

The Secretary
Senate Select Committee on Climate Policy
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By email: climate.sen@aph.gov.au

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Dear Sir

11 March 2009 Senate Select Committee on Climate Change Inquiry into
Policies Relating to Climate Change

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Senate Select Committee with its comments on the Committee's Inquiry into Policies Relating to Climate Change. Our response reflects our position as auditors and business advisers to listed and privately held companies, other businesses, and not-for-profit organisations all of whom are impacted by climate change.

Grant Thornton believes that irrespective of whether Australia's carbon pollution reduction targets are achieved by a taxation-based system or by a market-based emissions trading scheme, verification of submitted data to a high degree of reliance is essential. The recent audit model contained in the Department of Climate Change's National Greenhouse and Energy Reporting Amendment Bill 2009, Exposure Draft, February 2009 is a model that Grant Thornton supports for all climate change data. It can be summarised as being a regime of independent, external audits of emissions data to ensure information is investment-grade, and which for the external audit of greenhouse and energy information includes the following features:

- 1 External audits to be conducted to a single Australian Government Auditing and Assurance Standards Board (AUASB) auditing standard which is consistent with international assurance standards.
- 2 Consistent with the Corporations Act requirements, the Lead Auditor to possess appropriate and demonstrated competencies (based on a principles-based competencies assessment model) and be registered/accredited by the climate change regulator. Registration/accreditation should apply to Lead Auditors only. The regulator should

regularly re-assess Lead Auditors' suitability, based on annual returns along the lines of the Australian Securities and Investments Commission (ASIC)'s Registered Company Auditor (RCA) model.

- 3 The Lead Auditor to be responsible for ensuring that the audit team possesses the competencies needed to perform the audit assignment. Audit teams would comprise a mix of experience levels (to allow mentoring/training of junior staff).
- 4 Audits should be subject to a program of external review (professional association and regulator, as per ASIC's RCA model).
- 5 Lead auditors should have minimum requirements set by regulation covering the following:
 - Quality control
 - Professional Indemnity insurance
 - Continuing professional education
 - Code of ethical conduct
 - Appropriate disciplinary procedures (professional association and/or regulator, as per ASIC's RCA model)
 - Strict independence requirements which would apply to all professional members of the audit team. Independence standards equivalent to Section 291 of the IFAC Code of Conduct (APES 110) should apply.
 - A standardized format should be adopted for audit reports, developed by the AUASB, that takes account of the differences between reasonable assurance, limited assurance and agreed-upon-procedures assignments, as well as specific assignments conducted pursuant to sections 73 & 74 of the NGER Act.
 - Audit reports should be signed-off by a single Lead Auditor.
 - The model should provide for breach reporting requirements and qualified privilege on reported matters by auditors.

If you require any further information or comment, please contact me.

Yours faithfully
GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly
National Head of Professional Standards