delegation available in ISSA 5000 – in particular how “using the work of another practitioner” can be better enabled as part of addressing the significant capability and capacity gap.

Noting in this respect in particular Treasury’s comment on delegation to RGEAs described above. RGEAs routinely use AUASBs standards for emissions assurance and issue long-form assurance reports – because it is required under the NGER Audit Determination. This should enable assurance reports prepared by RGEAs on emissions to meet the requirements for using the work of another practitioner under ISSA 5000 – and in most cases without additional inquiries required by the audit firm leading the mandatory climate assurance. This is because the RGEA’s long-form assurance report should be able to provide all the information set out in ISSA 5000 for “using the work of another practitioner” needed by the auditor to use the work of the RGEA – possibly with some additional information requirements compared to RGEA assurance reports prepared per the NGER Audit Determination that the AUASB could clarify in a pronouncement.

To enable this as a key part of addressing the significant capability and capacity gap by encouraging other providers with existing capability to be involved we suggest the AUASB needs to make a pronouncement to encourage it by clarifying how it may work in Australia. This also to give confidence to companies considering the option of using RGEAs for assuring relevant emissions in ways that effectively support the mandatory climate assurance.

Noting in this respect that some companies emissions reporting has highly complex inherent risks of misstatement that require significant technical competence to assure – even to be able to identify the risks

and understand what controls and assurance procedures may effectively address the risks in order to direct an expert to perform those procedures.

Section 5 of Appendix A provides further details of our analysis and considerations in this regard.

3. Response to Q2 – if an auditor, whether we consider our firm could adequately resource the audits?

As we are not RCAs, we are not auditors that for the purpose of the Act can lead these audits – accordingly, we cannot answer this question directly.

However, we refer to our comments above regarding the challenges that need to be addressed, noting:

- The significant technical challenges that need to be addressed, which would imply that it can be difficult for audit firms to determine what resources and capability in fact will be required – with minimum limited assurance of all 8 disclosure topics only a little more than two years away, is that realistic?
- The required competence of engagement leaders – with Treasury estimating that more than 1,800 companies be subject to the new audit within a few years, this will imply a lot of RCAs that need to have a significant capability uplift lift to be able to achieve the proposed pathway – is that realistic?
- The scale (cost) and capacity challenge – we encourage AUASB to work through scenarios like the one we present in section 4.1 of Appendix A – to work out if our hunch of possible 2-3,000 additional professional audit staff required is a fair estimate, or whether another estimate is more appropriate – and then whether it is realistic to achieve to enable the proposed pathway?
- How other practitioners should get involved to address these challenges – per above in particular how RGEAs can be involved as envisioned by Treasury – through being engaged by audited companies to deliver “work of another practitioner” per ISSA 5000 in ways that support the quality of the mandatory assurance whilst adding capability and capacity to address the challenge. Noting in this respect that significant assurance capability and capacity exists outside of the RCA firms that must lead the mandatory audit – skill that is often tailored to understanding and addressing emissions reporting risks of specific industry sectors – refer also below in section 5.1 regarding the CER’s procurement of climate assurance over the last 5 years.

4. Response to Q8 – Have applicable laws and regulations been appropriately addressed in the proposed standard?

Referring to our comments above relating to the matter to be assured, we wonder whether applicable laws have been appropriately addressed in the proposed ASSA 5010. If the audit requirement in sections 307AA and 309A of the Act is supposed to be auditing the sustainability report **as a whole**, then we suggest that proposed ASSA 5010 does not appropriately address applicable law – in that case, we suggest the proposed pathway should be amended to consider the end destination of providing reasonable assurance over the sustainability report as a whole, rather than reasonable assurance over 8 disclosure topics within the sustainability report. As outlined in section 2.1 above, the good news is that this should make a more realistic assurance pathway possible.

5. Response to Q9 – What are the costs and benefits of the proposals?

As mentioned above, it appears obvious that Treasury’s impact assessment significantly under-estimated the cost of the legislated assurance at \$82k on average per year per company, when fully implemented – noting that audit firms have been reluctant to provide any cost estimates during AUASB roundtables – perhaps because they lack sufficient confidence in providing estimates for an audit scope with so many unresolved challenges?

We believe this should be clarified further as it significantly impacts what pathway is realistic to implement. Noting in this respect, for your information, some intelligence below regarding the current climate assurance market that we provided to Treasury during one of its consultations.

5.1 Intelligence regarding the current climate assurance market

Comprehensive intelligence about the climate assurance market is hard to obtain, but some useful information is available, based on:

- The CER’s register of lead auditors⁴ (i.e., RGEA Cat 2s), which is Australia’s only current accreditation of assurance engagement leaders in respect of assurance of climate matters.
- Publicly available information in respect of the CER’s procurement of climate assurance services as part of its compliance monitoring programme – for example over the past five (5) years.

CER’s procurement of climate assurance is relevant due to the CER likely being the largest buyer of climate assurance services in the Australian market. Figure 1 below provides a summary of the publicly available information on the CER’s procurement of climate assurance over the past 5 years (to early January 2024):

Provider	CER's register 17/01/2024			Audit contacts with CER last 5 years (19/01/2024)				Analysis of CER audit costs	
	Lead auditors	Share		No. of audits	Share	Value of audits	Share	Avr value	Compared to non-big 4
KPMG	1 firm	12	20.0%	18	11.9%	\$ 1,126,289.90	13.5%	\$ 62,571.66	22.2%
Deloitte	1 firm	4	6.7%	8	5.3%	\$ 658,527.00	7.9%	\$ 82,315.88	60.7%
Ernst and Young	1 firm	8	13.3%	7	4.6%	\$ 458,452.40	5.5%	\$ 65,493.20	27.9%
PwC	1 firm	6	10.0%	3	2.0%	\$ 233,074.00	2.8%	\$ 77,691.33	51.7%
Big-4 total	4 firms	30	50.0%	36	23.8%	\$ 2,476,343.30	29.6%	\$ 68,787.31	34.3%
Other financial auditors	5 firms	10	16.7%	46	30.5%	\$ 1,959,170.31	23.4%	\$ 42,590.66	-16.8%
Non-financial auditors	4 firms	20	33.3%	69	45.7%	\$ 3,930,324.95	47.0%	\$ 56,961.23	11.2%
Non-big 4 total	9 firms	30	50.0%	115	76.2%	\$ 5,889,495.26	70.4%	\$ 51,213.00	0.0%
Total	13 firms	60	100.0%	151	100.0%	\$ 8,365,838.56	100.0%	\$ 55,402.90	8.2%

Figure 1 Summary of CER's climate assurance audit contracts over the past five years

Key aspects are highlighted in yellow – in summary:

- As of 17 January 2024, there were 60 RGEA Cat 2s (lead auditors) on the CER’s published register – 30 of these were with big-4 accounting firms, 10 were with other accounting firms, and 20 were with non-accounting firms.
- Over the 5 years to early January 2024 the CER procured 151 engagements, on average 30 climate assurance engagements per year, from 13 different firms, at an average cost of approximately \$55,400 (inclusive of GST and expenses).
- More than three quarters (76.2%) of climate assurance engagements procured by the CER over those five years have been delivered by firms other than big 4 accounting firms – with more than 30% by other accounting firms and more than 45% by non-accounting firms.
- Big-4 accounting firms delivered less than a quarter (23.8%) of all the climate assurance engagements that the CER procured over the past five years – with KPMG accounting for half of the big-4 engagements and PwC having delivered only three (3) engagements across the 5-year period.

⁴ Refer [Register of auditors \(cleanenergyregulator.gov.au\)](https://www.cleanenergyregulator.gov.au)

- Climate assurance engagements that the CER procured from the big-4 accounting firms were on average 34% more expensive than those procured from other firms.

5.2 Interpretation of CER’s climate assurance procurement data

The CER’s procurement data confirms that the CER has been a significant buyer of these services and likely has a sophisticated understanding of the quality and value-for-money that different firms deliver. The data suggests:

- That firms other than the big-4 accounting firms have capability and capacity to address part of the capability and capacity challenge – per above, the AUASB probably needs to make pronouncements to encourage this to occur or face an even bigger capability and capacity challenge to achieve the proposed assurance pathway.
- That big-4 accounting firms have a smaller share of CER climate assurance than may have been anticipated – even as it should be acknowledged that they likely play a bigger role in the total current climate assurance market, not least as they likely have a larger share of mandatory safeguard mechanism audits, voluntary NGER audits and sustainability report assurance – but probably a low share of mandatory ACCU scheme audits.
- Whilst big-4 assurance cost is 34% higher it cannot be concluded on these data whether that is due to bigger assurance scopes or higher like-for-like assurance fees, given the scope of each CER assurance engagement can vary substantially – however, when taken together with the less than a quarter of engagements delivered it seems that the CER may have either considered big-4 accounting firms provide less value for money than offered by other firms, or at times may not have appropriate capability and capacity to deliver the climate assurance required.
- These observations are noteworthy given the likely dominant share of mandatory climate assurance that big-4 accounting will have.

For more specific intelligence based on the CER’s procurement of climate assurance the AUASB would have to liaise with the CER, who might be able to give further insights into why they have often chosen non-big-4 and indeed often non-accounting firm climate assurance providers, and possibly also intelligence on the differences in costs in respect of like-for-like assurance scopes delivered.

6. Response to Q10 –Are there other significant public interest matters we wish to raise?

We would like to emphasise that it is in the public interest that the mandatory sustainability audits are cost-effective and high quality – and that Treasury’s comments noting the importance of delegation and involvement of other providers should be considered as an expression of this public interest – noting again Treasury comments made in this respect:

Delegation to third party assurance providers increases the available pool of auditors and broadens the market, whilst maintaining professional, ethical and quality controls [by financial auditors leading].

It is important that new players are encouraged to enter the market to build capacity and avoid entrenching a highly concentrated assurance market that inhibits competition.

Unfortunately, Treasury did not perform widespread consultation on the legislated assurance framework, including how it would achieve the desired increase of the available pool of auditors and broaden the market with new players to avoid entrenching a highly concentrated assurance market that inhibits competition.

Given this should clearly be in the public interest, it falls to the AUASB to seek to encourage this within the legislated requirements and the framework of ISSA 5000. We again encourage AUASB to consider our suggestions in section 2.3 above in this regard as important to achieve this – noting again that RGEAs were specifically singled out by Treasury as particularly desirable to delegate assurance work to, and that may not occur if AUASB only focus on guidance relating to “use of the work of an expert” – all the options for

using the work of others set out in ISSA 5000 should be considered to achieve this, to the benefit of the quality and cost impact of the new assurance requirement – which would align to a significant public interest.

7. Thank you for considering our comments

Thank you again for the opportunity to comment. Should you have any further questions or inquiries relating to our comments, please feel free to contact the undersigned.

Regards

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Copy to: GHD's S&C assurance team's lead auditors.

APPENDIX A – CHALLENGES WITH THE ASSURANCE PATHWAY

This Appendix A provides further information on some of our considerations for the comments we provide for question 1 in section 2 of the letter above.

1. What is the final assurance objective (destination)?

The timeline set out in ASSA 5010 should be a pathway to the final assurance scope and objective under sections 307AA and 309A of the Corporations Act – in particular, whether it is:

- **Assurance of the climate statement taken as a whole** as per the criteria set in AASB S2 (and similar to audit of the financial report); or
- **Assurance of different 8 disclosure topics within the climate statement**, as the pathway in proposed ASSA 5010 suggests.

We suggest the AUASB needs to first clarify what the assurance destination per sections 307AA and 309A of the Corporations Act is before it defines the assurance pathway towards the appropriate destination – especially as seems that the assurance pathway proposed in ASSA 5010 appears to point to an inappropriate final destination, as outlined further below.

1.1 Act's audit scope appears to be “as a whole”

Whilst we are not legal practitioners nor experts on corporations law, it seems that sections 307AA and 309A of the Act describes an audit scope and audit objective that should be interpreted as auditing the “sustainability report” **as a whole**, rather than as assuring separate disclosure topics within it:

- **The audit scope per paragraph 307AA(a)** – the audit scope per paragraph 307AA(a) suggests audit of the “sustainability report” as a whole, as no separate disclosure topic is singled out for assurance:
An auditor who conducts an audit of the sustainability report for a financial year must form an opinion about:
 - (a) *whether the sustainability report is in accordance with this Act, including sections 296C (compliance with sustainability standards etc) and 296D (climate statement disclosures); [...]*
- **The auditor's opinion per section 309A** – the wording of section 309A in respect of the auditor's report similarly suggests an opinion on the sustainability report **as a whole**, again because no separate disclosure topic is singled out for the assurance opinion:
An auditor who audits the sustainability report for a financial year must report [...] on whether the auditor is of the opinion that the sustainability report is in accordance with this Act, including:
 - (a) *subsection 296A(2) or 296B(1) (contents of climate statements); and*
 - (b) *section 296C (compliance with sustainability standards etc.); and*
 - (c) *section 296D (climate statement disclosures).*

1.2 Similar to financial report audit being “as a whole”

The audit requirements for the sustainability report set out in sections 307AA and 309A mirror the audit requirements for the financial report set out in sections 307 and 308 of the Act – which per AUASB's auditing standards is an audit of the financial report **as a whole**. Noting for example paragraph 11 of ASA 700 *Forming and Opinion and Reporting on a Financial Report*:

[...] the auditor shall conclude as to whether the auditor has obtained reasonable assurance about the financial report as a whole is free from material misstatement [...].

Accordingly, for the financial audit the auditor considers the constituent parts of the financial report as part of obtaining reasonable assurance of the financial report **as a whole**, rather than providing separate

assurance on the different disclosure topics (or parts) of the financial report. This allows the auditor to focus audit procedures on the material information in the financial report, whilst not focussing on immaterial parts of the financial report – which may differ at different reporting entities.

It would appear appropriate to consider that the Act’s similarly worded audit requirements for the sustainability report to imply a requirement to provide reasonable assurance of the sustainability report as a whole – or if not so, then then it would appear appropriate for the AUASB to provide a standard or pronouncement with a reasoned justification as to why it should be different given how significantly different to how the similarly worded audit requirement for the financial report is interpreted in AUASB’s auditing standards.

1.3 AASB S2 requires it to be prepared “taken as a whole”

Subsection 296A(2) defines *the climate statements [...] required by the sustainability standards made for the purposes of this subsection* – which is AASB S2, it is worth considering key purpose and criteria set out in AASB S2, as that is what the reporting entity must use to prepare it, and auditors should use to evaluate it in their audit. Accordingly, consider also the purpose of climate-related disclosures as set out in paragraph 1 of the AASB’s S2

To require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

A key criterion for this is to prepare the climate statement “taken as a whole”, set out in paragraph B21 in Appendix D of AASB S2:

An entity shall assess whether information [...] is material in the context of the entity’s climate-related financial disclosures taken as a whole.

It follows that reporting entities should prepare the climate statement **taken as a whole**. Therefore, why should auditors consider it in any other way when auditing and forming an opinion as to whether the climate statement has been prepared in accordance with the Act, given the Act primarily refers to AASB S2 as the criteria to evaluate this?

1.4 Directors’ declaration appears to be “as a whole”

We further note that the mandated wording of the Directors’ declaration in respect of the “sustainability report” per subsection 296A(5) suggests it is a declaration of the sustainability report as “as a whole”, rather than a declaration for each disclosure topics within the report – and if so, it would appear inconsistent if the auditor would have to conclude at a more granular level when the full assurance requirements are implemented?

1.5 Significant difference in scope and effort of assurance

This is not just a trivial difference – whether it is “as a whole” or 8 different disclosure topics to be assured has significant implications on the technical challenges involved, as well as the nature and size of the capability and capacity gap that is one of the key challenges for the new assurance requirements.

Consider for example that there likely will be many companies with scope 1 and 2 emissions that will be negligible to the stated purpose of climate-related disclosures, as set out in paragraph 1 of AASB S2. This could include service companies or fashion retailers where misstatements in reported scope 1 and 2 emissions of more than 100% could be considered immaterial to the purpose of climate-related disclosures – whilst scope 3 emissions may be material.

Let’s consider what the difference in assurance requirement in such instances may be:

- **If “assured “as a whole” – few scope 1 and 2 assurance procedures may be required:** If to be considered as part of assurance of the sustainability report as a whole, the auditor may restrict procedures for negligible scope 1 and 2 emissions to confirming that the total for those emissions can be confirmed as likely to be immaterial whilst appearing to be prepared appropriately – even under

reasonable assurance for the sustainability report “as a whole”. It likely cannot be totally ignored in the assurance procedure even if considered immaterial, given it is a disclosure requirement set out in paragraph 296D(a)(b) of the Act.

- **If assured separately – substantive scope 1 and 2 assurance procedures probably required, even if immaterial to the sustainability report “as a whole”:** If to be assured and concluded upon as a separate assurance matter then the auditor would have to perform substantive audit planning and procedures to form a separate assurance opinion on whether the scope 1 and 2 emissions, on its own, is prepared in all material respects in accordance with the criteria (for reasonable assurance). At best for negligible scope 1 and 2 emissions this could probably target a materiality level of up to 10% misstatements in total scope 1 and 2 emissions – even as 10% misstatement may be trivial misstatements when considered through the perspective of the sustainability report as a whole. This would therefore necessitate substantive audit procedures targeting trivial information – thereby driving significant additional effort and cost without discernible value to the mandatory audit requirement for the sustainability report – and in turn making increasing the significant capability and capacity gap considerably.

Consider also that the Greenhouse Gas Protocol set out in AASB S2 as key criteria for emissions reporting suggests that the materiality of emissions should be considered in the context of the total emissions inventory, i.e., the total of scope 1, 2 and 3 emissions, rather than the constituent parts of it – accordingly, also under these criteria would significant mandatory assurance effort for trivial scope 1 and 2 emissions be misguided.

Further, even if mandatory assurance is to be “as a whole”, reporting entities would be free to request additional voluntary assurance of specific disclosure topics – e.g., for bespoke assurance conclusions regarding scope 1 and 2 emissions that may be immaterial for the climate statement taken as a whole – which could be in a separate audit report to avoid confusion in respect of the mandated assurance scope.

1.6 A more realistic assurance pathway possible “as a whole”

The assurance pathway in proposed ASSA 5010 appears to require separate assurance of such trivial scope 1 and 2 emissions, even at reasonable level of assurance from year 2 of reporting. However, given it appears more appropriate to consider the sustainability report “as a whole” this seems inappropriate for the purpose of the legislated climate disclosure framework and does not seem to be what is per the legislated assurance scope and objective either – and would burden Australian companies with significant additional mandatory assurance scope and costs with limited benefits achieved, as it targets separate assurance of trivial information in the climate statement when taken as a whole.

If our analysis on this has merit, the alternative assurance pathway could:

- Have disclosure topics that lead with limited or reasonable assurance prior to the full climate statement being covered in the assurance scope – though, perhaps these disclosure topics should still during separate assurance be considered in the context of the sustainability report “as a whole” – to avoid gold-plating the part assurance of the sustainability report during the pathway when not required when full climate statement covered in the assurance scope?
- By the time all the full climate statement is to be assured at limited level of assurance, i.e., per current pathway in year 2 of reporting, then that should be limited level of assurance of the climate statement “as a whole”, rather than limited assurance for each separate disclosure topic within it.

Noting – whilst this would still imply a challenging assurance pathway, it should be an easier and less challenging pathway than the one proposed focussed on separate assurance across 8 different disclosure topics – accordingly, it becomes a more realistic pathway to achieve the intentions that AUASB has set out with it.

2. How to assure climate statements (technical challenge)?

There are significant outstanding challenges in working out *how* to assure all the mandatory climate disclosures – whether assured “as a whole” and even more so when assured as 8 separate disclosure topics. We suggest that the AUASB needs to clarify how to address some of these technical challenges before settling on the timing of assurance for some of the disclosure topics. Otherwise, it may not be realistic to achieve the pathway that a standard requires.

Below we provide a summary of some of the key technical challenges that needs to be clarified:

2.1 Lack of experience and practice for forward-looking topics to build upon to define assurance approach

Mandatory climate assurance has significantly more unknown challenges than the challenge for mandatory climate disclosures:

- For mandatory climate disclosures there is a level of experience and practice for all the different disclosure topics – so whilst it will be challenging for many reporting entities to achieve, there are lessons learnt by others that can be leveraged - i.e., whilst relatively novel for most and therefore a significant challenge, it has been done and proven to be possible.
- Unlike mandatory climate disclosures this is not the case for mandatory climate assurance – for significant parts of the scope of assurance there is no or very limited experience or practice by anyone on how to assure the matters using the evidence-based professional assurance framework required – with no or only very limited experience and practice to build upon, with lack of appropriate standards to leverage and with significant technical challenges to address the question is how professional standards-based assurance of some of the disclosure topics can be achieved within the proposed timeframe?

Noting, there is considerable professional experience and practice, as well as RGEA capacity to leverage, assuring scope 1 and 2 emissions, and sufficient professional experience and practice assuring scope 3 emissions – implying that for these disclosure topics there is a clear pathway focussing on building the necessary capability and capacity (in particular if using RGEAs, refer below) to achieve even a challenging pathway / timing. The same is probably true for any of the historical climate-related metrics to be assured.

However, this is not the case for most forward-looking information to be assured – whilst there is some experience and practice to build on in respect of review of prospective financial information, the scope of forward-looking information to be assured in mandatory climate statements goes beyond that – and there is limited or no experience and practice with how to achieve it – one may even question whether it is possible, noting that ISSA 5000 does not appear to provide sufficient clarity (refer below). Given the mandated assurance scope it may have to be assured in some ways – but perhaps how this is to be achieved should be clarified first before determining the timing for when it must be assured?

2.2 ISSA 5000 does not appear to provide sufficient clarity

ISSA 5000 provides for assurance of forward-looking information – however, it appears to cover assurance of forecasts, projections and future plans only – i.e., forward-looking information with specific assertions that can be subject to specific assurance procedures for forward-looking information as set out in ISSA 5000 – with the assurance approach focused on assuring the forward-looking information is based on reasonable assumptions, consistently and accurately prepared and with appropriate disclosure of assumptions.

However, this does not appear to be sufficient to address the significant aspects of forward-looking disclosures based on the reporting entity’s judgement required by AASB S2 – assurance of that would appear to require the auditor to concur with significant parts of the reporting entity’s forward-looking judgements to be able to provide assurance – for example relating to:

- Whether the disclosures include all the material climate risks and opportunities, including whether reporting on them is sufficient complete and appropriate – to meet assertions such as “completeness” or “presentation, classification and understandability” as required for reasonable assurance (refer paragraph A413R of ISSA 5000)?
- Whether the disclosures made for climate resilience and scenario analysis was based on appropriate judgements as to the types of material impacts that the reporting entity may be exposed to?

Given the assertions set out in paragraph A413A of ISSA 5000 it would appear the auditor would have to consider whether the reporting entity makes appropriate judgement calls on these matters when determining what should be disclosed. It is hard to see how auditors should be able to do this based on suitable criteria required by ISSA 5000, given the level of discretionary judgement by management and directors involved?

Related to this is that significant parts of the climate disclosure will be qualitative disclosures rather than quantitative disclosures – the criteria for whether these are appropriate may be significantly harder to establish and evaluate as to whether they are suitable as required by ISSA 5000 – and significant judgement by the auditor may be required to determine whether the qualitative disclosures are appropriate – which in turn requires significantly more competent engagement leaders, but even so one could question if it is possible, given the subjective nature of judgements about the future. It would suggest that the AUASB would need to clarify this in an additional standard to the Australian version of ASSA 5000 to enable this type of assurance.

Noting also, these technical challenges need to be addressed prior to performing limited assurance – as otherwise limited assurance cannot be delivered. Given the pathway proposed in ASSA 5010 this would imply addressing them within only two years – which leave little time to achieve given the technical challenges involved, and then little time for the audit firms to respond to the clarity provided – including in building sufficient capability and capacity to be able to do it.

2.3 Relation to “as a whole” or 8 different disclosure topics

Per section 1 of this Appendix above, a key aspect requiring to be clarified is whether the sustainability report is to be assured as a whole or as 8 different disclosure topics. This also has significant implication on the technical challenge for assurance to be clarified. If assured as a whole then how the reporting entity may have resolved some of the more curly technical issues may be of less material importance to the sustainability report as a whole – for example, assurance of climate scenarios would likely require significantly more scrutiny (and technical capability) by the auditor to achieve bespoke reasonable assurance of that as a separate disclosure topic, than if is considered as part of the sustainability report as a whole.

3. Required engagement leader competence

The technical challenges related to the new audit requirement is also greater given the requirements of the engagement leader to be competent in the matter to be audited – noting paragraphs A81 – A83 of ISSA 5000:

A81. ISQM 1 requires the firm to establish quality objectives that engagement team members are assigned to each engagement, including an engagement leader, who have appropriate competence and capabilities to consistently perform quality engagements.

A82. Sufficient sustainability competence provides the engagement leader with the ability to:

- *Ask appropriate questions of a practitioner’s expert and evaluate whether the answers are judged to be reasonable in the engagement circumstances;*
- *Evaluate a practitioner’s expert’s work and, to the extent necessary, integrate it with the work of the engagement team as a whole; and*
- *Take responsibility for the conclusions reached on the engagement.*

A83. What constitutes sufficient sustainability competence depends on the engagement circumstances and differs from engagement to engagement. Whether the engagement leader has sufficient sustainability competence in order to accept responsibility for the conclusions reached on the engagement is a matter of professional judgment, and may involve consideration of factors such as:

- *The judgment involved in evaluating whether the criteria that the practitioner expects to be applied in the preparation of the sustainability information are suitable for the engagement circumstances;*
- *The judgment involved in determining whether the sustainability information in the scope of the assurance engagement is appropriate;*
- *The nature and complexity of the sustainability matters;*
- *The extent to which the sustainability matters are capable of precise measurement or whether there is a high degree of measurement uncertainty that may need significant knowledge and judgment;*
- *The engagement leader's and engagement team's competence and previous experience in relation to sustainability matters.*

Given the significant number of judgements required to prepare climate statements, including in respect of defining suitable reporting criteria for the matters disclosed, the requirements for the engagement leader's competence are significant – and this deficiency cannot just be addressed only by using experts, whether inside or outside the firm given the requirement to be able to ask appropriate questions of the expert and evaluate the expert's work.

The question is how quickly the required RCAs to lead these audits can obtain the relevant competence to lead assurance across the 8 disclosure topics – noting, per the proposed pathway there is only a little more than two years for some level of assurance over all the disclosure topics – that is not a long time to address this challenge among engagement leaders, given also the amount of mandatory audits required. We suggest this needs to be considered further in setting a pathway for assurance over the 8 disclosure topics.

3.1 Implication of insufficiently qualified RCA?

Per ISSA 5000, if the engagement leader or the engagement team do not have the required competence, then paragraph 26 of ISSA 5000 prohibits the acceptance of the assurance engagement – if the Act in fact requires the same RCA for the financial and sustainability audit, then this would possibly imply that the financial auditor would have to reject acceptance of the financial audit as well – thereby adversely impacting the market for financial audits. Or, perhaps more likely, the sustainability audit goes ahead with the same RCA leading it despite not being sufficiently competent to lead the sustainability audit, with the adverse impacts on assurance quality and without being able to apply ISSA 5000 or its Australian equivalent? We suggest these implications need to be clarified prior to the pathway being determined.

4. Scale (and cost) of the audits?

Treasury's impact assessment suggests that the average annual costs (audit fee) per company of the full assurance requirement as set out in sections 307AA and 309A of the Corporations Act would be around \$82k. Reviewing the impact assessment it seems as if Treasury considers that it will be 1.66 times more expensive than limited assurance of scope 1 and 2 emissions, which is estimated to cost \$49k on average per company – however, the full assurance scope set out in proposed ASSA 5010 will be significantly more expensive than that, in particular as scope 1 and 2 emissions only comprises one of the 8 disclosure topics in the pathway of proposed ASSA 5010 – even more so when considering the complexity of some of the other disclosure topics to be assured.

A more realistic cost estimate is hard to make. We suggest that achieving reasonable assurance of the 8 disclosure topics per ASSA 5010 would require 5-10 times as high costs than Treasury's estimate – which would imply somewhere in the region of 50-100% of current financial audit fees paid by companies.

4.1 Scenario analysis – possible 2-3,000 additional auditor staff?

If a cost-level can be estimated, it can be used to consider the likely audit capacity required to perform the full scope audits, per the following assumptions and estimates:

- Number of companies to be audited: At least 1,800 companies per Treasury's impact assessment.
- Average cost for reasonable assurance for the 8 disclosure topics: At least 5x\$82k ~ i.e., at least \$400k, possibly significantly more (perhaps up to twice as much?).
- Minimum total annual audit fees paid by all Australian companies per year when fully implemented: 1,800 x \$400k = \$720m, possibly significantly more – perhaps up to around \$1.4bn?
- Assumed average charge-out rate per audit professional: \$400/hour (considers a blended rate that includes Partners and more junior staff).
- Assumed minimum number of audit hours to deliver mandatory climate assurance: \$720m/\$400/hour = 1.8m hours, possibly significantly more.
- Assumed maximum number of hours per year per audit professional on climate assurance engagements: 1,000 hours – this is in addition to the audit hours audit staff must already deliver, so realistically it requires additional professional audit staff.
- Assumed minimum amount of additional professional audit staff required: 1.8m hours / 1,000 hours per staff = 1,800 audit staff, possibly significantly more.

Whether these assumptions are realistic is certainly something to be tested and challenged, we do not know – however, to us they seem relative conservative, i.e., it would appear to be more likely to underestimate the effort and therefore additional audit professionals required, than to over-estimate. If that case, we may be looking at a possible 2-3,000 additional professional audit staff at different levels required to perform the new mandatory audits – given the existing financial audit staff also have to perform financial audits, and additional audit staff working on the new audits probably will not spend 100% time on those audits, it would appear it may require this amount of additional professional audit staff at the audit firms that are to perform these audits – most notably the big-4 accounting firms.

We encourage AUASB to request the audit firms clarify their assumptions for the resource (capacity) requirements to perform these audits – and how they plan to achieve it to enable the proposed pathway. Noting, the consequences to the pathway if not realistic would be either more expensive audits as hourly rates likely increase, and therefore more costly for Australian companies – or possibly that the audits cannot be delivered at the quality required.

5. Addressing the capability and capacity gap

The above considerations suggest that the capability and capacity challenge may be more than simply ramping up capability among existing audit staff at the audit firms that are to lead the assurance – and more than simply considering how they may use experts to address challenging audit areas.

Given the framework of ISSA 5000 specifically is intended for involving other practitioners, and Treasury's comments on the desirability of delegation to third party assurance providers (in particular RGEAs), we suggest the AUASB should encourage use of all appropriate options under ISSA 5000 for this to occur – not just focussed on use of the practitioner's expert. Noting, ISSA 5000 sets out the following options:

- Using the Work of Another Practitioner
- Using the Work of a Practitioner's Expert
- Using the Work of the Internal Audit Function.

5.1 Enabling RGEAs as part of addressing the capability and capacity gap, aligned with Treasury’s intent and ISSA 5000’s framework

We suggest the AUASB should consider how the use of the Work of Another Practitioner can be encouraged, where appropriate – especially relating RGEAs performing emissions assurance, as per Treasury’s comments on delegation to RGEAs being desirable.

In this regard we note:

- The application paragraphs of ISSA 5000 lays out the specific considerations required to be able to use the work of another practitioner, including a RGEA performing emissions assurance.
- RGEAs routinely perform assurance engagements over emissions reporting that meet the conditions set out in these application paragraphs – including having the appropriate competence and performing the assurance using appropriate AUASB assurance standards and applying AUASB’s quality management standards – and being appropriately independent to perform the work – as this is required under the NGER Audit Determination.
- RGEAs also routinely issue long-form assurance reports in accordance with the AUASB’s standards that summarise all key risks of material errors identified, the assurance response to those risks, and the key findings made during the assurance engagement – as this is required by the NGER Audit Determination.

Accordingly, RGEAs are in a unique position to address part of the capability and capacity gap in ways that are entirely consistent with the ISSA 5000 assurance framework, and to the benefit of the quality of the mandatory climate assurance, given their competence at delivering emissions assurance per AUASB’s standards. RGEAs should be able to agree with the audited company an appropriate scope of assurance over the emissions reporting to be prepared, and provide an AUASB compliant long-form assurance report that address all the information required for the “using the work of another practitioner” set out in ISSA 5000 – i.e., in most cases without the auditor needing to make further inquiries of the RGEA or review the RGEAs working papers (provided the RGEA’s report is appropriately prepared, per the NGER Audit Determination).

However, unless the AUASB make pronouncements to encourage this we suspect the RCA firms leading the new mandatory audit may inappropriately require access to RGEAs working papers to discourage this to occur, given it may be in their commercial interest to discourage it, as they could instead achieve higher revenue for their own firm – even where the RGEA’s scope and assurance report is appropriate – and irrespective of the intention of ISSA 5000 and the apparent intention of Treasury in this regard. If this occurs, then RGEAs will have only a limited role in addressing the significant capability and capacity gap. This is because the RCA firms are unlikely to drive this delegation, it needs to be driven by companies wanting RGEAs to lead the emissions assurance (e.g., due to competence or cost), whilst having confidence this set-up may likely lead to the RGEA’s assurance report being useful to the RCA leading the mandatory climate assurance. This is the reason it likely requires AUASB encouragement through a pronouncement of how to enable it. If it doesn’t occur it will make the capability and capacity gap larger and harder to address, and therefore make the proposed pathway in ASSA 5010 harder to achieve.