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To Whom it may concern

Consultation on Assurance Engagements over GHG Emissions Disclosures

KPMG welcomes the opportunity to provide comments on the External Reporting Board ('XRB') Assurance Engagements over GHG Emissions Disclosures (the 'Exposure Draft') Consultation Document, December 2022 (the 'Consultation').

Overall, we support the development of an assurance standard to ensure competency and knowledge of assurance practitioners, and comparability of the work that is being performed over climate standards. It will be critical that New Zealand assurance providers, and the level of work undertaken, has credibility internationally and is consistent with international developments as many Financial Markets Conduct Act, as amended by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 (the FMC Act as amended) entities and Climate Reporting Entities (CREs) will be making their reports available to an international audience.

A distinguishing mark of the audit and assurance profession that currently undertakes statutory financial audits in New Zealand is the responsibility to issue high quality conclusions and opinions. This outcome is reached when assurance engagements are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls.

Whilst we support the development of a specific assurance standard relating to climate reporting, we have concerns regarding the deactivation of the Professional and Ethical Standards as we believe these standards underpin the credibility and quality of assurance reports released to the New Zealand market. We note that given that the System of Quality Management surrounding our assurance practice has been designed to meet the requirements of PES 1, 3 and 4 we will still be required to comply with these standards in the assurance engagements we complete for our clients.

We understand the position taken by the XRB, as requiring application of these standards is likely to restrict market access to those who have already made the significant investment in quality management systems and processes necessary to support them. We do recognise that the Greenhouse Gas Inventory assurance market will benefit from having practitioners participating that come from a more diverse range of backgrounds than just financial auditing and that some of those practitioners will need to make a significant investment in quality management systems to meet the standards firms complying with PES 1, 3 and 4 are expected to achieve.

Based upon the above, we support the proposed position in the standard, contingent on the inclusion of transition clauses which clearly define the expectation that all assurance practitioners will need to apply all the Professional and Ethical Standards at a defined point in the future, which should be no later than the proposed end of life of the transitional assurance standard. Based upon the likely date selected for the commencement of comprehensive assurance of the whole climate statement (per the recent MBIE/MFE consultation), we suggest the proposed expiry date of the transition standard to be 31 December 2028. We also believe it should be mandatory for the assurance practitioner to disclose in their assurance report whether the Professional and Ethical Standards have been applied, or they have only complied with the requirements set out in the Exposure Draft.

We note the guidance that is provided on the professional skills and experience required to complete climate assurance engagements. We agree that it is necessary to have experience in both the delivery of assurance engagements under internationally recognised auditing standards and the quantification of Greenhouse Gas Inventories to complete an engagement. We also recognise that it is possible to bring technical capability to an engagement using one or more specialists. It is the practitioner's role to ensure that appropriate knowledge is engaged in reaching the opinion that is provided. The guidance to the proposed standard is more prescriptive in terms of the technical knowledge that a practitioner should have of quantification of Greenhouse Gas Inventories than of assurance process and methodology. We believe both skills and capabilities are equally important and should be treated in a consistent manner in the standard. Ultimately a practitioner will be subject to a licensing regime where they will need to demonstrate to the regulator how they bring all the necessary skills to the assurance engagements that they undertake.

Finally, we want to highlight our strong support of the proposed inclusion of Key Matter, Emphasis of Matter, Inherent Uncertainty and Other Matter paragraphs where appropriate in the assurance report, as we believe that the use of these paragraphs will provide greater clarity to the intended users on what is highly judgemental subject matter.

We have no further comments on the Exposure Draft or Consultation.

Yours sincerely



Darby Healey
Partner

Yours sincerely



Ian Proudfoot
Partner