Australian Government
Auditing and Assurance Standards Board

THE UNIVERSITY OF SYDNEY

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Preparedness of Australian Auditors for Assuring Climate-related Disclosures

Summary of key findings and recommendations

June 2026

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Suggested Citation

This highlights report is extracted from the following complete report. The suggested citation for the complete report is:

R. Simnett, S. Zhou, J. You, and Y. She, (2026), *Preparedness of Australian Auditors for Assuring Climate-related Disclosures*, The University of Sydney. https://doi.org/10.25910/fyqe-cn26.

DOI: 10.25910/fyqe-cn26.

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Overview

This joint research initiative[1] examines the preparedness of Australian assurance firms to conduct assurance engagements of Australian reporting entities preparing mandatory climate related reports. We focus on the key challenges encountered, and potential and existing mechanisms that are perceived to enhance preparedness.

It draws on a mixed methods research approach, which first involved market mapping to identify 309 audit firms providing financial statement audits for possible AASB S2 reporting entities. Over the period November 2025-April 2026, we then surveyed those audit firms for which we could find contact information and received usable survey responses from 23. To supplement our findings, we conducted 13 in depth interviews with representatives from the top 20 audit firms. The audit firms interviewed provide financial statement audit services to 92.72% of our identified Group 1 entities, 84.53% of our identified Group 2 entities, and 65.64% of our identified Group 3 entities. We also undertook and report a review of the assurance reports issued for 34 Group 1 listed entities with a 31 December 2025 reporting date. This has given us sufficient evidence to outline in this research report early findings regarding the preparedness of audit firms for providing assurance in accordance with the requirements of ASSA 5000, in order to inform timely policy, regulatory, and market discussions.

Over the period that we have been preparing this report, we have shared our preliminary findings with key institutional bodies, mainly ASIC, AUASB, and CA ANZ. We are pleased to observe that many of the recommendations that we have drawn from our findings are consistent with recent initiatives of these players.

1. Funded by the Australian Accounting Standards Board (AASB), Auditing and Assurance Standards Board (AUASB), and Chartered Accountants Australia and New Zealand (CA ANZ), the research is conducted by Professor Roger Simnett (Monash University), Associate Professor Shan Zhou and Yi She (University of Sydney), and Dr Jean You (Australian National University).

10 key findings

1. The level of preparedness for the largest 20 assurance providers appears to be high. These providers conduct the financial statements audits for over 95% of identified Group 1 entities, 90% of identified Group 2 entities, but a smaller proportion (about two-thirds) of identified Group 3 entities.

2. The smaller and some mid-tier assurance providers, identified as only servicing later-phase entities (238 out of 309 are identified as the auditors for Group 3 entities only), are significantly less prepared for assuring climate-related information, with some yet to communicate with their clients or start developing in-house capabilities or strategies.

3. Reporting entities have been reliant on their assurance providers to help them understand how they need to prepare, either through pre-assurance engagements and recommendations or helping identify consultants suitable for developing related systems and processes.

4. The design and timing of mandatory climate assurance may impact the structure of the assurance market through client-assurance provider realignment, resulting in either increased market concentration for some large assurers and/or the advent of specialist climate-related assurance providers.

5. Reporting requirements of most concern to assurance providers include the reporting of forward-looking information, scenario analysis, and (the reasonable assurance of) Scope 3 emissions. Assurance aspects of most concern include: the assurance of the “no material climate risks and opportunities” statement (issued by Group 3 entities); connectivity with the audited financial statements; using the work of others; assurance of other information in the Sustainability Report; and the auditor’s assessments of materiality.

6. The assurance providers’ views on how many of their clients are likely to issue a ‘no material climate risks and opportunities’ statement are varied. Most of our interviews with large assurance providers suggested that such assessments will be rare among their clients, while 75% of the assurance provider survey respondents expressed a concern about their assurance of the assessments of ‘no material climate risks and opportunities’.

7. Assurance providers indicate a lower level of preparedness of Group 2 and Group 3 entities than the reporting entities’ self-assessments would suggest.

8. Most groups of reporting entities (including, for Group 1, 88% of those surveyed and 100% of identified early listed entity reporters) are choosing the same firm as their financial statement auditor for their sustainability assurance provider.

9. Assurance and other services fee revenue from climate-related services is expected to be about 20–40% of financial statement audit fees. This percentage could be higher for smaller reporting entities as there is likely to be a minimum cost to conduct these engagements, regardless of entity size. Reporting entities commonly view these additional assurance fees as a compliance cost.

10. There is some confusion around independence considerations as to whether initial work provided to clients is sustainability consulting work or pre-assurance work.

10 key recommendations

Recommendations 1-2 are relevant to assurance providers, while recommendations 3-10 are intended to inform coordinated action by key institutional bodies including ASIC, Treasury, the AUASB, and professional accounting bodies, provide concise and effective support for assurance providers.[2]

Recommendations for assurance providers

1. **Smaller assurance providers should establish whether they will be providing assurance services on climate-related information**.[3] If so, they should start developing appropriate in-house sustainability assurance capabilities or relationships that allow them to meet ASSA 5000 requirements.[4]

2. **All assurance providers expecting to provide sustainability assurance engagements should engage with their expected sustainability reporting clients at their earliest convenience to emphasise the need for them to develop appropriate systems and processes, and start on the sustainability reporting journey**. Engagement topics could include outlining the steps in the reporting journey and benefits of pre-assurance engagements, or the provision of assistance to identify suitable consultants to help develop related systems and processes (ensuring that independence and other ethical considerations are managed appropriately).

2. The authors note recent initiatives that are consistent with the recommendations contained in this report. In particular, the website developed by CA ANZ that pulls together links to illustrative climate-related disclosures and checklists published by accounting firms, to support Australian entities preparing climate-related disclosures in accordance with AASB S2, ASIC publishing their early observations on sustainability reporting ahead of 30 June 2026, and the continued educational and support material on specific topics of interest published by ASIC and AUASB.
3. We recognize that the Australian Federal Government has recently announced in the May 2026 Budget that it proposes to commence consultation on reforms to reduce reporting burden, by doubling the reporting thresholds for consolidated assets and consolidated revenue, while maintaining core sustainability reporting requirements. As well as the anticipated 1,500 reporting entities that will no longer need to lodge a sustainability report, we calculate that 101 (32.7%) of the 309 potential assurance providers will no longer have clients submitting sustainability reports (or needing to lodge an annual audited financial report.
4. AUASB outlines some capacity and capability-building steps that assurance providers can undertake.

Recommendations for key institutional bodies

3. **Actively monitor assurance market capacity and concentration risks.** This should include the availability of assurance providers for later-phase entities.[5]

4. **Support assurance market readiness through targeted guidance and capability-building.** This should particularly focus on providing support for smaller and mid-tier assurance providers.[6]

5. **Continue to develop practical, implementation guidance and exemplars for reporting requirements identified by assurance providers as benefitting from further guidance.** This should include the reporting of forward-looking information, scenario analysis, and Scope 3 emissions.[7]

6. **Continue to develop practical, implementation guidance and exemplars for challenging technical assurance areas identified by assurance practitioners as benefitting from further guidance.** This should include: the assurance of the "no material climate risks and opportunities" statement (issued by Group 3 entities); connectivity with the audited financial statements; using the work of others; assurance of other information in the Sustainability Report; and auditor's assessment of materiality.[8]

7. **Strengthen coordination and signposting for key implementation guidance across standard-setters, regulators and professional bodies.** This should aim to reduce fragmentation and inconsistent messaging.[9]

8. **Continue clear communication from regulators regarding regulatory oversight and enforcement.** This should focus on education and engagement with assurance providers in the early years, whilst targeting enforcement action aimed at clear incidences of non-compliance.[10]

9. **Monitor the pricing of sustainability assurance services.** Continue to encourage separate disclosure of sustainability-related assurance fees.

10. **Work with the Accounting Professional & Ethical Standards Board (APESB).** This work should focus on independence and ethical considerations in the provision of sustainability-related services.

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5. If the Australian Federal Government's recently announced proposals aimed at reducing reporting burden are legislated, this will relieve many assurance providers from having to build sustainability assurance capabilities or otherwise servicing these clients.
6. We note that there is increasing sustainability assurance education material becoming available, including the initiatives of AUASB and CA ANZ.
7. We note the continued educational and support material on specific reporting topics of interest published by the ASIC and AASB.
8. The AUASB has provided education materials on some of these topics and indicated, at the time of publishing this report, that webpages covering other topics are currently under development.
9. At the time of writing this report we note increased co-ordination and cross-referencing of material from the major key regulators, standard-setters, and professional and industry bodies. We also note the development of the Sustainability Resource Centre by CA ANZ, which provides a repository of resources to support sustainable business practices and sustainability reporting and assurance.
10. We welcome ASIC's media release on their sustainability focus areas for FY 2026–27

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