

C/o The Secretary
Senate Select Committee on Climate Policy
Parliament House
climate.sen@aph.gov.au

8 April 2009

Dear Members of the Senate Select Committee on Climate Policy,

PricewaterhouseCoopers response to Senate Select Committee on Climate Policy

Thank you for providing PricewaterhouseCoopers with the opportunity to comment on policies related to climate change, in accordance with the terms of reference of the Senate Select Committee on Climate Policy which was established on 11 March 2009.

We believe that the Carbon Pollution Reduction Scheme (CPRS) is a positive step towards reducing Australia's carbon emissions. However, regardless of the specific mechanisms of the CPRS, it is essential that there is consistently robust independent assurance of the submitted data to ensure it is 'investment grade'.

We have provided comments on the proposed CRPS assurance model to the Department of Climate Change. Our most recent comments can be found at <http://www.climatechange.gov.au/reporting/consultation/pubs/pwc.pdf>.

In line with our submission linked above, we believe that a best practice model for the external audit of greenhouse and energy information should focus on 3 key elements. We have listed these key elements in Appendix A for your consideration.

If you have any questions regarding this response, or any of the previous submissions we have provided to the Department of Climate Change, please feel free to call me on 03 8603 3285.

Yours sincerely



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PricewaterhouseCoopers is committed to providing our clients with the very best service. We would appreciate your feedback or suggestions for improvement. You can provide this feedback by talking to your engagement partner, calling us within Australia on 1300 792 111 or visiting our website <http://www.pwcfeedback.com.au/>

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Appendix A – Key elements of an assurance model over greenhouse and energy information

We believe the key elements of an assurance model over greenhouse and energy information should be:

1. A consistent and robust assurance model

A robust and transparent assurance model is fundamental to providing confidence to users of greenhouse and energy information. We believe that a consistently applied pre-lodgement assurance framework is the most effective way of achieving this.

We do not consider that the proposal for either a range of levels of assurance, or targeted agreed-upon-procedures instigated on suspicion of non-compliance, will achieve an outcome of 'investment grade' data for organisations captured under CPRS. However, we acknowledge that the differing levels provide flexibility in assessing compliance with the legislation.

Given the emissions data will have a liability attached to it under CPRS, we believe it would be sensible to align the CPRS assurance timeframe to the financial reporting timetable, including harmonising reporting periods for those entities with a financial year-end other than 30 June.

2. A single assurance standard

We believe that audits of greenhouse and energy information should be performed under a single auditing standard. At present, the most relevant standard is the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

We understand that the Australian Auditing and Assurance Standards Board (AUASB) will consider releasing a specific standard in relation to assurance over greenhouse to align with forthcoming international assurance standard updates.

In following a single standard, this should lead not only to consistency in performance but also in reporting. We would encourage the Department of Climate Change to release a standardised reporting format that considers the differences between reasonable assurance, limited assurance and agreed-upon-procedures assignments (should all be relevant), to ensure a uniform approach.

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3. The role and attributes of the Audit Team Leader

Assurance over non financial data can be a complex and specialised area. A technical expert on GHG emissions may not necessarily have the skills to provide assurance over an emissions submission under CPRS if they do not have appropriate assurance skills and capabilities, such as an understanding of key information processes and controls. We do acknowledge that appropriate assurance skills may also be acquired outside the financial assurance profession.

The Audit Team Leader must have strong assurance skills and experience, perform their role within an appropriate ethical framework, and be held accountable via registration with a regulator. This registration should apply solely to the Audit Team Leader and not the remainder of the audit team. We believe that the Registered Company Auditor (RCA) model employed by ASIC is a framework upon which Audit Team Leader registration could be based.

In following the key principles of the RCA model, the audits performed by the Audit Team Leader should be subject to a programme of external review by the regulator to ensure consistency in quality and delivery.

We would expect the regulator to set minimum requirements for the Audit Team Leader with regard to:

- Quality control
- Personal indemnity insurance
- Continuing professional education and development
- Code of ethical conduct
- Disciplinary procedures
- Independence (which should apply to all audit team members with the Audit Team Leader assuming ultimate responsibility)

We believe that an appropriate ethical framework is the Accounting Professional and Ethical Standards Board (APES) Standard 110 *Code of ethics for professional accountants* upon which guidance could be based.

The Audit Team Leader should be responsible for the skill composition and experience mix of the audit team. The Audit Team Leader should be ultimately responsible for the quality and delivery of the audit and, as such, only the Audit Team Leader should sign the audit report.