

3 May 2024

Mr Justin Williams
Managing Director
Office of the Auditing and Assurance Standards Board

Via email: enquiries@auasb.gov.au

Dear Mr Williams

Responses to the Consultation Paper on Assurance over Climate and Other Sustainability Information

COBA appreciates the opportunity to contribute to the Auditing and Assurance Standards Board (AUASB) Consultation Paper on Assurance over Climate and Other Sustainability Information.

COBA is the industry association for Australia's customer owned banks (mutual banks, credit unions and building societies). Collectively, our sector has over \$170 billion in assets and 5 million customers. Customer owned banking institutions account for around two thirds of the total number of domestic Authorised Deposit-taking Institutions (ADIs) and deliver competition and market leading levels of customer satisfaction in the retail banking market.

To date, COBA has responded to consultations from Treasury on climate-related financial disclosure requirements and most recently, the AASB consultation on the draft Australian Sustainability Reporting Standards.

In this submission, COBA has provided feedback on a proposed model for phasing in assurance over mandatory climate information, adoption of ISSA 5000 General Requirements for Sustainability Assurance Engagements and a possible local pronouncement to supplement ISSA 5000. COBA emphasises the need for non-financial auditors to be able to have a role in resourcing assurance engagements due to their expertise and experience, as financial auditors currently may not possess this expertise.

Our responses to relevant questions are noted in Appendix A - COBA response to consultation questions.

We look forward to engaging further with the AUASB on the exposure draft in due course and thank you for taking our views into account. Please do not hesitate to contact Neha Chopra, Policy Manager (nchopra@coba.asn.au) if you have any questions about our submission.

Yours sincerely



MICHAEL LAWRENCE
Chief Executive Officer

Appendix A – COBA response to specific consultation questions

Question #	Question	Comment
1	<p>Consideration should be given to the relative importance of each type of disclosure and the cost of assurance over that information. In that context, do you believe that limited assurance or reasonable assurance should be required earlier or later for any disclosures in the possible assurance phasing model in Attachment 1? Please provide reasons.</p>	<p>COBA is not clear on how the AUASB would cover local pronouncement as noted in Attachment 2, Possible Matters for Local Pronouncement, in the assurance program as it is not mentioned in Attachment 1, Assurance Phasing. COBA recommends the timings be reviewed to ensure enough time is given for the AUASB to undertake this work entailed in the possible assurance phasing model for Group 1, 2 and 3 entities. For questions 1,2 and 3 we recommend the timelines in the assurance program from Group 1,2, and 3 entities be pushed back a year. This consideration has not been made in the timings and therefore COBA recommends AUAUSB consider this when developing the exposure draft.</p>
2	<p>We are seeking information on the expected ability of audit firms to resource assurance engagements using partners and staff with appropriate competence, skills expertise, as well as their own internal or external experts. If you are an auditor, do you consider the possible assurance phasing in Attachment 1 could be adequately resourced by your audit firm for entities whose financial reports are audited by your firm? If not, please identify any pressure points in the model and reasons.</p>	<p>Our main concern is that audit firms may not have the expertise onboard or inhouse to have the capacity to deliver an audit of reasonable quality and value within the timeframe required. Where the AUASB standards have specified the need for financial auditors, COBA recommends adopting a similar program to National Greenhouse and Energy Reporting Scheme (NGERS) and Climate Active be adopted.</p> <p>The timelines for delivery is a concern for our members particularly under the AASB standards and therefore COBA recommends they be reviewed.</p> <p>COBA prefers that the audit requirement be expanded and the AUASB develop separate certification requirements to be able to audit the standards. COBA suggests inserting in the standards that the auditor can be outside the current requirement in the standards, but they would have to work with the financial auditors in delivering the assessment. Reliance of audits by independent third parties is an important point to consider.</p> <p>For questions 1,2 and 3, we recommend the timeline in Attachment 1 be pushed back a year to align with the revised commencement date set by Treasury of 1 January 2025 for Group 1 entities.</p>

		COBA recommends broadening the market to the certification schemes which will allow other SMEs to apply to be certified to deliver assurance against the standard in alignment with the financial auditors.
3	Do you consider that the systems and processes of entities in Groups 1, 2 and 3 will be developed, implemented and sufficiently reliable to facilitate the assurance processes as outlined in the possible assurance phasing model.	Our feedback is noted in the feedback for question 2. For questions 1,2 and 3 we recommend the timeline in Attachment 1 be pushed back a year to align with the revised commencement date set by Treasury of 1 January 2025, for Group 1 entities.
7	Are there principles and practices considered appropriate in maintaining or improving assurance quality in Australia that may, or do, prevent or impede the application of the proposed equivalent of ISSA 5000, or may conflict with the proposed standard?	In relation to financed emissions, many of our members follow PCAF standards which give the ability to start reporting emissions even if data is of poor quality, as long as it is disclosed. COBA members are unsure if the AUASB standards conflict with assurance as auditors often want the best quality data possible. Similar to our response to Treasury on the data quality requirement, we need a single point of data that our members can reference which will assist our members in providing assurance on data and scenario analysis. Without having that consistency, it would impede the application of the proposed assurance standards. PCAF was explicitly stated in part 3 and COBA members would prefer guidance so that a standardised approach can be adopted.
8	Should the AUASB develop and issue a local pronouncement to supplement the final ISSA 5000 dealing with assurance matters under the Australian climate and sustainability reporting framework? Please provide your reasons. Do you agree with the reasons for developing a local pronouncement in paragraph 45?	Paragraph 45 notes the reasons to develop a local pronouncement. COBA members agree that the AUASB develop and issue a local pronouncement to supplement the final ISSA 5000 dealing with assurance matters as issues may arise that can be developed after the international development. We agree with the reasons for developing a local pronouncement in paragraph 45.
10	Are there any matters identified in Attachment 2 that should not be addressed in a possible local	There are no matters that COBA believes that should not be addressed in a possible local pronouncement in addition to those mentioned in attachment 2.

	pronouncement? Please provide reasons.	
11	Are there any matters that should be addressed in a possible local pronouncement in addition to those identified in Attachment 2?	There are no matters that COBA believes that should be addressed in a possible local pronouncement in addition to those mentioned in attachment 2.
12	To assist the auditor in considering the adequacy of disclosures, should any local pronouncement include material on applying aspects of the reporting framework in addition to that available in sustainability standards and material from other standard setters or regulators? For example, should the auditor be reminded about their obligations under ASA 720 to consider omissions of material non-climate sustainability risks and opportunities in the Operating and Financial Review? If so, should guidance be provided on reporting frameworks that could be referred to in that regard?	Yes, COBA members would appreciate additional guidance that follows the materiality approach.
13	Should guidance be provided on materials that might be referred to by the auditor in assessing disclosures (e.g. standards on Financed Emissions, Facilitated Emissions and Insurance Associated Emissions at The Global GHG Accounting and Reporting Standard for the Financial Industry)?	Yes, COBA would appreciate guidance be provided on materials that might be referred to by the auditor in assessing disclosures.
14	Should any local pronouncement cover considerations about the impact of climate and sustainability risks and opportunities on	Yes, local pronouncement should cover considerations about the impact of climate and sustainability risks and opportunities on recognition, measurement and disclosure in the financial report.

	recognition, measurement and disclosure in the financial report (e.g. impairment of assets, provisions)?	
17	Do you have suggestions on any other matters that the AUASB should consider in relation to assurance over climate-related financial disclosures and sustainability reports?	COBA recommends AUASB consider climate active verification requirements.