



Agenda Item 7.2
AUASB Meeting 22 February 2010

National Greenhouse and Energy Reporting (Audit) Determination 2009¹

National Greenhouse and Energy Reporting Act 2007

I, GREG COMBET, Minister for Defence Personnel, Materiel and Science, make this Determination under subsection 75 (1) of the *National Greenhouse and Energy Reporting Act 2007*.

Dated 21 December 2009

GREG COMBET
Minister for Defence Personnel, Materiel and Science

Contents

Part 1	Preliminary	
1.1	Name of Determination	4
1.2	Commencement	4
1.3	Overview of Determination	4
1.4	Definitions	5
1.5	Types of greenhouse and energy audits	6
1.6	Reasonable assurance engagements	7
1.7	Limited assurance engagements	7
Part 2	Requirements on all audit team leaders	
Division 2.1	Overview of Part	
2.1	Overview of Part	8
2.2	Preparing for audit	8
2.3	Personal involvement of audit team leader required	8
2.4	Independence and conduct declaration	8
2.5	Audit to be carried out in compliance with Regulations etc	9
2.6	Audit team leader to prepare documentation	9
Part 3	Assurance engagements	
Division 3.1	Overview of Part	
3.1	Overview of Part	11
Division 3.2	Requirements relating to preparing for an assurance engagement	
3.2	Overview of Division	11
3.3	Assurance engagement terms	11
3.4	Assurance engagement terms to be agreed	12
Division 3.3	Requirements relating to planning and performing assurance engagement	
Subdivision 3.3.1	Overview of Division	
3.5	Overview of Division	13
Subdivision 3.3.2	Planning assurance engagement	
3.6	Preparing assurance engagement plan	13
3.7	Peer reviewer	15
3.8	Ongoing nature of plan	15
Subdivision 3.3.3	Performing assurance engagement	
3.9	Audit procedures to be done while performing assurance engagement	15
3.10	Risk assessment	16
3.11	Tests of audited body's systems and processes	17

	Page
3.12 Use of evidence from previous audits	17
3.13 Gathering evidence	17
3.14 Types of evidence	18
3.15 Methods for gathering evidence	19
3.16 Consideration of materiality of misstatement	19
3.17 Giving conclusions in a reasonable assurance engagement	20
3.18 Giving conclusions in a limited assurance engagement	21
3.19 Other conclusions	22
Division 3.4 Requirements relating to reporting on assurance engagement	
3.20 Overview of Division	22
3.21 Requirements for assurance engagement report	23
3.22 Part A requirements	23
3.23 Part B requirements	24
Part 4 Verification engagements	
Division 4.1 Overview of Part	
4.1 Overview of Part	25
Division 4.2 Requirements relating to preparing for verification engagement	
4.2 Verification engagement terms	25
4.3 Verification engagement terms to be agreed	26
Division 4.3 Requirements relating to planning and performing verification engagement	
4.4 Planning verification engagement	27
4.5 Ongoing nature of plan	27
4.6 Performing verification engagement	27
Division 4.4 Requirements relating to reporting on verification engagement	
4.7 Reporting on verification engagement	27
4.8 Contents of verification engagement report	28

Section 1.1

Part 1 Preliminary**1.1 Name of Determination**

This Determination is the *National Greenhouse and Energy Reporting (Audit) Determination 2009*.

1.2 Commencement

This Determination commences on the day after it is registered.

1.3 Overview of Determination

- (1) The following is an overview of this Determination.
- (2) This Determination is made under subsection 75 (1) of the *National Greenhouse and Energy Reporting Act 2007*.
- (3) Under the Act, a registered corporation, or a person required to provide information under section 20 of the Act, may be audited for compliance with 1 or more aspects of the Act or the Regulations. Such audits are called greenhouse and energy audits.
- (4) This Determination provides for the requirements to be met by audit team leaders in preparing for and carrying out greenhouse and energy audits and in preparing an assurance engagement report and a verification engagement report.
- (5) The requirements are prepared with reference to a number of existing standards, in particular those prepared by the Auditing and Assurance Standards Board, the Accounting Professional and Ethical Standards Board and the International Organization for Standardization.
- (6) The requirements recognise that audit team leaders are professionals who have met the requirements for registration as registered greenhouse and energy auditors set out in Part 6 of the Regulations.
- (7) The requirements vary according to the type of audit being carried out.
- (8) There are 2 types of greenhouse and energy audit. An assurance engagement and a verification engagement.
- (9) In an assurance engagement, the audit team leader provides an independent opinion about the matter being audited and uses professional judgment in preparing for and carrying out the audit and preparing the assurance engagement report.
- (10) In a verification engagement, the audit team leader carries out specified procedures for the purposes of verifying the matter being audited but does not provide an opinion.

Section 1.4

- (11) The requirements of this Determination are:
- (a) those that apply to all audit team leaders (see Part 2); and
 - (b) those relating to the type of audit being carried out, for example an assurance engagement or a verification engagement (see Parts 3 and 4).
- (12) Apart from the requirements in this Determination, there are a number of requirements specified in Part 6 of the Regulations that must be met by registered greenhouse and energy auditors to maintain registration under that Part.

1.4 Definitions

In this Determination:

Act means the *National Greenhouse and Energy Reporting Act 2007*.

assurance engagement has the meaning given by subsection 1.5 (3).

assurance engagement procedures, in relation to an assurance engagement, has the meaning given by subsection 3.9 (3).

assurance engagement report means an audit report of a kind mentioned in subsection 75 (1) of the Act prepared in relation to an assurance engagement.

assurance engagement terms means terms that comply with section 3.3.

audited body has the same meaning as in the Regulations.

Auditor Registration Instrument has the same meaning as in the Regulations.

audit team, in relation to a greenhouse and energy audit, means the audit team leader and the audit team members for the audit.

contact details, for a person, means the person's work phone number, work email address and work address.

limited assurance conclusion has the meaning given by subsection 3.18 (2).

limited assurance engagement has the meaning given by section 1.7.

Measurement Determination means the *National Greenhouse and Energy Reporting (Measurement) Determination 2008*.

misstatement, in relation to a matter being audited under an assurance engagement, means an error, omission or misrepresentation in the matter relating to compliance with the Act or the Regulations.

NGER legislation means the following:

- (a) the Act;
- (b) the Regulations;
- (c) the Measurement Determination;
- (d) this Determination;
- (e) the Auditor Registration Instrument.

Section 1.5

peer reviewer, for an assurance engagement, means the person who evaluates the judgments made by the audit team leader in the carrying out of the engagement as required by section 3.7.

professional members of the audit team has the same meaning as in regulation 6.50 of the Regulations.

qualified limited assurance conclusion has the meaning given by subsection 3.18 (3).

qualified reasonable assurance conclusion has the meaning given by subsection 3.17 (3).

reasonable assurance conclusion has the meaning given by subsection 3.17 (2).

reasonable assurance engagement has the meaning given by section 1.6.

Regulations means the *National Greenhouse and Energy Reporting Regulations 2008*.

terms of engagement, in relation to a greenhouse and energy audit, means either assurance engagement terms or verification engagement terms.

verification engagement has the meaning given by subsection 1.5 (4).

verification engagement report means an audit report of a kind mentioned in subsection 75 (1) of the Act prepared in relation to a verification engagement.

verification engagement terms means terms that comply with section 4.2.

Note Terms used in this Determination that are used in the Act have the same meaning as in the Act.

1.5 Types of greenhouse and energy audits

- (1) Audits under the Act are conducted under any of sections 73 to 74A of the Act.
- (2) There are 2 types of greenhouse and energy audits as follows:
 - (a) assurance engagements;
 - (b) verification engagements.
- (3) An **assurance engagement** means a greenhouse and energy audit the purpose of which is to provide the audit team leader's independent opinion as to the reliability, accuracy and completeness of the matter being audited. There are 2 kinds of assurance engagement as follows:
 - (a) a reasonable assurance engagement (see section 1.6);
 - (b) a limited assurance engagement (see section 1.7).

Note Part 3 deals with assurance engagements.

Section 1.7

- (4) A *verification engagement* means a greenhouse and energy audit the purpose of which is to verify the matter being audited. It does not contain an opinion as to the reliability, accuracy and completeness of the matter being audited.

Note Part 4 deals with verification engagements.

1.6 Reasonable assurance engagements

A *reasonable assurance engagement* means an assurance engagement in which the audit team leader gives an opinion, expressed as a reasonable assurance conclusion, if appropriate in the circumstances of the engagement.

Note Section 3.17 sets out the conclusions that the audit team leader may give in a reasonable assurance engagement.

1.7 Limited assurance engagements

A *limited assurance engagement* means an assurance engagement in which the audit team leader gives an opinion, expressed as a limited assurance conclusion, if appropriate in the circumstances of the engagement.

Note Section 3.18 sets out the conclusions that the audit team leader may give in a limited assurance engagement.

Section 2.1

Part 2 Requirements on all audit team leaders

Division 2.1 Overview of Part

2.1 Overview of Part

- (1) The following is an overview of this Part.
- (2) This Part provides for the requirements that apply to audit team leaders in preparing for and carrying out greenhouse and energy audits.
- (3) The requirements relate to preparing for the audit, independence and conduct declarations under section 2.4, carrying out of the audit and preparation of certain documents by the audit team leader.

2.2 Preparing for audit

In selecting audit team members to assist in carrying out the audit, the audit team leader must ensure that the members of the audit team have between them the knowledge, skills and availability required to satisfactorily prepare for and carry out the audit and prepare the audit report.

2.3 Personal involvement of audit team leader required

- (1) The audit team leader must be personally involved in preparing for and carrying out the audit and in the preparation of the audit report.
- (2) The audit team leader must supervise the work that each audit team member is undertaking in the carrying out of the audit.

2.4 Independence and conduct declaration

- (1) Before agreeing to the terms of engagement for the audit, the audit team leader must sign a declaration and give it to the person who appoints the audit team leader to carry out the audit.
- (2) The declaration is to be known as an independence and conduct declaration and must be given for each professional member of the audit team.
- (3) For the audit team leader, the declaration must indicate if, in preparing for and carrying out the audit and in preparing the audit report, the audit team leader:
 - (a) will comply with the Code of Conduct (within the meaning of regulation 1.03 of the Regulations); and
 - (b) will be in a conflict of interest situation (within the meaning of regulation 6.49 of the Regulations); and

Section 2.6

- (c) will comply with the requirements of Subdivisions 6.6.3 and 6.6.4 of the Regulations; and
 - (d) will be in breach of the auditor rotation requirements in regulation 6.59 of the Regulations and, if so, whether an exemption has been granted under regulation 6.71 of the Regulations for the breach.
- (4) For each professional member of the audit team, the declaration must indicate if, in assisting in preparing for and carrying out the audit and assisting in preparing the audit report, the professional member of the audit team:
- (a) will comply with subregulations 6.47 (4), (6) and (7) and regulation 6.54 of the Regulations; and
 - (b) will be in a conflict of interest situation (within the meaning of regulation 6.49 of the Regulations) and whether an exemption has been granted under regulation 6.71 of the Regulations for the conflict of interest.
- (5) If the audit team leader has been granted an exemption under regulation 6.71 of the Regulations, the declaration must include the details of that exemption.
- (6) If:
- (a) the audit team leader has been granted an exemption under regulation 6.71 of the Regulations for a conflict of interest situation; and
 - (b) procedures for managing the conflict of interest were provided to the Greenhouse and Energy Data Officer so that the Greenhouse and Energy Data Officer is satisfied that the findings of the audit will not be affected by the conflict of interest;
- the declaration must include details of those procedures.

2.5 Audit to be carried out in compliance with Regulations etc

The audit team leader must ensure that the audit is carried out and reported on in compliance with:

- (a) the Regulations; and
- (b) the terms of the engagement for the audit.

Note Subsection 75 (3) of the Act also requires the audit team leader to comply with the requirements of this Determination in carrying out a greenhouse and energy audit.

2.6 Audit team leader to prepare documentation

- (1) The audit team leader must, in relation to the matter being audited, document the process used by the audit team leader to prepare for, carry out and report on the audit in compliance with this Determination.

Section 2.6

- (2) The audit team leader must prepare the documentation in accordance with subsection (1) before signing and dating the assurance engagement report under subsections 3.22 (3) and 3.23 (2) or verification engagement report under subsection 4.8 (2), as the case requires.

Part 3 Assurance engagements

Division 3.1 Overview of Part

3.1 Overview of Part

- (1) The following is an overview of this Part.
- (2) This Part provides for the requirements relating to assurance engagements.
- (3) There are 3 steps in carrying out an assurance engagement as follows:
 - (a) preparing for the engagement (see Division 3.2);
 - (b) planning and performing the engagement (see Division 3.3);
 - (c) reporting on the engagement (see Division 3.4).

Division 3.2 Requirements relating to preparing for an assurance engagement

3.2 Overview of Division

- (1) The following is an overview of this Division.
- (2) The audit team leader prepares for an assurance engagement by preparing the assurance engagement terms.
- (3) The assurance engagement terms must be agreed to in writing by the audit team leader and the person who appointed the audit team leader to carry out the audit.

3.3 Assurance engagement terms

- (1) Before carrying out the assurance engagement, the audit team leader must prepare the terms of the assurance engagement.
- (2) The terms must include the following:
 - (a) the objective of the assurance engagement;
 - (b) the matter being audited;
 - (c) the kind of assurance engagement to be carried out;
 - (d) the name and address of the audited body;
 - (e) the provisions of the NGER legislation that relate to the matter being audited;
 - (f) the period of time in respect of which the matter to be audited is to be audited;
 - (g) the period within which the assurance engagement is to be carried out;

Section 3.4

- (h) the responsibilities of the audited body in relation to the assurance engagement (for example, providing access to the body's records for the purposes of the assurance engagement);
- (i) the names and contact details of the professional members of the audit team and the audit team leader;
- (j) an indication of the expertise of the professional members of the audit team and the role the professional members have in the assurance engagement;
- (k) a statement as to who will receive a copy of the assurance engagement report.

3.4 Assurance engagement terms to be agreed

- (1) The audit team leader must ensure that the assurance engagement terms are agreed to in writing by:
 - (a) the Greenhouse and Energy Data Officer, if the Greenhouse and Energy Data Officer appoints the audit team leader to carry out the assurance engagement; or
 - (b) the audited body, if the audited body appoints the audit team leader to carry out the assurance engagement.
- (2) The terms must:
 - (a) state if the terms have been agreed to by the audit team leader and the person who appointed the audit team leader to carry out the assurance engagement; and
 - (b) be signed by the audit team leader and the person who appointed the audit team leader.
- (3) If the terms are not so agreed and signed, the audit team leader must not carry out the assurance engagement and must inform the Greenhouse and Energy Data Officer in writing accordingly.
- (4) If the terms are amended during the carrying out of the audit, the amendment of the terms of engagement must:
 - (a) state the amendment and indicate if the amendment has been agreed to by the audit team leader and the person who appointed the audit team leader to carry out the assurance engagement; and
 - (b) be signed by the audit team leader and the person who appointed the audit team leader.

Division 3.3 Requirements relating to planning and performing assurance engagement

Subdivision 3.3.1 Overview of Division

3.5 Overview of Division

- (1) The following is an overview of this Division.
- (2) An assurance engagement is a cumulative and iterative process the goal of which is to find sufficient evidence to support the giving of either a reasonable or limited assurance conclusion, as the case requires. In carrying out the assurance engagement, the audit team leader must use his or her professional judgment.
- (3) The assurance engagement needs to be planned so that it is carried out efficiently and effectively.
- (4) The assurance engagement must be carried out:
 - (a) by performing risk assessments; and
 - (b) if the audit team leader considers it necessary or appropriate to do so following a risk assessment — by doing either or both of the following:
 - (i) using procedures designed to detect misstatements that are material in the matter being audited;
 - (ii) undertaking tests of systems and processes of the audited body.
- (5) The audit team leader must gather evidence relating to the matter being audited and, if misstatements are found in the matter, assess the materiality of those misstatements.
- (6) At the end of the assurance engagement, the audit team leader must form a conclusion about the reliability, accuracy and completeness of the matter being audited and, in particular, if there are any misstatements in the matter that are material.

Note See sections 3.17 to 3.19 for details about conclusions.

Subdivision 3.3.2 Planning assurance engagement

3.6 Preparing assurance engagement plan

- (1) After the assurance engagement terms are agreed, the audit team leader must prepare, in writing, an assurance engagement plan for the assurance engagement that complies with the requirements of this section.
- (2) In preparing the assurance engagement plan, the audit team leader must bring to the planning process professional scepticism of the matter being audited recognising that circumstances may exist that caused the matter being audited to contain a misstatement that is material.

Section 3.6

- (3) In preparing the assurance engagement plan, the audit team leader must have regard to the purpose of the plan.
- (4) The purpose of the assurance engagement plan is to ensure that the audit is carried out efficiently and effectively and in compliance with the assurance engagement terms, the Regulations and this Determination.
- (5) The plan must set out the following:
 - (a) the assurance engagement terms;
 - (b) items or issues related to the matter to be audited that will require particular attention during the assurance engagement;
 - (c) the projected timeframes for completion of the various aspects of the assurance engagement;
 - (d) whether there are any aspects of the matter to be audited that may impact on the carrying out of the assurance engagement and a description of those aspects and their possible impact;
 - (e) a summary of the assurance engagement procedures that will be performed in the carrying out of the assurance engagement;
 - (f) the roles of each professional member of the audit team in relation to the various assurance engagement procedures;
 - (g) the audit team leader's understanding of the matter to be audited;
 - (h) the audit team leader's understanding of the following:
 - (i) the operations, business objectives and business strategies of the audited body that are relevant to the matter to be audited;
 - (ii) the audited body's systems and processes in relation to the matter to be audited;
 - (iii) the audited body's systems and processes for identifying the risks of misstatements that are material and relevant to its reporting requirements under the Act and the body's procedures to address those risks;
 - (iv) the industry sector (within the meaning of regulation 2.06 of the Regulations) in which the body operates;
 - (i) the name of a peer reviewer for the assurance engagement (see section 3.7).
- (6) In complying with paragraphs (5) (g) and (h), the audit team leader must specify his or her understanding of the matter mentioned in those paragraphs in sufficient detail to allow the audit team leader to show that he or she will be able to:
 - (a) identify and assess the risks of there being a misstatement in the matter being audited that is material; and
 - (b) design and perform assurance engagement procedures in response to the assessed risks.

3.7 Peer reviewer

- (1) The audit team leader must ensure that the judgments that the audit team leader made in preparing for and carrying out the assurance engagement and in preparing the assurance engagement report are evaluated by a person who:
 - (a) is impartial and objective; and
 - (b) has sufficient and appropriate qualifications, experience and authority to undertake the evaluation.
- (2) The audit team leader must ensure that the person undertaking the evaluation:
 - (a) reviews key documentation used by the audit team leader in preparing for and carrying out the assurance engagement and in preparing the assurance engagement report; and
 - (b) reviews the proposed assurance engagement report; and
 - (c) challenges the work performed by the audit team leader in an impartial and objective manner; and
 - (d) documents how the person performed the evaluation; and
 - (e) documents the outcome of the evaluation.

3.8 Ongoing nature of plan

In carrying out the assurance engagement, the audit team leader must review the assurance engagement plan and, if the assurance engagement procedures deviate from what was originally planned, amend the plan accordingly to reflect the deviation.

Subdivision 3.3.3 Performing assurance engagement

3.9 Audit procedures to be done while performing assurance engagement

- (1) In carrying out an assurance engagement, the audit team leader must perform a risk assessment to determine the timing and extent of evidence gathering necessary to carry out the assurance engagement and the amount of time necessary to carry out the engagement (see section 3.10).
- (2) The audit team leader must do either or both of the following if the risk assessment indicates that it is necessary or appropriate to do so:
 - (a) test the operating effectiveness of the systems and processes used to prevent, detect or correct misstatements in the matter being audited (see section 3.11);

Section 3.10

- (b) design and undertake procedures to detect misstatements in the matter being audited.

Note For paragraph (2) (b), usually, the greater the risk of a misstatement in the matter being audited, the greater the timing and extent of these procedures. Because the risk of a misstatement takes account of the systems and processes that the audited body has to ensure the reliability and accuracy of the matter being audited, if the systems and processes are assessed by the audit team leader as being unsatisfactory, the more these procedures to detect misstatements in the matter being audited are required to be performed by the audit team leader.

- (3) In doing the things mentioned in subsections (1) and (2) (the ***assurance engagement procedures***), the audit team leader must also do the following:
- (a) gather evidence relating to the matter being audited (see sections 3.13 to 3.15);
- (b) consider whether a misstatement in the matter being audited is material (see section 3.16).
- (4) The process of carrying out an assurance engagement is a cumulative and iterative one. The audit team leader must continue to perform the assurance engagement procedures until the audit team leader is able to determine if he or she is able to give a conclusion in relation to the matter being audited.

Note For conclusions that may be given in an assurance engagement, see sections 3.17 to 3.19.

3.10 Risk assessment

- (1) In performing a risk assessment, the audit team leader must:
- (a) analyse the matter being audited; and
- (b) consult the persons who are responsible for the audited body's management and governance about the matter being audited; and
- (c) observe the audited body's systems and processes that may impact on the risk of there being a misstatement in the matter being audited; and
- (d) inspect documents of the audited body relevant to the matter being audited; and
- (e) perform such other activities relating to the determination of the risk of misstatements in the matter being audited that the audit team leader thinks appropriate.
- (2) In carrying out an assurance engagement, the audit team leader must consider the risk of fraud in the matter being audited.
- (3) In assessing a particular identified risk, the audit team leader must consider not just if that risk increases the possibility of a misstatement in the matter being audited but also if that risk, together with other identified risks, increases that possibility.

3.11 Tests of audited body's systems and processes

- (1) If the audit team leader carries out the audit procedure mentioned in paragraph 3.9 (2) (a), the audit team leader must design tests of the systems and processes that the audited body has in place to ensure the reliability and accuracy of the matter audited throughout the period to which the audit relates.
- (2) The audit team leader may also rely on evidence about those systems and processes gained in previous greenhouse and energy audits relating to the audited body.
- (3) If the audit team leader is relying on a previous audit's evidence, the audit team leader must:
 - (a) gather evidence to evaluate whether changes in those systems and processes have occurred since the previous audit was carried out; and
 - (b) perform appropriate procedures, during the audit, to establish the continuing relevance of the previous audit's evidence in relation to those systems and processes.
- (4) In testing those systems and processes, the audit team leader must consider the following:
 - (a) the frequency of the performance of the systems and processes by the audited body during the period to which the assurance engagement relates;
 - (b) the length of time during the period to which the assurance engagement relates in which the audit team leader is relying on the operating effectiveness of the systems and processes;
 - (c) any evidence about the reliability and accuracy of the systems and processes in preventing, detecting and correcting misstatements in the matter being audited;
 - (d) the extent to which the audit team leader plans to rely on the systems and processes in the assessment of the risk of misstatements in the matter being audited.

3.12 Use of evidence from previous audits

If the audit team leader intends to use evidence gained from the performance of procedures undertaken in an earlier greenhouse and energy audit of the audited body, the audit team leader must undertake procedures during the current assurance engagement to establish the continuing relevance of the evidence gained from the previous audit.

3.13 Gathering evidence

- (1) In carrying out the assurance engagement, the audit team leader must gather sufficient evidence to support the conclusion of the assurance engagement.

Section 3.14

- (2) The evidence must be reliable and relevant to the objective of the assurance engagement.
- (3) In gathering the evidence, the audit team leader must use his or her professional judgment and professional scepticism in evaluating whether the evidence is sufficient to support the conclusion of the assurance engagement.

Note For conclusions, see sections 3.17 to 3.19.

3.14 Types of evidence

- (1) The types of evidence that may be gathered include:
 - (a) physical evidence involving the observation of a process or procedure being performed or the inspection of tangible items; and
 - (b) documentary evidence; and
 - (c) evidence gathered from oral responses to enquiries undertaken by the audit team in carrying out the assurance engagement; and
 - (d) written representations from the audited body; and
 - (e) evidence gained from previous greenhouse and energy audits in relation to the audited body's systems and processes for ensuring the reliability and accuracy of the matter being audited.
- (2) The audit team leader must seek the following written representations from the audited body:
 - (a) that the audited body acknowledges its responsibility for evidence provided by it as part of the assurance engagement;
 - (b) that the audited body acknowledges its responsibility for the design and implementation of the audited body's systems and processes to ensure the reliability and accuracy of the matter being audited and the other systems and processes that the audited body has that are relevant to the matter being audited.
- (3) If:
 - (a) the audit team leader reasonably believes that a particular matter being audited is reliable, accurate and complete; but
 - (b) in the particular circumstances, sufficient evidence cannot reasonably be expected to exist to support a finding that the matter is reliable, accurate and complete;the audit team leader may seek a written representation from the audited body stating that the matter is reliable, accurate and complete.
- (4) If evidence gathered during the carrying out of the assurance engagement contradicts a written representation given by the management of the audited body, the audit team leader must investigate the contradiction and reconsider the reliability of all written representations made by the management of the audited body to the audit team leader during the assurance engagement.

Section 3.16

- (5) Subject to subsection (6), if the audited body refuses to provide a written representation as sought by the audit team leader under subsection (2) or (3), the audit team leader:
 - (a) must, in accordance with subparagraph 3.22 (2) (b) (ix), report on the refusal under Part A of the assurance engagement report; and
 - (b) must not give a reasonable assurance conclusion or a limited assurance conclusion in relation to the matter being audited.
- (6) Subsection (5) applies only if the audit team leader reasonably believes that the refusal will affect the conclusion he or she will be able to give in relation to the matter being audited.

3.15 Methods for gathering evidence

- (1) There are various methods for gathering evidence. The choice of which methods to use is for the audit team leader to make using his or her professional judgment.
- (2) The methods of gathering evidence include the following:
 - (a) confirmation of existing information or processes by a third party;
 - (b) recalculation of mathematical calculations used in the matter being audited;
 - (c) re-performance of systems and processes that were originally in place, or performed as part of the audited body's systems and processes, for ensuring the reliability and accuracy of the matter being audited;
 - (d) employing analytical procedures;
 - (e) inspection of records or documents relating to the audited body or a physical examination of the audited body's assets;
 - (f) observation of a process or procedure being performed by others;
 - (g) inquiry by seeking information from persons within or outside the audited body;
 - (h) sampling and extrapolating the results of the sampling.

3.16 Consideration of materiality of misstatement

- (1) In considering the materiality of a misstatement in the matter being audited, the audit team leader must consider the following:
 - (a) the significance of the misstatement in the matter being audited;
 - (b) the pervasiveness of the misstatement in relation to the matter being audited;
 - (c) the effect of the misstatement on the matter being audited as a whole.
- (2) The audit team leader must also identify if the misstatement is material individually or when it is aggregated with other identified misstatements.

Section 3.17

3.17 Giving conclusions in a reasonable assurance engagement

- (1) If the audit team leader is carrying out a reasonable assurance engagement, the audit team leader must consider the evidence gathered in the course of carrying out the reasonable assurance engagement and give 1 of the following conclusions for the engagement:
 - (a) a reasonable assurance conclusion;
 - (b) a qualified reasonable assurance conclusion;
 - (c) an adverse conclusion;
 - (d) a conclusion that he or she is unable to form an opinion about the matter being audited.

Reasonable assurance conclusion

- (2) In giving a ***reasonable assurance conclusion***, the audit team leader is giving a conclusion of the audit team leader's opinion, expressed in the positive, that there is no misstatement in the matter being audited that is material or pervasive enough to affect the matter being audited as a whole.

Note Examples of a reasonable assurance conclusion are as follows:

- (a) 'In my opinion, the audited body has prepared the matter to be audited, in all material respects, in compliance with the requirements of the NGER legislation'; or
- (b) 'In my opinion, the audited body has reported its greenhouse gas emissions, energy production and energy consumption, in all material respects, in compliance with the NGER legislation'.

Qualified reasonable assurance conclusion

- (3) In giving a ***qualified reasonable assurance conclusion***, the audit team leader is giving a conclusion of the audit team leader's opinion, expressed in the positive, that:
 - (a) there are 1 or more misstatements in the matter being audited that are material but not pervasive enough to affect the matter being audited as a whole; or
 - (b) there is insufficient evidence in relation to 1 or more aspects of the matter being audited, but although the lack of evidence may be material it is not pervasive enough to affect the matter being audited as a whole.

Note 1 Examples of a qualified reasonable assurance conclusion are as follows:

- (a) 'In my opinion, except for 'X', the audited body has prepared the matter to be audited, in all material respects, in compliance with the NGER legislation'; or
- (b) 'In my opinion, except for 'X', the audited body has reported its greenhouse gas emissions, energy production and energy consumption, in all material respects, in compliance with the NGER legislation'.

Note 2 In the examples in Note 1, 'X' represents any misstatement that is material but not pervasive enough to affect matters as a whole.

- (4) The audit team leader must only give a conclusion if it is supported by the evidence gathered.

3.18 Giving conclusions in a limited assurance engagement

- (1) If the audit team leader is carrying out a limited assurance engagement, the audit team leader must consider the evidence gathered in the course of carrying out the limited assurance engagement and give 1 of the following conclusions for the engagement:
 - (a) a limited assurance conclusion;
 - (b) a qualified limited assurance conclusion;
 - (c) an adverse conclusion;
 - (d) a conclusion that he or she is unable to form an opinion about the matter being audited.

Limited assurance conclusion

- (2) In giving a **limited assurance conclusion**, the audit team leader is giving a conclusion of the audit team leader's opinion, expressed in the negative, that there is no misstatement in the matter being audited that is material or pervasive enough to affect the matter being audited as a whole.

Note Examples of a limited assurance conclusion are as follows:

- (a) 'Based on the work described in this report, nothing has come to my attention that causes me to believe that the audited body has not prepared the matter to be audited, in all material respects, in compliance with the NGER legislation'; or
- (b) 'Based on the work described in this report, nothing has come to my attention that causes me to believe that the audited body's greenhouse gas emissions, energy production and energy consumption were not reported, in all material respects, in compliance with the NGER legislation'.

Qualified limited assurance conclusion

- (3) In giving a **qualified limited assurance conclusion**, the audit team leader is giving a conclusion of the audit team leader's opinion, expressed in the negative, that:
 - (a) there are 1 or more misstatements in the matter being audited that are material but not pervasive enough to affect the matter being audited as a whole; or
 - (b) there is insufficient evidence in relation to 1 or more aspects of the matter being audited, but although the lack of evidence may be material it is not pervasive enough to affect the matter being audited as a whole.

Note 1 Examples of a limited assurance conclusion are as follows:

- (a) 'Based on the work described in this report, with the exception of 'X', nothing has come to my attention that causes me to believe that the audited body has not prepared the matter to be audited, in all material respects, in compliance with the NGER legislation'; or
- (b) 'Based on the work described in this report, with the exception of 'X', nothing has come to my attention that causes me to believe that the audited body's greenhouse gas emissions, energy production and energy consumption were not reported, in all material respects, in compliance with the NGER legislation'.

Note 2 In the examples in Note 1, 'X' represents any misstatement that is material but not pervasive enough to affect matters as a whole.

Section 3.19

- (4) The audit team leader must only give a conclusion if it is supported by the evidence gathered.

3.19 Other conclusions

Adverse conclusion

- (1) In giving an adverse conclusion, the audit team leader is attesting:
- (a) that, in relation to the matter being audited, there are misstatements that are material and pervasive enough to affect the matter being audited as a whole; and
 - (b) that, because of those misstatements, he or she is unable to give:
 - (i) a reasonable assurance conclusion; or
 - (ii) a limited assurance conclusion; or
 - (iii) a qualified reasonable assurance conclusion; or
 - (iv) a qualified limited assurance conclusion.

Conclusion that unable to form an opinion about matter being audited

- (2) In giving the conclusion that the audit team leader is unable to form an opinion about the matter being audited, the audit team leader is attesting that, because he or she was unable to reasonably gather sufficient and appropriate evidence in relation to the matter being audited, he or she is unable to give:
- (a) a reasonable assurance conclusion; or
 - (b) a limited assurance conclusion; or
 - (c) a qualified reasonable assurance conclusion; or
 - (d) a qualified limited assurance conclusion; or
 - (e) an adverse conclusion.

Division 3.4 Requirements relating to reporting on assurance engagement

3.20 Overview of Division

- (1) The following is an overview of this Division.
- (2) This Division requires an audit team leader to prepare an assurance engagement report for the assurance engagement.
- (3) The assurance engagement report sets out the audit's objective, a summary of the assurance engagement procedures performed and the conclusion for the audit (see sections 3.17 to 3.19 for conclusions).

3.21 Requirements for assurance engagement report

- (1) The assurance engagement report must be in writing.
- (2) The report must include:
 - (a) a cover sheet (see subsection (3)); and
 - (b) Part A, containing the matters specified in section 3.22; and
 - (c) Part B, containing the matters specified in section 3.23.
- (3) The cover sheet must contain the following information in respect of the audit:
 - (a) the name of the audited body;
 - (b) the kind of assurance engagement carried out;
 - (c) the date that the terms of engagement were signed as required by section 3.4;
 - (d) the date that the audit team leader signed Part A and Part B of the assurance engagement report;
 - (e) the period of time in respect of which the matter to be audited were audited;
 - (f) the name and contact details for the person in the audited body who is the contact in respect of the assurance engagement;
 - (g) the name and contact details of the audit team leader, and if he or she worked for another person in carrying out the assurance engagement, the name, and contact details of that other person;
 - (h) if an exemption has been granted under regulation 6.71 of the Regulations for the audit team leader or a professional member of the audit team — the details of the exemption;
 - (i) if an exemption has been granted under regulation 6.71 of the Regulations for a conflict of interest situation — the details of the procedures for managing the conflict put in place by the audit team leader so that the Greenhouse and Energy Data Officer is satisfied that the findings of the assurance engagement will not be affected by that conflict;
 - (j) the names and contact details of the professional members of the audit team.

3.22 Part A requirements

- (1) The purposes of Part A are to set out:
 - (a) a summary of the assurance engagement procedures; and
 - (b) the audit team leader's conclusion for the assurance engagement.

Note For conclusions, see sections 3.17 to 3.19.
- (2) Part A of the assurance engagement report must:
 - (a) be prepared having regard to the purposes of Part A; and

Section 3.23

- (b) contain the following:
 - (i) the name of the audit team leader;
 - (ii) the objective of the assurance engagement;
 - (iii) the matter being audited;
 - (iv) the kind of assurance engagement carried out;
 - (v) the name and address of the audited body;
 - (vi) the provisions of the NGER legislation that relate to the matter audited;
 - (vii) the period of time in respect of which the matter audited was being audited;
 - (viii) a statement as to whether the audit team leader attests that the assurance engagement was carried out in accordance with the assurance engagement terms, the Regulations and this Determination;
 - (ix) the audit team leader's conclusion for the assurance engagement and the reasons for the conclusion (see sections 3.17 to 3.19);
 - (x) a summary of the assurance engagement procedures performed.
- (3) Upon completion, the audit team leader must sign and date Part A.

3.23 Part B requirements

- (1) Part B of the assurance engagement report must contain the following:
 - (a) details of the items or issues related to the matter audited that required particular attention during the assurance engagement;
 - (b) details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement;
 - (c) details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes amount to a contravention of the Act or the Regulations;
 - (d) the name of the peer reviewer for the assurance engagement and details of the outcome of the evaluation undertaken by the peer reviewer in accordance with paragraph 3.7 (2) (e);
 - (e) any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance engagement report.
- (2) Upon completion, the audit team leader must sign and date Part B.

Part 4 Verification engagements

Division 4.1 Overview of Part

4.1 Overview of Part

- (1) The following is an overview of this Part.
- (2) This Part provides for the requirements relating to verification engagements.
- (3) There are 3 steps in carrying out a verification engagement:
 - (a) preparing for the engagement (see Division 4.2);
 - (b) planning and performing the engagement (see Division 4.3);
 - (c) reporting on the engagement (see Division 4.4).
- (4) In a verification engagement, the audit team leader is verifying the matter being audited. The audit team leader will perform procedures agreed to in the verification engagement terms in carrying out the verification engagement.
- (5) The audit team leader prepares for the verification engagement by preparing the verification engagement terms.
- (6) A verification engagement needs to be planned so that it is carried out efficiently, effectively and in compliance with the verification engagement terms mentioned in section 4.2, the Regulations and this Determination.
- (7) At the end of the verification engagement, the audit team leader must:
 - (a) verify the matter being audited, if appropriate; and
 - (b) provide a report about the procedures performed during the verification engagement and the factual findings arising from the performance of the procedures.

Division 4.2 Requirements relating to preparing for verification engagement

4.2 Verification engagement terms

- (1) Before agreeing to carry out a verification engagement, the audit team leader must prepare the terms of the verification engagement.
- (2) The terms must include the following:
 - (a) the objective of the verification engagement;
 - (b) the matter being audited;
 - (c) the type of greenhouse and energy audit to be carried out;
 - (d) the name and address of the audited body;

Section 4.3

- (e) the provisions of the NGER legislation that relate to the matter being audited;
- (f) the period of time in respect of which the matter to be audited is to be audited;
- (g) the period within which the verification engagement is to be carried out;
- (h) the responsibilities of the audited body in relation to the verification engagement (for example, providing access to the body's records for the purposes of the verification engagement);
- (i) the names and contact details of the professional members of the audit team and the audit team leader;
- (j) an indication of the expertise of the professional members of the audit team and the role the professional members have in the verification engagement;
- (k) the details of the verification engagement procedures that will be performed in carrying out the verification engagement;
- (l) a statement as to who will receive a copy of the verification engagement report.

4.3 Verification engagement terms to be agreed

- (1) The audit team leader must ensure that the verification engagement terms are agreed to by:
 - (a) if the Greenhouse and Energy Data Officer appoints the audit team leader to carry out the verification engagement — the Greenhouse and Energy Data Officer; or
 - (b) if the audited body appoints the audit team leader to carry out the verification engagement — the audited body.
- (2) The terms must:
 - (a) state if the terms have been agreed to by the audit team leader and the person who appointed the audit team leader to carry out the verification engagement; and
 - (b) be signed by the audit team leader and the person who appointed the audit team leader.
- (3) If the terms are not so agreed and signed, the audit team leader must not carry out the verification engagement and must inform the Greenhouse and Energy Data Officer in writing accordingly.
- (4) If the terms are amended during the carrying out of the verification engagement, the amendment must:
 - (a) state the amendment and indicate if the amendment has been agreed to by the audit team leader and the person who appointed the audit team leader to carry out the verification engagement; and
 - (b) be signed by the audit team leader and the person who appointed the audit team leader.

Division 4.3 Requirements relating to planning and performing verification engagement

4.4 Planning verification engagement

- (1) After agreeing to the verification engagement terms, the audit team leader must prepare, in writing, a verification engagement plan for the engagement to ensure that the engagement is carried out efficiently and effectively.
- (2) The plan must include the verification engagement terms for the verification engagement.

4.5 Ongoing nature of plan

- (1) In carrying out the verification engagement, the audit team leader must continually review the verification engagement plan and, if the verification engagement procedures deviate from what was originally planned, amend the plan accordingly to reflect the deviation.
- (2) If the changes affect the terms of the engagement, the changes and the amended terms must be mentioned in the verification engagement report.

4.6 Performing verification engagement

In performing the verification engagement, the audit team leader must carry out the procedures agreed upon in the verification engagement terms and use the evidence gathered from performing those procedures:

- (a) to verify the matter being audited, if appropriate; and
- (b) to provide factual findings in the verification engagement report.

Division 4.4 Requirements relating to reporting on verification engagement

4.7 Reporting on verification engagement

- (1) This section provides for the preparation by the audit team leader of a verification engagement report for a verification engagement.
- (2) In preparing the report, the audit team leader must describe the purpose of the procedures performed during the verification engagement in sufficient detail to enable the Greenhouse and Energy Data Officer to understand the nature, timing and extent of the procedures performed.
- (3) The report must be in writing and, when completed, must be signed and dated by the audit team leader.
- (4) The report must:
 - (a) have a cover sheet containing the information specified in subsection (5); and

Section 4.8

- (b) contain the information specified in section 4.8.
- (5) The cover sheet must contain the following information in respect of the verification engagement:
 - (a) the name of the audited body;
 - (b) the type of greenhouse and energy audit carried out;
 - (c) the date that the terms of engagement were signed as required by section 4.3;
 - (d) the date that the audit team leader signed the verification engagement report;
 - (e) the period of time in respect of which the matter to be audited was audited;
 - (f) if an exemption has been granted under regulation 6.71 of the Regulations for the audit team leader or a professional member of the audit team — the details of the exemption;
 - (g) if an exemption has been granted under regulation 6.71 of the Regulations for a conflict of interest situation — the details of the procedures for managing the conflict put in place by the audit team leader so that the Greenhouse and Energy Data Officer is satisfied that the findings of the verification engagement will not be affected by that conflict;
 - (h) the name and contact details for the person in the audited body who is the contact in respect of the verification engagement;
 - (i) the name and contact details of the audit team leader, and if he or she worked for another person in carrying out the verification engagement, the name, and contact details of that other person;
 - (j) the names and contact details of the professional members of the audit team.

4.8 Contents of verification engagement report

- (1) The verification engagement report must contain the following information:
 - (a) the objective of the verification engagement;
 - (b) the matter being audited;
 - (c) the type of greenhouse and energy audit carried out;
 - (d) the name and address of the audited body;
 - (e) a statement as to whether the audit team leader attests that the verification engagement was carried out in accordance with the verification engagement terms mentioned in section 4.2, the requirements of the Regulations and this Determination;
 - (f) a statement that the engagement is not an assurance engagement and therefore no opinion is given by the audit team leader;
 - (g) details of the verification engagement procedures performed during the verification engagement;

Section 4.8

- (h) details of the findings in relation to the matter being audited and the reasons for the findings;
 - (i) details of aspects of the matter being audited that particularly impacted on the carrying out of the verification engagement;
 - (j) details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the verification engagement that he or she believes amount to a contravention of the Act or the Regulations.
- (2) Upon completion, the audit team leader must sign and date the verification engagement report.

Note

1. All legislative instruments and compilations are registered on the Federal Register of Legislative Instruments kept under the *Legislative Instruments Act 2003*. See <http://www.frli.gov.au>.