

Are you ready to pass an NGERs/GHG Audit as required for Sustainability Reporting?

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AASB S2 requires large entities and significant National Greenhouse and Energy Reporting Scheme (NGERS) reporters to disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions within their Sustainability Reports. These disclosures must be supported by a defensible Basis of Preparation and subject to audit assurance under ASSA 5010, progressing from limited assurance in initial years to reasonable assurance thereafter. The framework integrates financial reporting obligations under Chapter 2M with emissions reporting, making the quality and auditability of your GHG inventory critical to compliance.

Publication context: This article reflects its publication date. Market prices, program rules, reporting duties and deadlines may have changed. Confirm current official guidance before making a decision.

Australia's mandatory climate disclosure framework (AASB S2) marks a structural shift in corporate accountability. Large entities and significant National Greenhouse and Energy Reporting Scheme (NGERS) reporters must now disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions within their Sustainability Reports.

These disclosures are no longer simply a compliance exercise. Under ASSA 5010, reported emissions must be subject to:

- Limited assurance in the initial reporting years, and
- Reasonable assurance in subsequent years - a far more rigorous audit standard.

For many organisations, the real challenge is not disclosure. It is audit readiness.

The Hidden Risk: The 4-Month Reporting Window

Entities typically have only four months between the end of the reporting period and submission of the Sustainability Report. In practice, this window can narrow quickly due to:

- Delays in receiving final energy invoices
- Data validation and reconciliation processes
- Internal governance reviews
- Auditor queries and evidence requests

Without a well-designed GHG inventory framework already embedded, organisations risk significant pressure, remediation work, and potential reputational exposure.

What Auditors Will Expect

External assurance providers will not simply test your final emissions number. They will examine the integrity of your entire GHG management framework.

A defensible Basis of Preparation must clearly demonstrate:

- Defined operational boundaries - Complete identification of all relevant emission sources - Collection and retention of auditable raw data - Accurate application of emissions factors and calculation methodologies - Controlled data management and documentation practices

In addition, auditors will scrutinise complex or judgement-heavy areas such as:

- On-site waste treatment and waste-to-energy processes - Small or irregular fuel use (equipment, fleet)
- Refrigerant and switchgear gas management - Emissions generated by on-site contractors - Scope 2 market-based accounting and contractual instruments

These are often the areas where assurance findings arise.

Northmore Gordon's Role: Specialist GHG Advisors - Not Auditors

Northmore Gordon are not auditors, and we do not provide external assurance services.

Instead, we specialise in the development, technical review, and strengthening of GHG inventories and NGERS submissions. Our role is to ensure your emissions framework is robust, defensible, and audit-ready before it is examined by official assurance providers.

We work alongside sustainability, finance, and operational teams to:

- Review and refine your Basis of Preparation - Stress-test boundary definitions and emission source completeness - Identify data gaps and control weaknesses - Validate emissions calculations and methodologies - Strengthen documentation and audit trails - Improve governance processes ahead of assurance engagement

By conducting a pre-assurance technical review of your most recent GHG inventory or NGERS submission, we provide practical, targeted recommendations, giving your organisation time to address issues before the formal audit process begins.

From Compliance to Confidence

As climate reporting matures, the market will distinguish between organisations that merely report emissions and those that demonstrate robust, auditable systems.

Audit readiness should not be an afterthought compressed into a four-month reporting window. It requires early preparation, technical rigour, and clear documentation.

Northmore Gordon helps organisations move from reactive compliance to confident, defensible disclosure, ensuring you are prepared when official auditors commence their assurance procedures.

To see if you're audit ready, contact Senior Consultant Nina Wissenden

Reporting and compliance context

Confirm the reporting entity and period, current thresholds, regulator guidance, evidence boundary and assurance obligations before applying the dated discussion to a live report.

Related guidance

Carbon advisory

Scope 1, 2 and 3 emissions

Contact us

Read the original article for the source publication and its full context.

What does Australia's AASB S2 mandatory climate disclosure framework require large entities and NGERs reporters to do?

AASB S2 requires large entities and significant National Greenhouse and Energy Reporting Scheme (NGERS) reporters to disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions within their Sustainability Reports. These disclosures must be supported by a defensible Basis of Preparation and subject to audit assurance under ASSA 5010, progressing from limited assurance in initial years to reasonable assurance thereafter. The framework integrates financial reporting obligations under Chapter 2M with emissions reporting, making the quality and auditability of your GHG inventory critical to compliance.

What level of audit assurance is required under ASSA 5010 for reported emissions?

Under ASSA 5010, reported emissions must be subject to limited assurance in the initial reporting years, then transition to reasonable assurance (a far more rigorous standard) in subsequent years. Limited assurance involves a review-level engagement; reasonable assurance requires detailed testing, observation and substantiation of data, processes and calculations. This escalating standard means organisations must progressively strengthen their emissions documentation, data controls and calculation methodology to withstand increasingly detailed auditor scrutiny.

Why is the four-month reporting window a critical constraint for emissions audit readiness?

Entities typically have only four months between the end of the reporting period and submission of the Sustainability Report to complete emissions inventory finalisation, data validation, reconciliation, internal governance reviews, and auditor queries. This window often narrows further due to delays in receiving final energy invoices, meter data reconciliation and correction, and late-stage auditor evidence requests. Without pre-existing data governance and a robust emissions framework, organisations risk rushed submissions, incomplete evidence trails and auditor findings that could delay report certification.

What must a defensible Basis of Preparation demonstrate to satisfy auditors?

A defensible Basis of Preparation must clearly demonstrate defined operational boundaries identifying all entities and facilities included; complete identification of all relevant emission sources and calculation methodologies; collection and retention of auditable raw data (invoices, meter readings, certificates, activity records); accurate application of emissions factors and GHG Protocol standards; and controlled data management and documentation practices with clear roles and evidence traceability. Auditors will examine whether your framework can reproduce every calculation from source documents, justify boundary decisions and explain how data gaps or estimates were handled consistently.

Which operational areas will auditors scrutinise most closely in emissions audits?

Auditors focus intensively on on-site waste treatment and waste-to-energy processes, small or irregular fuel use for equipment and fleet, refrigerant and switchgear gas management, emissions generated by on-site contractors, and Scope 2 market-based accounting involving renewable electricity contracts and bundled instruments. These areas attract auditor scrutiny because they involve judgement in boundary decisions, completeness of capture, calculation methodology selection, or contractual evidence interpretation. Organisations should expect detailed evidence requests for these categories and ensure robust supporting documentation before formal assurance review.

How should organisations approach Scope 2 market-based accounting to satisfy audit requirements?

Scope 2 market-based accounting requires documented evidence of contractual instruments (renewable energy certificates, power purchase agreements) including ownership proof, exclusive claim rights, vintage period, generation location and retirement/cancellation records. You must

reconcile instrument volumes with consumption volumes, apply appropriate emissions factors for unmatched consumption, and document the basis for any allocation across multiple sites or entities. Auditors will examine whether your renewable electricity claims comply with GHG Protocol Scope 2 Guidance, whether instruments are genuine and held exclusively, and whether your accounting correctly distinguishes market-based from location-based approaches.

What is Northmore Gordon's role in preparing organisations for GHG audits?

We are not an auditor and do not provide external assurance services. Instead, it specialises in developing, technically reviewing and strengthening GHG inventories and NGRS submissions to help ensure your emissions framework is robust, defensible and audit-ready before formal assurance providers examine it. Services include data-readiness assessment, boundary statement development, calculation methodology documentation, emissions inventory preparation, evidence reconciliation and identification of data gaps or judgement areas requiring audit-level support. This pre-audit engagement reduces the risk of assurance findings and helps organisations manage the compressed four-month reporting window effectively.

Why is completing emissions inventory work before the formal audit window critical?

The real challenge under new disclosure requirements is not disclosure itself but audit readiness — ensuring your GHG inventory framework is robust and defensible before formal assurance review. Treating audit readiness as an afterthought compressed into the four-month reporting window creates risk of incomplete data collection, weak documentation, unresolved methodology questions and delayed report certification. Starting emissions framework development early, documenting calculation logic, establishing data ownership and control, and addressing complex areas (waste, contractor emissions, Scope 2 instruments) before auditors engage allows organisations to manage the process proactively rather than reactively and increases confidence in their reported emissions.

How should organisations handle data gaps or estimation methods in their emissions inventory?

Data gaps and estimation methods must be documented transparently in your Basis of Preparation with clear explanation of which data points are measured, which are estimated, and the estimation method or assumptions applied. Auditors expect evidence that gaps were identified, that estimation approaches are appropriate and consistent, and that uncertainty does not materially misstate the reported total. You should distinguish between actual invoiced energy data, meter readings, engineering estimates and assumptions (such as annual hours for sporadic equipment use). Our data-readiness assessment can identify gaps, define collection priorities and help develop defensible estimation approaches that auditors will accept.

What specific evidence should organisations gather for on-site waste-to-energy and contractor emissions?

For on-site waste-to-energy and contractor emissions, auditors require detailed supporting evidence including facility operation records, waste composition or energy generation documentation, method selection justification, contractor scope of work and assigned responsibility, activity data (fuel volumes, waste quantities, operating hours), and calculation worksheets with applied emissions factors. These areas attract audit scrutiny because boundary decisions are often judgement-based: determining whether waste treatment constitutes Scope 1 activity, whether contractor emissions are included or excluded, and selecting appropriate calculation methodologies. Pre-audit documentation should record the boundary rationale, evidence sources and any data limitations before auditors request it, reducing pressure during the reporting window and demonstrating audit preparedness.