



Attachment to Board Meeting Summary Paper

Subject: National Greenhouse and Energy Reporting and Carbon Pollution Reduction Schemes

Prepared by: AUASB Technical Group

Date: 15 February 2010

ATTACHMENT 1

1. NGER Determination

Key features of the NGER Determination 2009 (attached at Agenda Item 7.2) are:

i. Requirements for Greenhouse and Energy Audits

The Determination provides the requirements for conduct of “greenhouse and energy audits” under the NGER Act. “Registered Corporations” under the NGER Act (those that trigger the emissions thresholds set out in the Act) are required to submit annually to the Regulator (currently the Greenhouse and Energy Data Officer or GEDO) a report on greenhouse gas emissions, energy production and energy consumption (a NGER Report). Emissions must be measured in accordance with the NGER (Measurement) Determination 2008.

The GEDO may require a greenhouse and energy audit to be conducted by a “greenhouse and energy auditor” appointed as an “audit team leader” on one or more aspects of the corporation’s compliance with the Act. Compliance may include preparation of the entire NGER report. Audits may be required whether or not the GEDO suspects a contravention of the Act, however where a contravention is suspected the auditor is engaged by the Corporation at their expense.

ii. Types of Greenhouse and Energy Audits

- Assurance engagements – in which the auditor provides an independent “opinion” as to the “reliability, accuracy and completeness of the matter being audited” in the form of either a limited assurance conclusion or a reasonable assurance conclusion.
- Verification engagements – conduct of specified procedures without providing an opinion, the purpose of which is to “verify the matter being audited”, similar to an agreed-upon procedures engagement.

iii. Audit Team Leader Requirements

- Audit team to have “knowledge, skills and availability”.
- Audit team leader must be personally involved.
- Audit team leader to supervise each audit team member.

- Audit team leader and professional members of the audit team must sign an “independence and conduct declaration”.
- Audit complies with NGER Regulations and terms of the engagement.
- Audit team leader to document the process used to prepare, carry out and report on the audit.

iv. Assurance Engagements Requirements

- Terms and amendments to be agreed with engaging party in writing and signed by both parties, which must include names and contact details of professional members of the audit team and the audit team leader as well as the expertise and role of each member.
- If terms are not agreed the GEDO must be informed.
- Team leader must use professional judgement.
- Team leader must prepare “an assurance engagement plan” in writing setting out the matters listed in the Determination and review and amend if necessary.
- The judgements made must be evaluated by a peer reviewer, who is “impartial and objective” with “sufficient and appropriate qualifications, experience and authority”. There is no requirement for the reviewer to be a registered greenhouse and energy auditor.
- Procedures involve a risk assessment (certain procedures required in assessing risk), procedures designed to detect material misstatements and/or “tests of systems and processes”.
- Team leader must gather evidence until able to “give a conclusion”, assess the materiality of any misstatements found and form a conclusion.
- Team leader must gather “sufficient evidence to support the conclusion”. That evidence must be “reliable and relevant” – similar concept to appropriate evidence in ASAs.

v. Assurance Reporting Requirements

- Reasonable assurance conclusion example wording includes “in my opinion... in all material respects” – consistent with clarity ASAs.
- Limited assurance conclusion example wording includes “nothing has come to my attention... in all material respects” – consistent with clarity ASAs.
- Qualified conclusion where misstatements or lack of evidence “material but not pervasive” – consistent with clarity ASAs.
- Adverse conclusion given where misstatements are “material and pervasive” – consistent with clarity ASAs.
- Unable to form a conclusion given where the audit team leader is “unable to reasonably gather sufficient and appropriate evidence” – equivalent to a disclaimer in the ASAs.
- Reports to contain cover sheet, Part A and Part B. The cover sheet is administrative and notably includes the names and contact details of the professional members of the audit team. Part A content is equivalent to an assurance report under the AUASB Standards. Part B includes detail regarding issues arising during the audit, suspected contraventions

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and outcomes of the peer review and so is separated from Part A so that Part A may be made publicly available if necessary.

vi. Verification Engagement Requirements

- As with an assurance engagement, the terms and amendments are agreed with engaging party in writing and signed by both parties, which must include names and contact details of professional members of the audit team and the audit team leader as well as the expertise and role of each member.
- The audit team leader is required to “verify the matter being audited, if appropriate” and “provide factual findings”.
- Audit team leader reports the procedures performed and the factual findings. The verification report comprises a cover sheet, with administrative information, and the report itself, including details of the procedures, findings, matters that “particularly impacted” the audit and suspected contraventions.

2. NGER Regulations

The NGER Amendment Regulations 2009 (attached at Agenda Item 7.3) set out the requirements for:

- i. Registration as a greenhouse and energy auditor, including:
 - Academic qualifications;
 - Status as a fit and proper person;
 - Knowledge and experience required for each of Category 1 (technical and non-technical), Category 2 and Category 3 auditors.
- ii. Review, suspension of registration and deregistration.
- iii. Inspections of auditors up to 5 years after the completion of an audit.
- iv. Maintenance of registration, including:
 - Compliance with code of conduct – compliance with the law, integrity, objectivity, professional competence and due care, marketing and promotion, obligation on audit team leaders and professional behaviour.
 - Independence requirements – general requirement for conflict of interest situations; relevant relationships prohibited; 5 year audit team leader rotation required.
 - Indemnity insurance

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