



21 November 2007

Greenhouse and Energy Reporting Taskforce
Australian Greenhouse Office
Department of the Environment and Water Resources
GPO Box 787
Canberra ACT 2601

By email: reporting@greenhouse.gov.au

Dear Sir/Madam,

Submission on the National Greenhouse and Energy Reporting System Regulations Discussion Paper

The Institute of Chartered Accountants in Australia (Institute) appreciates the opportunity to comment on the proposed National Greenhouse and Energy Reporting System. The decision to implement a national system is very topical and is a matter of significant public interest, intended to:

- Provide robust data as a foundation for an Australian Emissions Trading Scheme
- Facilitate reporting of abatements and offsets prior to commencement of emissions trading
- Provide company level information to the public on greenhouse and energy performance for the first time
- Cut red tape and provide a single online entry point for reporting facilities and corporations

The Institute supports the initiatives and the plan to progressively phase in reducing thresholds above which facilities and corporations will be required to report.

However, the Institute is concerned that the obligation to report in accordance with the National Greenhouse and Energy Reporting Act 2007 (Act) is not accompanied by an obligation to have all data being reported subjected to audit by an independent auditor.

The Greenhouse and Energy Data Officer (GEDO) has the authority to appoint, or to compel the corporation to appoint, an external auditor to assess the corporation's compliance with any aspect of the Act, but there is no requirement for all data being reported to be audited.

charteredaccountants.com.au

Level 14, 37 York Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
t> 61 2 9290 1344
t> 1300 137 322 (Freecall)
f> 61 2 9262 1512

The Institute of Chartered
Accountants in Australia
ABN 50 084 642 571
Incorporated in Australia,
Members' Liability Limited

27-29 Napier Close
Deakin ACT 2600
t> 1300 137 322
f> 02 6282 9800

L1/200 Mary Street
Brisbane Qld 4000
t> 07 3233 6500
f> 07 3221 0856

L11/1 King William Street
Adelaide SA 5000
t> 08 8113 5500
f> 08 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
t> 1800 014 555
f> 03 9670 3143

L3/600 Bourke Street
Melbourne Vic 3000
t> 03 9641 7400
f> 03 9670 3143

Grd/28 The Esplanade
Perth WA 6000
t> 08 9420 0400
f> 08 9321 5141



The Institute is of the view that this is a significant oversight. Given that the data will form the foundation for an Australian Emissions Trading Scheme, it is vital that trust and credibility be built into the system from the very beginning. The absence of a robust and rugged assurance requirement to accompany the obligation to report has the potential to impair such a trading scheme. The numerous securities exchanges that currently exist work because participants have confidence in the framework, which is underpinned by an audit / assurance requirement.

The public interest is not well served by the absence of the requirement for assurance. It is a matter of considerable importance which the Institute believes should be addressed as soon as possible.

It is worth noting that the data used in the emissions trading scheme in place in the European Union requires an annual audit.

Further, the Association of Chartered Certified Accountants in the United Kingdom sponsors an annual award for Sustainability Reporting. A recent Report of the Judges contains the following observation in respect of climate change disclosures:

“Assurance and verification: providing assurance is fundamental to adding credibility to any report. Where GHG emissions are significant it is important to ensure that emissions data are accurate and reliable. Companies should also explain the process and boundaries behind the assurance procedure as well as the methodology, to add context for the report-user.”

Specific Questions asked in Section 7 of the National Greenhouse and Energy Reporting System Regulations Discussion Paper

What professional expertise and qualifications should external auditors possess? How would these be assessed? What arrangements would ensure consistency in the quality of external auditors?

The Institute of Chartered Accountants in Australia is a member body of the International Federation of Accountants (IFAC), which is comprised of 155 member bodies and associates in 118 countries, representing over 2.5 million accountants. Member bodies participate in IFAC's Member Body Compliance Program, demonstrating their commitment to promoting high quality standards for the world's accountants.

27-29 Napier Close
Deakin ACT 2600
t> 1300 137 322
f> 02 6282 9800

L1/200 Mary Street
Brisbane Qld 4000
t> 07 3233 6500
f> 07 3221 0856

L11/1 King William Street
Adelaide SA 5000
t> 08 8113 5500
f> 08 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
t> 1800 014 555
f> 03 9670 3143

L3/600 Bourke Street
Melbourne Vic 3000
t> 03 9641 7400
f> 03 9670 3143

Grd/28 The Esplanade
Perth WA 6000
t> 08 9420 0400
f> 08 9321 5141

charteredaccountants.com.au

Level 14, 37 York Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
t> 61 2 9290 1344
t> 1300 137 322 (Freecall)
f> 61 2 9262 1512

The Institute of Chartered
Accountants in Australia
ABN 50 084 642 571
Incorporated in Australia,
Members' Liability Limited



Members of the auditing profession in Australia are well equipped to deal with audit assignments and to add credibility to data reported and presented in accordance with almost any reporting framework. The auditing framework in place in Australia is scalable and adaptable to all types of enterprises and data. Auditing standards are promulgated by the Auditing and Assurance Standards Board (AUASB) and clearly contemplate audit work being undertaken on non-financial data. Of particular importance in this regard is ASAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”.

The Institute recognises that emissions reporting requires some specialised skills. However, auditors routinely direct and utilise the works of experts in their fields in order to undertake audit work – such as mining engineers, actuaries amongst others.

We are aware that IFAC is currently addressing the topic of emissions reporting and the requirement for independent assurance around that reporting.

With regard to ensuring consistency in the quality of external auditors, the Institute subjects all members in public practice to a regular quality control review (every three years for registered company auditors, and every five years for all others).

What guidelines should there be covering the conduct of external audits and the preparation of audit reports?

Auditing standards in Australia are promulgated by the AUASB.

What arrangements would ensure consistency in the conduct of external audits and the quality of audit reports?

As mentioned above – have the audits done by members of the auditing profession, who are obligated to report in accordance with the body of auditing standards.

Are there any additional matters that should be covered by regulations on infringement notices?

Not at this stage.

27-29 Napier Close
Deakin ACT 2600
t> 1300 137 322
f> 02 6282 9800

L1/200 Mary Street
Brisbane Qld 4000
t> 07 3233 6500
f> 07 3221 0856

L11/1 King William Street
Adelaide SA 5000
t> 08 8113 5500
f> 08 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
t> 1800 014 555
f> 03 9670 3143

L3/600 Bourke Street
Melbourne Vic 3000
t> 03 9641 7400
f> 03 9670 3143

Grd/28 The Esplanade
Perth WA 6000
t> 08 9420 0400
f> 08 9321 5141

charteredaccountants.com.au

Level 14, 37 York Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
t> 61 2 9290 1344
t> 1300 137 322 (Freecall)
f> 61 2 9262 1512

The Institute of Chartered
Accountants in Australia
ABN 50 084 642 571
Incorporated in Australia,
Members' Liability Limited



The Institute of
Chartered Accountants
in Australia

The Institute believes that the foregoing are matters of vital public interest, and would welcome the opportunity to meet with representatives of the Greenhouse and Energy Reporting Taskforce.

Should there be any questions regarding this submission, please do not hesitate to contact Andrew Stringer at 02 9290 5566.

Yours sincerely

Graham Meyer
Chief Executive Officer
The Institute of Chartered Accountants in Australia

Copy: Andrew Stringer

27-29 Napier Close
Deakin ACT 2600
t> 1300 137 322
f> 02 6282 9800

L1/200 Mary Street
Brisbane Qld 4000
t> 07 3233 6500
f> 07 3221 0856

L11/1 King William Street
Adelaide SA 5000
t> 08 8113 5500
f> 08 8231 1982

TCCI, 30 Burnett Street
North Hobart Tas 7000
t> 1800 014 555
f> 03 9670 3143

L3/600 Bourke Street
Melbourne Vic 3000
t> 03 9641 7400
f> 03 9670 3143

Grd/28 The Esplanade
Perth WA 6000
t> 08 9420 0400
f> 08 9321 5141

charteredaccountants.com.au

Level 14, 37 York Street
Sydney NSW 2000
GPO Box 3921
Sydney NSW 2001
t> 61 2 9290 1344
t> 1300 137 322 (Freecall)
f> 61 2 9262 1512

The Institute of Chartered
Accountants in Australia
ABN 50 084 642 571
Incorporated in Australia,
Members' Liability Limited