

GS 021
(November 2012)

Guidance Statement GS 021
*Engagements under the National
Greenhouse and Energy Reporting Scheme,
Carbon Pricing Mechanism and Related
Schemes*

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

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ISSN 1833-7600

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the assurance practitioner to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The assurance practitioner exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new requirements.

Dated: 26 November 2012

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS 021

Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to assurance practitioners in applying the relevant AUASB Standards when conducting assurance and agreed-upon procedures engagements on regulatory reporting of greenhouse gas (GHG) emissions, energy production, energy consumption or offsets; applications for assistance with carbon liabilities or compliance with related legislative requirements in Australia.

Issuance Date

2. This Guidance Statement is issued on 26 November 2012 by the AUASB.

Introduction

3. In Australia, the National Greenhouse and Energy Reporting Scheme (NGERS) provides the legislative and regulatory requirements for reporting GHG emissions, energy consumption and energy production. NGERS reporting underpins the Carbon Pricing Mechanism (CPM), which creates a carbon price liability. In addition, there are assistance and carbon offsets schemes available under the Clean Energy legislation.
4. The schemes which are addressed in this Guidance Statement are:¹
 - NGERS – the [National Greenhouse and Energy Reporting Act 2007](#) (NGER Act) creates a reporting framework for emitters, which exceed specified emissions or energy thresholds,² to report emissions, energy consumption and energy production to the Clean Energy Regulator (the Regulator).
 - CPM – the [Clean Energy Act 2011](#) (CE Act) creates a carbon price liability for emitters, which exceed specified emissions thresholds,³ which is met by submission of carbon units or carbon offsets.
 - Jobs and Competitiveness Program (JCP) – the [Clean Energy Regulations 2011](#) (CE Regulations) provide for approval of activities as emissions-intensive trade-exposed (EITE) as the basis for assistance through the allocation of free carbon units.
 - Carbon Farming Initiative (CFI) – the [Carbon Credits \(Carbon Farming Initiative\) Act 2011](#) (CFI Act) provides for approval of eligible offsets projects and carbon credit units arising from those projects which may be offset against a carbon liability.
 - Renewable Energy Target (RET) – the [Renewable Energy \(Electricity\) Act 2000](#) (RET Act) and [Renewable Energy \(Electricity\) Regulations 2001](#) (RET Regulations) provide for a renewable energy target for electricity generation, a renewable energy shortfall charge and relief from that charge for EITE activities using electricity, by way of partial exemption certificates (PEC).

¹ Schemes relating to emissions, energy, offsets, carbon liability, carbon trading or related assistance may be introduced, withdrawn or amended from time to time, so if that scheme is not specifically listed, this guidance may still be applied if relevant.

² The annual reporting threshold, under the NGER Act, from 1 July 2012 is 25,000 t CO₂-e GHG emissions per facility or 50,000 t CO₂-e GHG emissions per controlling corporation; 100 TJ of energy produced or consumed per facility or 200 TJ of energy produced or consumed per controlling corporation.

³ The annual threshold, under the CE Act, for incurring a carbon liability from 1 July 2012 is 25,000 t CO₂-e scope 1 emissions, LNG consumption or landfill emissions per facility.

5. Each scheme either:
- (a) Allows for the Regulator to initiate an assurance or agreed-upon procedures engagement on reports lodged, applications submitted or compliance with related legislative requirements (such as record keeping), for compliance or monitoring purposes; and/or
 - (b) Requires assurance reports to be provided with reports lodged or applications submitted.
6. The assurance and agreed-upon procedures engagements covered under the schemes are:
- NGRS – the [*National Greenhouse and Energy Reporting \(Audit\) Determination 2009*](#) (NGER Audit Determination) provides for reasonable assurance, limited assurance or agreed-upon procedures⁴ engagements on the report submitted or other compliance matters identified to the Regulator under NGRS, initiated by the Regulator for monitoring or compliance purposes⁵ or conducted voluntarily at the initiation of the responsible party.
 - CPM – the [*National Greenhouse and Energy Reporting Regulations 2008*](#) (NGER Regulations) require a reasonable assurance report on reported emissions to be submitted by liable entities under the CPM, if their emissions number exceeds the specified threshold.⁶
 - JCP
 - the Guidance Paper [*Establishing the eligibility of emissions-intensive, trade-exposed activities under the Jobs and Competitiveness Program and Renewable Energy Target*](#) (2012) requires reasonable assurance on applications for assessment of activities as emissions-intensive trade-exposed (EITE), which is required to be eligible for assistance.⁷
 - The CE Regulations require a reasonable assurance report on applications for free carbon units for EITE activities, and, if applicable, a limited assurance report on expected production in the application.⁸
 - The CE Regulations require a reasonable assurance report on applications for supplementary allocations of free carbon units for an EITE liquefied natural gas (LNG) project.⁹
 - CFI
 - The CFI Act and [*Carbon Credits \(Carbon Farming Initiative\) Regulations 2011*](#) (CFI Regulations) require a reasonable assurance report on: an eligible offset project’s compliance with the section 27 declaration in operation for the project, the applicable CFI Methodology Determination and the requirements of the CFI Act for the reporting period; and the project proponent’s compliance with the applicable CFI methodology determination.¹⁰

⁴ Agreed-upon procedures engagements are termed “verification” engagements in the NGER Audit Determination.

⁵ Engagements may be initiated by the Regulator under sections 73 to 74C of the NGER Act,

⁶ The threshold for submission of a reasonable assurance report with the Emissions Report is 125,000 t CO₂-e scope 1 emissions, under NGER Regulations, regulation 6.04A.

⁷ See [*Establishing the eligibility of emissions-intensive, trade-exposed activities under the Jobs and Competitiveness Program and Renewable Energy Target*](#) (2012), section 2.2.

⁸ See CE Regulations, clauses 603 and 604(7)(a), (b) and (c).

⁹ See CE Regulations, clauses 603 and 604(7)(d).

¹⁰ See CFI Regulations, regulations 1.11-1.13.

- the CFI Act provides for a reasonable assurance, limited assurance or agreed-upon procedures report on the project proponent's compliance with the CFI Act, initiated by the Regulator for monitoring or compliance purposes.¹¹
- RET – the RET Regulations require a reasonable assurance report on PEC applications.¹²

The relevant legislative and regulatory requirements for and nature of engagements under each scheme are set out in Appendix 2.

7. The assurance and agreed upon procedures engagements to be conducted under these schemes are required by the relevant Regulations to be conducted in accordance with the NGER Audit Determination, in so far as the subject matter relates to emissions, energy or offsets, and Standard on Assurance Engagements [ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information](#), in so far as the subject matter relates to matters other than financial information, including production, activity definitions and compliance. In addition to this Guidance Statement, guidance on the conduct of assurance and agreed-upon procedures engagements in accordance with the NGER Audit Determination, whether instigated by the Regulator or required to be submitted with reports or applications, is provided in the [NGER Audit Determination Handbook](#).
8. In addition to the legislative and regulatory requirements imposed on assurance practitioners, relevant Auditing and Assurance Standards Board (AUASB) Standards are applicable to engagements under these schemes. This Guidance Statement has been developed to clarify how the assurance practitioner meets their regulatory obligations whilst also applying the requirements of:
 - (a) [ASAE 3000](#), when conducting assurance engagements on subject matters other than historical financial information, which includes all assurance engagements under NGERS, CPM, JCP, CFI or RET schemes;
 - (b) [ASAE 3410 Assurance on Greenhouse Gas Statements](#), when conducting and reporting on an assurance engagement on emissions, including NGERS, CPM and JCP activity assessments;
 - (c) [ASRS 4400 Agreed-upon Procedures Engagements to Report Factual Findings](#), when conducting and reporting on verification engagements under NGERS or CFI; and
 - (d) [ASAE 3100 Compliance Engagements](#), when conducting and reporting on assurance engagements regarding compliance with legislative or regulatory requirements under NGERS, CPM, JCP, CFI or RET schemes.
9. Applications for a Financial Control or Corporate Group Liability Transfer Certificate (LTC) under the CE Act¹³ require submission of auditor's reports on the financial reports of the entity assuming the carbon liability. These audit engagements are not addressed in this Guidance Statement as they are engagements conducted under the Australian Auditing Standards, or the equivalent in another jurisdiction, for annual financial reports or under the Standards on Review Engagements for half yearly financial reports, for general purposes not specifically for LTC applications and so do not involve additional work effort for the assurance practitioner with respect to the LTC application.
10. Entities may seek advice with respect to emissions, energy or offsets, such as the appropriate application of measurement methodologies, application of operational control requirements, identification of facility boundaries, application of reporting or liability thresholds or recommendations for improvements to internal control or record keeping systems. Engagements of this nature, which provide recommendations or advice, are consulting

¹¹ See CFI Act, sections 214 and 215; NGER Act, section 75; and NGER Audit Determination, section 1.5.

¹² See RET Regulations, regulation 22UB.

¹³ See CE Act, sections 81 and 85.

engagements, which are not covered by the AUASB's pronouncements and so are not addressed in this Guidance Statement. Nevertheless, assurance practitioners may conduct consulting engagements, as long as it does not impact their independence with respect to existing assurance or agreed-upon procedures engagements. The form of reporting for an assurance or agreed-upon procedures engagement is not appropriate for a consulting engagement as it may be misleading to users. Nevertheless, the assurance practitioner in conducting an assurance or agreed-upon procedures engagement may provide observations arising from their work which are significant or relevant to the engaging party's role with respect to the subject matter or report weaknesses in internal control identified in the course of their work. The provision of this information is ancillary to the objective of an assurance engagement or an agreed-upon procedures engagement.

Definitions

11. For the purposes of this Guidance Statement, the following items have the meanings attributed below:
- (a) *Agreed-upon procedures engagement*¹⁴ – an engagement which involves the performance of procedures of an assurance nature from which no conclusion or opinion is expressed by the assurance practitioner and no assurance is provided to intended users. Instead only factual findings obtained as a result of the procedures performed are reported. Agreed-upon procedures engagements include verification engagements, being a type of greenhouse and energy audit under the NGER Audit Determination.
 - (b) *Assurance engagement*¹⁵ – an engagement in which an assurance practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. Assurance engagements may be either reasonable or limited assurance engagements.
 - (c) *Assurance practitioner* – a person or organisation, whether in public practice, industry, commerce or the public sector, providing assurance services,¹⁶ which includes registered greenhouse and energy auditors, category 1 (Technical, Non-technical or CFI specialist), category 2 and category 3, registered under the NGER Act and registered company auditors. ASAE 3000, ASAE 3100, ASAE 3410 and ASRS 4400 all apply to assurance practitioners. Whilst this Guidance Statement uses the term “assurance practitioner”, this does not impact the category of greenhouse and energy auditor which the relevant legislation permits to conduct assurance engagements.¹⁷
 - (d) *Basis of preparation* – the basis on which the subject matter information (whether a report or application) has been prepared, including the reporting boundaries and criteria applied, and other matters relevant to understanding the preparation of the subject matter information.
 - (e) *Criteria* – the benchmarks used to measure or evaluate the underlying subject matter including, where relevant, those for presentation and disclosure. The term criterion is used in the NGER (Measurement) Determination in a narrower context with respect to specific measurement methodologies relating to fuel consumption and other emissions, however these represent just a part of the criteria against which the entity may be reporting.

¹⁴ See ASRS 4400, paragraph 4.

¹⁵ See AUASB Glossary.

¹⁶ See AUASB Glossary.

¹⁷ Mandatory assurance engagements required by legislation on reports or applications under CPM, JCP, CFI or RET are required to be conducted by a category 2 or 3 registered greenhouse and energy auditor or, for some schemes, a registered audit company or registered company auditor. Only registered category 2 or 3 auditors are screened for assurance and leadership.

- (f) *Emissions* – as defined in ASAE 3410,¹⁸ includes GHGs which are direct (scope 1) emissions or indirect emissions, including emissions associated with energy that is transferred to and consumed by the entity (scope 2) and all other indirect emissions (scope 3).
- (g) *Emissions Report* – a report under section 22A of the NGER Act on a liable entity’s covered scope 1 emissions and potential emissions embodied in an amount of natural gas.
- (h) *Entity* – as defined in ASAE 3410, means a legal entity, economic entity, or identifiable portion of a legal or economic entity, or combination of legal or other entities or portions of those entities to which the emissions in the GHG statement relate, which includes:
 - (i) a registered corporation and facilities under the operational control of a registered corporation under NGERs;¹⁹
 - (ii) eligible person under JCP;²⁰
 - (iii) liable entity under the CPM or for PEC applications; and
 - (iv) project proponent for an eligible offsets project under CFI.
- (i) *GHG statement* – as defined in ASAE 3410, includes reports on scope 1, 2 or 3 emissions and offsets, which includes Greenhouse and Energy Reports under section 19 and Emissions Reports section 22A of the NGER Act, to the extent that they include emissions but does not specifically cover energy production and energy consumption included in Greenhouse and Energy Reports.²¹ ASAE 3410 can nevertheless, be used as guidance for reports under NGERs which include energy consumption or production. Energy under NGERs is fuel or any other energy commodity.²²
- (j) *Greenhouse gas* – has the same meaning as in ASAE 3410, however for engagements under the NGER Act²³ chlorofluorocarbons are not included.
- (k) *Greenhouse and energy report* – A report under section 19 of the NGER Act on controlling corporation or facility’s greenhouse gas emissions, energy consumption and energy production.
- (l) *Regulator* – the Clean Energy Regulator, as regulator of NGERs, CPM, RET and CFI.
- (m) *Responsible party* – the person who is responsible for the subject matter (for example record keeping) or subject matter information (for example the greenhouse and energy report).
- (n) *Those charged with governance* – persons entrusted with the supervision, control and direction of the responsible party, including ‘those with oversight responsibilities for the subject matter’ under ASAE 3410.²⁴

¹⁸ See ASAE 3410, paragraph 14(n).

¹⁹ See NGER Act, section 19.

²⁰ See CE Regulations, Part 5.

²¹ See ASAE 3410, paragraphs 14(f), 14(m) and 14(n).

²² See NGER Act, section 7, and NGER Regulations, regulation 2.03.

²³ See NGER Act, section 7.

²⁴ See ASAE 3410, paragraph 78.

Overview of the Relevant Schemes

National Greenhouse and Energy Reporting Scheme

12. The objective of NGERs is to provide “a single national reporting framework for the reporting and dissemination of information related to GHG emissions, GHG projects, energy consumption and energy production”²⁵ for a number of government purposes. With respect to assurance, NGERs provides a consistent approach to the conduct and reporting on assurance and agreed-upon procedures (verification) engagements on reports issued under NGERs, whether conducted voluntarily or by regulatory requirement.
13. Mandatory registration and reporting of emissions, energy consumption and energy production under NGERs is required for controlling corporations meeting group or facility emissions or energy thresholds. Controlling corporations which exceed the group threshold are required to report on all facilities.
14. ASAE 3410 applies to reports prepared under section 19 of the NGER Act, reporting GHG emissions, energy production and energy consumption of a registered corporation’s group, and section 22A of the NGER Act, reporting “covered” scope 1 emissions of a liable entity, to the extent that that standard applies to assurance on a GHG Statement, or a portion of a GHG Statement of an entity. A GHG Statement under ASAE 3410 includes an entity’s emissions and, if applicable, removals or deductions, for the period. GHG emissions under ASAE 3410 include direct (scope 1) emissions and indirect (scope 2 and 3) emissions, but do not include energy consumption or production, required to be reported on in a section 19 NGER Report. Although ASAE 3410 does not provide requirements for assurance over energy consumption or production, it can still be used as guidance for auditing energy. An entity, under ASAE 3410, is sufficiently broadly defined to include facilities under the operational control of a registered corporation or members of its group, which are required to report under NGERs.
15. NGERs provides for “greenhouse and energy audits”²⁶ which include:
 - (a) Assurance engagements, providing a reasonable or limited assurance report; and
 - (b) Verification engagements, providing a report of factual findings with no assurance.

Greenhouse and energy audits are not equivalent to “audit engagements” under the AUASB Standards, which is a term restricted to reasonable assurance engagements.²⁷ ASAE 3410 applies to greenhouse and energy audits to the extent that they are assurance engagements on a Greenhouse and Energy Report or portion of a Greenhouse and Energy Report.

16. Verification engagements are defined under the NGERs Audit Determination as “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.”²⁸ The contents of a verification engagement report²⁹ specify that it is not an assurance report and only findings with respect to each procedure are reported. Verification engagements are equivalent to agreed-upon procedures engagements under the AUASB Standards. The requirements for agreed-upon procedures engagements are contained in ASRS 4400 and that is the only AUASB Standard which applies to those engagements.

Regulator Initiated Engagements

17. The NGER Act provides for engagements initiated by the Regulator for compliance and monitoring purposes on registered corporation’s compliance with the NGER Act or

²⁵ See NGER Act, section 3.

²⁶ See NGER Audit Determination, sections 1.3 and 1.5-1.7.

²⁷ See AUASB Glossary.

²⁸ See NGER Audit Determination, section 1.5.

²⁹ See NGER Audit Determination, section 4.8.

Regulations. For the Regulator initiated engagements the assurance practitioner is engaged after submission of the Greenhouse and Energy or Emissions Report and so after period end, which may create challenges for the assurance practitioner in gathering sufficient appropriate evidence to support their conclusions.

18. The subject matter of engagements initiated by the Regulator, may be one or more aspects of the registered corporation's compliance with the NGER Act or NGER Regulations.³⁰ Whilst the subject matter of these engagements is at the Regulator's discretion, the main compliance requirements in that legislation currently relate to:
- (a) Registration requirements under section 12 of the NGER Act for controlling corporations meeting thresholds under section 13;
 - (b) Reports under sections 19, 22A and 22AA of the NGER Act on GHG emissions, energy production or energy consumption or a portion of that report, which encompasses the application of reporting boundaries based on "operational control" requirements in the NGER Act, measurement of emissions or energy in accordance with the NGER Measurement Determination and presentation and disclosure in accordance with the NGER Act; and
 - (c) Record keeping requirements.
19. Regulator initiated engagements are compliance engagements, consequently, in addition to applying the NGER Audit Determination the assurance practitioner applies ASAE 3100 and, when assuring emissions, ASAE 3410.

Emitter or Project Proponent Initiated Engagements

20. The NGER Act also provides for assurance reports to accompany reports lodged for the purposes of other schemes, including CPM, JCP and CFI. In addition, emitters may voluntarily engage an assurance practitioner to provide assurance on their NGER Report. For engagements initiated by the emitter or project proponent either voluntarily or to meet a requirement of a scheme, the assurance practitioner may be engaged before or during the reporting period. Engagement before or early in the reporting period maximises the available methods of evidence gathering and allows greater scope for reliance on controls, as evidence of their operating effectiveness is more likely to be available.

Carbon Pricing Mechanism

21. From 1 July 2012, the CPM requires entities over specified thresholds to report their emissions number, comprising covered scope 1 emissions and potential emissions embodied in an amount of natural gas, annually for the period to 30 June under section 22A of the NGER Act (Emissions Report) to the Regulator by 31 October. The liable entity is required to surrender carbon units at a rate of 1 per tonne CO₂-e of emissions. Entities with operational control over the facility are liable for carbon units at a fixed price for an initial period of 3 years of the CPM followed by a flexible price cap-and-trade scheme commencing 1 July 2015. In the fixed price years, emitters are required to surrender 75% of their carbon units obligation by 15 June of the compliance year (ending on 30 June), lodge their Emissions Report by 31 October and "true up" the remainder of the obligation by 1 February based on the Emissions Report submitted and any subsequent adjustments.
22. For liable entities under the CPM with emissions over specified thresholds, a reasonable assurance report, prepared by a Category 2 or 3 greenhouse and energy auditor in accordance with the NGER Audit Determination, must also be submitted with the Emissions Report. The subject matter of the reasonable assurance report is the Emissions Report and record keeping

³⁰ See NGER Act, sections 73-74.

required under section 22B.³¹ Regulations may also specify any other matters relating to the Emissions Report to be assured.³²

23. In addition to the NGER Audit Determination, the assurance practitioner applies ASAE 3410 when conducting assurance on an Emissions Report and applies ASAE 3100 when conducting assurance on record keeping.

Jobs and Competitiveness Program

Emissions-intensive Trade-exposed Activity Assessment

24. The Jobs and Competitiveness Program (JCP) provides for assistance in the form of free carbon units for activities which are assessed to be emissions-intensive trade-exposed (EITE). If the preliminary assessment indicates the potential for an activity to meet the JCP eligibility criteria, a draft activity definition is issued by the DCCEE.

25. Applications can then be made for formal assessments of activities as EITE, which are used to develop the final activity definition and allocative baselines for the assistance to be provided. These applications for formal assessment require reasonable assurance reports to be prepared by a registered company auditor under ASAE 3000, to be submitted along with the application. The subject matter of the reasonable assurance report is:

- (a) Emissions;
- (b) Production;
- (c) Revenue; and
- (d) The basis of preparation,

reported in the application in accordance with the EITE activity description, the Guidance Paper and Supplementary Guidance.³³

26. When providing assurance on emissions in an application for EITE assessment, the assurance practitioner applies ASAE 3410 and when providing assurance on compliance, the assurance practitioner applies ASAE 3100, in addition to ASAE 3000.

Emissions-intensive Trade-exposed Industry Assistance

27. The CE Regulations require assurance reports, prepared by a registered company auditor, authorised audit company or a category 2 or 3 registered greenhouse and energy auditor, to be submitted with applications for free carbon units under JCP for entities conducting EITE activities. The assurance reports are required to provide:³⁴

- (a) Reasonable assurance on the activity's compliance with the relevant EITE activity description³⁵ and production reported in the application, in accordance with ASAE 3000, and emissions for new facilities reported in the application, in accordance with NGERS; and
- (b) Limited assurance on expected production, for new or expanding activities, in accordance with ASAE 3000.

³¹ See NGER Act, section 74AA.

³² The CE and NGER Regulations do not specify any other matters to be assured.

³³ See DCCEE Guidance Paper: *Establishing the eligibility of activities under the Jobs and Competitiveness Program* (2012), parts 2.1 and 2.2, and *Assessment of activities for the purposes of the Jobs and Competitiveness Program supplementary guidance v.3*, part 1.01.

³⁴ See CE Regulations, regulations 603-604.

³⁵ See CE Regulations, Schedule 1.

28. In addition to ASAE 3000, the assurance practitioner applies ASAE 3410 when providing assurance on emissions for new facilities in the application for EITE assistance under JCP and ASAE 3100 when providing assurance on compliance.

Liquefied Natural Gas Supplementary Assistance

29. Applications for supplementary assistance for liquefied natural gas (LNG) producers under JCP also require a reasonable assurance report to be submitted with the application, prepared by a registered company auditor, authorised audit company or a category 2 or 3 registered greenhouse and energy auditor. The subject matter of the reasonable assurance report is:³⁶
- (a) The provisional LNG emissions number;
 - (b) The process flow diagram; and
 - (c) The average energy consumed for LNG production (GJ/t),
- reported in the application.
30. In addition to NGRS, the assurance practitioner applies ASAE 3410 when providing assurance on the provisional LNG emissions number and ASAE 3000 when providing assurance on the process flow diagram and production.

Carbon Farming Initiative

Eligible Offsets Projects

31. The CFI provides for Australian carbon credit units (ACCUs), equivalent to 1 t CO₂-e, to be issued for abatement from eligible offsets projects. CFI activities can earn either non-Kyoto ACCUs or Kyoto ACCUs (equivalent to compliance ACCUs to be issued after 2012), depending on the nature of the CFI activities. Only Kyoto or compliance ACCUs can be offset against a carbon liability under Australia's carbon pricing mechanism or exchanged for international emissions units. Compliance or Kyoto activities include: reducing emissions from livestock, manure or fertiliser use, reforestation, avoided deforestation and reduction in pre July 2012 landfill emissions. Non-Kyoto activities include: soil carbon management, feral animal management, improved forest management and non-forest revegetation.
32. Entities wishing to be project proponents can apply to be a recognised offset entity (ROE), which requires them to pass the "fit and proper person" test. Each ROE is required to open a registry account in the Australian National Registry of Emissions Units, into which ACCUs earned are deposited.
33. A ROE applies for a declaration that the activity is an eligible offsets project if:
- (a) The ROE has a legal right to undertake the project;
 - (b) For sequestration projects, the ROE has the applicable carbon sequestration right and the consent of any others with eligible interest in the land where the project will be undertaken;
 - (c) Any necessary environmental, planning and water approvals have been obtained;
 - (d) An approved CFI methodology exists which is applicable to the project; and
 - (e) The activity is on the positive list (projects on the positive list have met the additionality test, in that projects must not be required by law or already be common practice) and not on the negative list nor involve clearing native forests.

³⁶ See CE Regulations, regulation 604(7)(d).

34. The CFI Act³⁷ allows for the CFI Regulations to require a prescribed audit report to accompany applications for an eligible offsets project, however the Regulations do not currently require an audit report to be submitted.
35. An approved CFI methodology, provided in a CFI methodology determination, comprises:
- (a) Requirements that must be met for an offsets project to be an eligible offsets project;
 - (b) Methodology for calculating the CO₂e net abatement, including instructions for determining a baseline; and
 - (c) Project-specific data collection, monitoring, reporting and record keeping requirements.

Offsets Reports and Certificate of Entitlement

36. For eligible offsets projects, ROEs must submit a certificate of entitlement application to the Regulator, as a basis on which the Regulator issues ACCUs into the ROE's registry account. The application includes an Offsets Report for their project's nominated reporting period. The first reporting period is between 12 months to 5 years from the date the project was declared eligible, then every 1 to 5 years. The crediting period³⁸ is set out in the CFI legislation for each eligible offsets project and is the length of time that the project can generate carbon credits using the approved CFI methodology.
37. Offsets Reports and applications for a certificate of entitlement lodged are required to be accompanied by a reasonable assurance report prepared in accordance with the NGER Audit Determination by a category 2 or 3 registered greenhouse and energy auditor, with the exception of exempt projects.³⁹ The reasonable assurance report on an Offsets Report concludes, for the reporting period, whether:⁴⁰
- (a) The project is in accordance with:
 - (i) The declaration of an eligible offsets project;⁴¹
 - (ii) The applicable methodology determination; and
 - (iii) The requirements of the CFI Act and CFI Regulations, which primarily comprise notification requirements,⁴² record keeping requirements⁴³ and provisions to prevent double counting of abatement that has already been recognised under another carbon offsets project.⁴⁴
 - (b) The project proponent meets the requirements under the applicable methodology determination.⁴⁵
38. Assurance engagements on eligible offsets projects and Offsets Reports are compliance engagements, consequently assurance practitioners apply ASAE 3100, in addition to the NGER Audit Determination as required by the CFI Regulations.

³⁷ See CFI Act, section 23(1)(d).

³⁸ The crediting period is generally 7 years, with reforestation having a 15 year crediting period and native forest protection a 20 year crediting period.

³⁹ See CFI Regulations, regulation 1.13.

⁴⁰ See CFI Regulations, regulations 1.11 - 1.12.

⁴¹ See CFI Act, section 27.

⁴² See CFI Act, sections 78-85.

⁴³ See CFI Act, sections 191-193.

⁴⁴ See CFI Regulation 6.2.

⁴⁵ See CFI Act, section 106(3).

Regulator Initiated Engagements

39. The Regulator may initiate an assurance engagement or agreed-upon procedures engagement (verification) on one or more aspects of an eligible offsets project proponent's compliance with the CFI Act or associated provisions⁴⁶ for compliance or monitoring purposes.⁴⁷ The engagement is required to be conducted by a registered greenhouse and energy auditor. Whilst the subject matter of these engagements is at the Regulator's discretion, the main CFI compliance requirements relate to whether the project activity conforms with the applicable CFI methodology determination, including data collection, monitoring, reporting and record keeping.
40. In addition to the NGER Audit Determination, the assurance practitioner applies ASAE 3100 for Regulator initiated assurance engagements and ASRS 4400 for agreed-upon procedures engagements.

Renewable Energy Target Partial Exemption Certificate Applications

41. The Renewable Energy Target (RET) imposes a liability if a proportion of electricity produced does not come from renewable sources, which may increase the cost of electricity to EITE activities along with other businesses. Partial exemption certificates (PECs) from RET liability for electricity acquired are available to EITE activities defined in the RET Regulations, which are generally the same as those which qualify for assistance under JCP.
42. Applications under the *Renewable Energy (Electricity) Act 2000* (RET Act) for PECs for an EITE activity which will be acquiring electricity for use in the activity from an entity liable under the RET⁴⁸ are required to be accompanied by an assurance report.⁴⁹ The *Renewable Energy (Electricity) Regulations 2001* (RET Regulations) require that report to be a reasonable assurance report on:⁵⁰
- (a) The activity's compliance with the description of an EITE activity;
 - (b) Production for each year reported; and
 - (c) For new entrants or significant expansions, new or expected additional production.⁵¹
43. The RET Regulations require the auditor be a registered company auditor, authorised audit company or a category 2 or 3 registered greenhouse and energy auditor and to conduct reasonable assurance engagements for PEC applications in accordance with the NGER Audit Determination or ASAE 3000 or other relevant AUASB Standards.⁵² The applicable AUASB Standards for assurance engagements on:
- (a) Compliance with the EITE activity description in PEC applications, is ASAE 3100; and
 - (b) Prior year, new or expected additional production in PEC applications, is ASAE 3000.

Applicable AUASB Standards

44. ASAE 3000 provides the overarching requirements for general application to all assurance engagements where the subject matter is not historical financial information. Consequently, the assurance practitioner applies ASAE 3000 when conducting and reporting on all assurance

⁴⁶ Associated provisions to the CFI Act include: CFI Regulations, NGER Regulations and *Australian National Registry of Emissions Units Act 2011*.

⁴⁷ See CFI Act, sections 214-215.

⁴⁸ See RET Act, sections 46A-46B.

⁴⁹ See RET Regulations, regulations 22UA-22UB.

⁵⁰ See RET Regulations, regulation 22UB(3).

⁵¹ Note that the requirement for assurance on new or expected additional production, for new entrants or significant expansions, may be to be changed to limited assurance only.

⁵² See RET Regulations, regulation 22UB(5).

engagements covered by this Guidance Statement. Agreed-upon procedures engagements, which include verification engagements under NGERs, are not assurance engagements and are conducted under ASRS 4400.

45. Subject matter specific Standards on Assurance Engagements sit below ASAE 3000 in the hierarchy of AUASB Standards and are applied, when appropriate, in addition to ASAE 3000. For engagements covered by this Guidance Statement, ASAE 3100 is applicable to engagements to report on compliance and ASAE 3410 is applicable to engagements to report on GHG emissions, for which NGERs provides a reporting framework. The requirements of these standards are consistent with one another, consequently it is possible to apply multiple standards without creating a conflict in approach. The assurance practitioner applies the relevant AUASB Standards in addition to the requirements of the NGER Audit Determination, if applicable.
46. Appendix 3 identifies the AUASB Standards applicable to each type of engagement covered by this Guidance Statement.

Ethical Requirements and Quality Control

47. ASAE 3000 requires the assurance practitioner to comply with fundamental ethical principles when conducting an assurance engagement and ASRS 4400⁵³ requires the assurance practitioner to comply with ethical requirements equivalent to those applicable to “Other Assurance Engagements”. The relevant ethical requirements to which those standards refer are identified in ASA 102,⁵⁴ which applies to all assurance engagements, and are consistent with the *Independence and Conduct Declaration*⁵⁵ which the assurance practitioner is required to sign when conducting engagements under the NGER Audit Determination.
48. Australian Standard on Quality Control 1 (ASQC 1)⁵⁶ requires the firm or company from which the engagement team derives to maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. ASQC 1 applies to all firms of assurance practitioners conducting assurance engagements in accordance with the AUASB standards. The relevant firm would be the one to which the engagement team leader belongs.

Agreed-upon Procedures Engagements

Acceptance of an Agreed-upon Procedures Engagement

49. Agreed-upon procedures engagements under the AUASB Standards encompass verification engagements under the NGERs and CFI, as they involve the conduct of procedures agreed with the engaging party and result in a report of factual findings which draws no conclusions. Agreed-upon procedures engagements may be initiated by the Regulator under NGERs or CFI. There are no requirements in the legislation or regulations for entities to obtain agreed-upon procedures reports, although they may seek such reports voluntarily. Agreed-upon procedures reports have limited use, however, as the intended users need to draw their own conclusions with respect to the subject matter.
50. The assurance practitioner applies both the NGER Audit Determination and ASRS 4400 when conducting these engagements. In accepting an agreed-upon procedures engagement, ASRS 4400⁵⁷ requires the assurance practitioner to consider whether the report of factual findings is likely to meet the needs of the intended users, as those users will need to draw their own conclusions, based on the factual findings combined with any other information obtained

⁵³ See ASRS 4400, paragraph 17.

⁵⁴ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁵⁵ See NGER Audit Determination, section 2.4.

⁵⁶ ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

⁵⁷ See ASRS 4400, paragraph 21.

by them. By understanding the purpose for which the report of factual findings is required the assurance practitioner can satisfy themselves that the engagement has a rational purpose and that it is not likely that users will construe the outcome of the engagement as providing an assurance conclusion about the subject matter. If the assurance practitioner is not satisfied that an agreed-upon procedures engagement is appropriate, based on their understanding of the purpose of the engagement, then they may either not accept the engagement, withdraw from the engagement or, if appropriate, agree to the conduct of an assurance engagement.

51. The written terms of engagement are required to include, in addition to the matters required by the NGER Audit Determination,⁵⁸ the following under ASRS 4400:⁵⁹
- (a) Statements that:
 - (i) The procedures performed will not constitute a reasonable or limited assurance engagement and that accordingly no assurance will be provided;
 - (ii) The intended users are expected to conduct their own assessment of the findings, combined with other information available to them and, if necessary, perform further procedures in order to obtain sufficient appropriate evidence on which to base any conclusion on the subject matter; and
 - (iii) Distribution of the report of factual findings will be restricted to the engaging party and the intended users identified;
 - (b) The responsibilities of the assurance practitioner;
 - (c) Reference to the *Independence and Conduct Declaration*, which the assurance practitioner is required to provide to the engaging party prior to agreeing the terms of engagement,⁶⁰ which is confirmation that the assurance practitioner will apply ethical requirements as required by ASRS 4400;⁶¹ and
 - (d) Reference to the expected form of the report of factual findings.
52. An example engagement letter for an agreed-upon procedures engagement is provided in Appendix 4, Example 1.

Planning and Performing an Agreed-upon Procedures Engagement

53. As the procedures to be conducted are agreed at the outset, planning is restricted to determining how the procedures can be conducted in an effective manner. It is not necessary for the assurance practitioner to carry out a risk assessment or determine materiality, as the procedures cannot be altered by them to respond to assessed risks. The procedures are decided by the engaging party, to meet their information needs, and findings are assessed by the intended users and not by the assurance practitioner.
54. Although the NGER Audit Determination requires the assurance practitioner to amend the plan if the procedures deviate from what was originally planned,⁶² this does not mean that the assurance practitioner has the discretion to alter the procedures without the express agreement of the engaging party. The assurance practitioner is not to exercise professional judgement in determining or modifying the procedures to be performed under ASRS 4400,⁶³ as it is the responsibility of the engaging party to determine the procedures which they require conducted to meet their objectives.

⁵⁸ See NGER Audit Determination, sections 4.2 and 4.4.

⁵⁹ See ASRS 4400, paragraph 24.

⁶⁰ See NGER Audit Determination, section 2.4.

⁶¹ See ASRS 4400, paragraph 24(f).

⁶² See NGER Audit Determination, section 4.5(1).

⁶³ See ASRS 4400, paragraph 25.

Reporting on an Agreed-upon Procedures Engagement

55. When reporting on an agreed-upon procedures engagement, ASRS 4400 requires the assurance practitioner to report only factual findings and not to include any evaluation or draw any conclusions.⁶⁴ In addition to the matters required by the NGER Audit Determination to be included in a verification report and those reflected in the NGER Audit Determination Handbook verification report template, ASRS 4400 also requires the report to contain some additional matters.⁶⁵ In complying with ASRS 4400, these matters can be addressed by including the following information in the agreed-upon procedures report:
- (a) A statement that the engagement was performed in accordance with ASRS 4400;⁶⁶
 - (b) A statement that the assurance practitioner has complied with the independence and conduct declaration provided to the engaging party;⁶⁷
 - (c) Identification of any procedures agreed in the terms of engagement which could not be performed and why that has arisen;⁶⁸
 - (d) A restriction on the use and distribution of the report to those parties identified in the report;⁶⁹ and
 - (e) A statement that the report relates only to certain information specified and it does not extend to the entity's report or application as a whole.⁷⁰
56. Appendix 5, Example 1 provides an example report of factual findings which meets the requirements of both ASRS 4400 and the NGER Audit Determination.

Assurance Engagements

Acceptance and Continuance of an Assurance Engagement

Terms of Engagement

57. ASAE 3000 requires the terms of engagement for all assurance engagements to be agreed with the engaging party in writing, which is consistent with the requirements of the NGER Audit Determination.⁷¹ The NGER Audit Determination⁷² and ASAE 3410⁷³ also list the matters to be set out in the written terms. ASAE 3410 requires the following items to be included in the terms, in addition to those set out in the NGER Audit Determination:
- (a) The responsibilities of the assurance practitioner;
 - (b) Identification of the applicable criteria for the preparation of the Greenhouse and Energy Report or Emissions Report, if additional to the inclusion of provisions of the NGER legislation that relate to the matter being audited as required by the NGER Audit Determination;
 - (c) Reference to the expected form and content of any reports to be issued by the assurance practitioner and a statement that there may be circumstances in which the report may differ from its expected form and content; and

⁶⁴ See ASRS 4400, paragraph 39.

⁶⁵ See ASRS 4400, paragraph 43.

⁶⁶ See ASRS 4400, paragraph 43(e).

⁶⁷ See NGER Audit Determination, section 2.4. The conduct and independence declaration is equivalent to the ethical requirements required to be complied with under ASRS 4400.

⁶⁸ See ASRS 4400, paragraph 43(k).

⁶⁹ See ASRS 4400, paragraph 43(n).

⁷⁰ See ASRS 4400, paragraph 43(o).

⁷¹ See NGER Audit Determination, section 3.2.

⁷² See NGER Audit Determination, section 3.3.

⁷³ See ASAE 3410, paragraph 18.

- (d) An acknowledgement that the entity agrees to provide written representations at the conclusion of the engagement.

The terms required by ASAE 3410 can be adapted to all assurance engagements. Example engagement letters for both limited and reasonable assurance engagements are provided in Appendix 4, Example 2.

58. When agreeing the terms of engagement for an assurance engagement on a Greenhouse and Energy Report, the objective and scope of the engagement needs to address whether NGER Uncertainty, which is required to be reported to the Regulator along with the Greenhouse and Energy Report, is to be assured.
59. Where the engaging party is not the responsible party, such as for Regulator initiated engagements under the NGERs or CFI, clarification of the nature of any communication between the assurance practitioner and the responsible party needs to be addressed prior to commencement of the engagement and may be covered in the terms of engagement.
60. The responsible party may request that the assurance practitioner signs a confidentiality agreement. If the assurance practitioner signs such an agreement it needs to allow for the assurance practitioner to share such confidential information with the engaging party so that the scope of the engagement is not restricted.

Professional Competencies

61. When accepting or continuing an assurance engagement under any of the schemes addressed in this Guidance Statement, NGERs,⁷⁴ ASAE 3000, and ASAE 3410⁷⁵ all require the assurance practitioner to be satisfied that those who are to perform the engagement, including the engagement team and any assurance practitioner's external experts, collectively possess the necessary professional competencies, encompassing knowledge and skills. For all assurance engagements these professional competencies include technical expertise in each of the subject matters to be assured, assurance skill and experience, which includes a depth of experience in applying the AUASB standards.
62. The technical expertise needed on the team will depend on the subject matter of the engagement, whether it be activity descriptions, emissions, production or record keeping. Technical expertise may be needed in emissions quantification, assessment of operational control, production processes for the relevant industry or carbon farming methods, in which case the assurance practitioner or team leader will need to be satisfied that the relevant expertise is reflected in the team or will be provided by an external expert. Whilst the market for assurance on emissions schemes is immature, it is beneficial for the assurance practitioner as team leader to engage a peer reviewer for the engagement with complementary expertise to that possessed themselves, regardless of the team's expertise. For example, a team leader with primary expertise in emissions measurement may engage a registered company auditor as the peer reviewer and vice versa.

Suitable Criteria

63. The assurance practitioner is required to assess the suitability of the criteria when accepting an assurance engagement, whether the engagement is being conducted under ASAE 3000, ASAE 3410 or ASAE 3100. The criteria, which are the benchmarks against which the subject matter is evaluated or measured, for the engagements covered by this Guidance Statement include:
- NGERs – For Regulator initiated or voluntary assurance engagements under sections 73, 73A, 74 or 74A of the NGER Act, the criteria depends on the subject matter which is selected by the engaging party, which may include:

⁷⁴ See NGER Audit Determination, section 2.2.
⁷⁵ See ASAE 3410, paragraph 16.

Guidance Statement GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*

- Greenhouse and Energy Report (section 19, NGER Act) - the NGER Measurement Determination provides the criteria for measuring emissions and energy and the NGER Act⁷⁶ provides the criteria for determining operational control of facilities.
- Compliance requirement - Requirements in the NGER Act or Regulations selected by the Regulator or engaging party for assurance.
- CPM – For mandatory reasonable assurance engagements under section 74AA, NGER Act:⁷⁷
 - Emissions Report (section 22A, NGER Act) - the CE Act⁷⁸ and NGER Measurement Determination provides the criteria for measuring covered scope 1 and potential emissions embodied in an amount of designated fuel and the NGER Act⁷⁹ provides the criteria for determining the facilities for which the liable entity has operational control.
 - Section 22B record keeping requirements (NGER Act) - the broad criteria for record keeping are whether the records allow the liable entity to report accurately in the Emissions Report, provide adequate evidence to the Regulator of their compliance with section 22A, are in a form that is easily and quickly accessible for inspection and audits and are retained for 5 years.⁸⁰ More detailed criteria for record keeping are not legislated.
- JCP – For mandatory assurance on eligibility applications for an activity as EITE:
 - Measurement criteria for direct scope 1 emissions and electricity use are contained in the activity definitions in the guidance issued by the DCCEE⁸¹ and the NGER Measurement Determination.
 - The basis of preparation accompanying the application and the DCCEE guidance papers provide the criteria for determining production and revenue reported.
- JCP – For mandatory assurance on assistance applications for EITE activities:
 - The CE Regulations Schedule 1 provide the criteria for the activity definitions.
 - The measurement policies set out in the application provide the criteria for production and expected production, if applicable.
- JCP – For supplementary assistance applications for LNG production:
 - The CE Regulations⁸² provide the criteria for measurement and apportioning of emissions.
 - The measurement policies set out in the application provide the criteria for the process flow diagram and production reported.
- CFI – For mandatory assurance reports on an eligible offsets project required to accompany Applications for Certificate of Entitlement, under section 13 of the CFI

⁷⁶ See NGER Act, sections 11, 11A, 11B and 11C.

⁷⁷ See NGER Act, section 74AA and NGER Regulations, regulation 6.04A.

⁷⁸ See CE Act, section 30 for definition of covered emissions and section 31 for criteria.

⁷⁹ See NGER Act, sections 11, 11A, 11B and 11C.

⁸⁰ See NGER Act, section 22B and NGER Regulations, regulation 4.34.

⁸¹ See *Establishing the eligibility of activities under the Jobs and Competitiveness Program* (2012), sections 2.1 and 2.2, and *Assessment of activities for the purposes of the Jobs and Competitiveness Program supplementary guidance v.3*.

⁸² See CE Regulations, regulations 915-917.

Act, and Offsets Reports, under section 76 of the CFI Act, as set out in the CFI Regulations:⁸³

- CFI Act section 27 declaration for the project, including project areas and attributes, provide criteria for project definition and boundaries.
- CFI Methodology Determinations provide measurement criteria for relevant offset activity.
- Requirements of the CFI Act provide the criteria for the project's compliance with the Act, including notification and record keeping requirements.
- Requirements of the applicable CFI methodology determination provide the criteria for the project proponent's compliance with section 106, CFI Act, including content of the Offsets Report, information to be supplied to the Regulator, record keeping and monitoring requirements.
- CFI – For Regulator initiated or voluntary assurance engagements under section 214 or section 215, CFI Act:
 - Requirements in the CFI Act or associated provisions, including the CFI Regulations, selected by the Regulator or engaging party for assurance, which include reporting, notification requirements and record keeping requirements, provide broad criteria.
- RET – For mandatory engagements under regulation 22UB, RET Regulations, on applications for PEC:
 - RET Regulations Schedule 6 provides the criteria for definition of EITE activities.
 - RET Regulations⁸⁴ and the measurement policies set out in the application provide the criteria for measuring production and expected production, if applicable.

The criteria for each engagement are summarised in Appendix 3.

64. For most of the engagements covered by this Guidance Statement, the criteria is provided by legislation or regulation, which is a prima facie indication that the criteria will be suitable. However, the criteria for measurement of emissions and energy which are provided in the NGER Measurement Determination, allow for multiple methodologies for most sources of emissions, so it is still necessary for the assurance practitioner to assess the suitability of the method selected as the criteria. The entity is required to identify the method type (1 to 4) and, if applicable, the criterion (AAA, AA, A or BBB) applied when submitting Greenhouse and Energy Reports and Emissions Reports. When assessing the suitability of the method applied as criteria, the assurance practitioner considers if the entity has changed methods from the previous period, as a lower order method can only be applied after a four year period of applying a higher method.⁸⁵ If possible, the assurance practitioner obtains a basis of preparation from the responsible party at the outset, even if it is not required by legislation or regulation, to enable the assurance practitioner to readily identify the measurement methodologies applied and the manner in which other criteria, such as operational control in determining activity boundaries, have been applied in preparing the report or application.

⁸³ See CFI Regulations, regulations 1.11-1.12.

⁸⁴ See RET Regulations Schedule 6 and regulation 22A(7), if applicable.

⁸⁵ See NGER Measurement Determination, section 1.18.

65. For Offsets Projects, CFI provides a methodology determination⁸⁶ for each activity for which ACCUs may be claimed and the *Application for Declaration of an Eligible Offsets Project* requires identification of the chosen CFI methodology determination. The relevant determination may allow for different methods of measurement and the entity may have applied judgements which impact how the offsets are measured in the Offsets Report.
66. Criteria for production reported in applications for assistance under JCP or RET are not provided by legislation or regulation, however the suitability of the criteria can be assessed against industry practice. The criteria for compliance matters are the requirements contained in the relevant legislation or regulation.
67. Applications for formal assessment of activities as EITE under JCP do require the basis of preparation to be reported. As the criteria for applications for free carbon units under JCP allow for some choices in methodologies, it is again important that the assurance practitioner determines whether the criteria used and significant judgements made in preparing the JCP application will be adequately documented and made available to the engagement team.
68. In accepting the engagement, the assurance practitioner needs to be satisfied that they will be provided with the criteria used in preparation of the subject matter, such as a basis of preparation, detailing which quantification methods were applied, and information regarding significant judgements made in preparing the relevant report or application. Where it appears unlikely that this information will be available to the assurance practitioner when conducting the engagement, the practitioner may choose not to accept the engagement.

Criteria for Assurance over Record keeping

69. Reasonable assurance is required under the CPM, for liable entities meeting the threshold, on compliance with the record keeping requirements in the NGER Act in relation to the eligible financial year.⁸⁷ Although those records are required to be kept for 5 years, as the reasonable assurance report relates only to the eligible financial year, there is no need for the assurance practitioner to gather evidence regarding retention of records relating to prior reporting periods. If the assurance practitioner becomes aware of a failure of the liable entity to retain records for the required 5 year period, then this is communicated to the Regulator and those charged with governance along with any other compliance breaches.⁸⁸
70. The assurance practitioner can expect records to include both the decision-making process for selecting measurement methodologies and the details of the calculation and data analysis methods used for GHG emissions and energy production and consumption. Records may include:
 - (a) A list of all emissions sources monitored;
 - (b) The activity data used for calculation of GHG emissions for each source, categorised by process and fuel or material type;
 - (c) Documentary evidence relating to calculations—for example, receipts, invoices, and details of payment methods;
 - (d) Documentation of the methods used for GHG emissions and energy estimations;
 - (e) Documents justifying selection of the monitoring methods chosen;
 - (f) Documentation of the collection process for activity data for a facility and its sources;

⁸⁶ For example see *Carbon Farming (Capture and Combustion of Methane in Landfill Gas from Legacy Waste) Methodology Determination 2012*, *Carbon Farming (Reduction of Greenhouse Gas Emissions through Early Dry Season Savanna Burning) Methodology Determination 2012* and *Carbon Farming (Destruction of Methane Generated from Manure in Piggeries) Methodology Determination 2012*.

⁸⁷ See NGER Act, section 22B.

⁸⁸ See this Guidance Statement, paragraphs 119-120, regarding reporting compliance breaches.

- (g) Records supporting business decisions and accuracy, especially for high-risk areas relating to reporting coverage (for example, applying concepts of controlling corporation, corporate group, and facility); and
- (h) When facility-specific emissions factors are used, the monitoring or sampling methods used, evidence of compliance with relevant sampling and analysis standards adhered to in applying those methods and the results from the development of these emissions factors, as well as information such as biomass fractions and oxidation or conversion factors.

Availability of Evidence

71. When the assurance practitioner is engaged by the Regulator to report on compliance with requirements of the NGER Act or CFI Act, invariably this occurs after the relevant period end, as the Regulator usually initiates engagements after the reporting entity's Greenhouse and Energy, Emissions or Offsets Report is lodged. Greenhouse and Energy, Emissions and Offsets Reports are required to be lodged by 31 October, four months after the end of the reporting period, and Offsets Reports are required to be lodged between 12 months and 5 years after the project was declared eligible. So engagements which are initiated after period end will require evidence with respect to activities which occurred at least three months and up to 5 years earlier. This presents some potentially substantial restrictions on the availability of sufficient appropriate evidence to support an assurance conclusion. When accepting the engagement, the assurance practitioner considers the sources of evidence which may be available and considers whether procedures which are able to be conducted after period end are likely to be adequate to obtain sufficient appropriate evidence. Reliance on controls, for example, may be hampered, as evidence of the operating effectiveness of controls may need to be gathered by observation and enquiry contemporaneously with the operation of those controls. If controls cannot be effectively tested, the assurance practitioner may be able to conduct tests of details alone to support the assurance conclusion. However, if there is likely to be a limitation of scope due to lack of available evidence, the assurance practitioner may choose not to accept the engagement or bring the potential for a modified assurance report to the Regulator's attention prior to commencement of the engagement.
72. For assurance engagements required by legislation on Emissions Reports⁸⁹ or Offsets Reports,⁹⁰ it is preferable if the engaging party initiates the engagement prior to or early in the reporting period, to allow the assurance practitioner the opportunity to plan the engagement and conduct assurance procedures during the period if necessary in gathering sufficient appropriate evidence. Liable entities under CPM and ROEs under CFI may find it beneficial to consult with an assurance practitioner at the start of the reporting period to ensure that suitable evidence will be available for the assurance practitioner when the engagement is conducted, so that the likelihood of modifications to the assurance conclusion is reduced. This is particularly pertinent to Offsets Reports which may cover a period of up to 5 years after the declaration of the Offsets Project.

Planning an Assurance Engagement

73. In order to plan an assurance engagement on a report, whether prepared under section 19 or section 22A, NGER Act, or section 76, CFI Act, or an application for assistance, the assurance practitioner obtains information regarding the basis of preparation for that report or data in that application, which may include:
- (a) The organisational structure, operations and facilities, including outsourcing;
 - (b) Sources of emissions, energy or offsets for each material facility;

⁸⁹ NGER Act, section 22A requires scope 1 emissions to be reported for the purposes of the CPM.

⁹⁰ CFI Act, section 76 requires Offsets Reports to be provided to the Regulator for eligible offsets projects, accompanied by a prescribed audit report.

- (c) Description of reporting and facility boundaries, including distinction between site and facility definitions;
- (d) Measurement methodologies and measurement criterion selected, including key points of measurement, assumptions, basis of estimates, significant judgements made and any change in methodologies from the previous reporting period, if any;
- (e) Description of process to ensure completeness of sources per facility;
- (f) Discussion of complex areas of operation or areas of significant uncertainty; and
- (g) Description of data collection, record keeping and aggregation process, including key controls.

The form by which a basis of preparation may be documented will vary and may include a formal document to accompany the report, a reporting manual, checklists or responses to an assurance practitioner questionnaire. The availability of a basis of preparation may also assist the assurance practitioner in planning assurance procedures on record keeping which is required to be opined on for mandatory assurance engagements under the CPM⁹¹ and CFI.⁹²

Materiality in Planning and Performing the Engagement

- 74. When planning and performing an assurance engagement, whether the engagement is being conducted under ASAE 3000, ASAE 3100 or ASAE 3410, the assurance practitioner considers materiality.⁹³ The materiality levels set (overall and performance materiality) will determine the nature, timing and extent of risk assessment and further assurance procedures to be performed on the subject matter, whether it be emissions, energy, offsets, disclosures, production, activity description or compliance matters. During the engagement the assurance practitioner re-assesses materiality if matters come to their attention that indicate that the basis on which materiality was assessed has changed.
- 75. In determining materiality, the assurance practitioner applies their professional judgment to understand and assess what factors might influence the decisions of the Regulator and other intended users and the magnitude and nature of omissions, misstatements, non-disclosures or compliance breaches which may adversely affect decisions made by those users. Where particular types of emissions, disclosures or compliance matters may have a greater impact on the decisions of users, materiality may need to be set lower for those amounts or matters.
- 76. Materiality is determined in the same way whether the engagement is a reasonable or limited assurance engagement. The difference between limited and reasonable assurance engagements lies in the nature, timing and extent of evidence gathering procedures, which will differ in order to reduce the risk of a material misstatement or compliance breach remaining undetected to an acceptably low level, in the case of a reasonable assurance engagement, or to a limited level, in the case of a limited assurance engagement. So the risk of material misstatements or compliance breaches in a limited assurance engagement is not reduced to the same extent as in a reasonable assurance engagement, because of the more limited nature, timing and extent of procedures conducted. In a limited assurance engagement, the assurance practitioner seeks to obtain a meaningful level of assurance, which is likely to enhance the intended users' confidence about the subject matter to a degree that is clearly more than inconsequential.
- 77. Factors which may influence the decisions of the intended users, include whether the reported amounts, volumes, disclosures or compliance matters:
 - Are close to a reporting or liability threshold.

⁹¹ See NGER Act, sections 22B and 74AA.

⁹² See CFI Regulations, regulation 1.11-1.12, and CFI Act, sections 191-193.

⁹³ ASA 320 *Materiality in Planning and Performing an Audit* may provide useful guidance in applying materiality for engagements under ASAE 3000, ASAE 3100 and ASAE 3410.

- May impact government targets.
 - May influence resources allocation of the intended users.
 - Give rise to a carbon unit liability.
 - Give rise to eligibility for assistance.
 - Give rise to a saleable offset.
78. The assurance practitioner determines:
- (a) Materiality for the report or application as a whole and, if appropriate, materiality for particular classes of emissions, energy production, consumption, disclosure or compliance matter, for assessing misstatements or breaches identified; and
 - (b) Performance materiality, for assessing the risks of material misstatement and determining the nature timing and extent of further procedures.
79. For Greenhouse and Energy Reports, under section 19, NGER Act, overall materiality is determined separately for emissions, energy consumption and energy production, as these amounts are discrete and quantified in different units so they cannot be aggregated.
80. When considering materiality, both quantitative factors, that is the magnitude of the amounts, and qualitative factors, such as how the information will be used or how close the reported amounts are to applicable thresholds, are taken into account.
81. As a starting point for determining materiality a percentage may be applied to a chosen benchmark. The benchmark which is appropriate for determining materiality for the report or application as a whole or compliance matter will depend on the circumstances and subject matter of the engagement. In the absence of other circumstances, the benchmark chosen is within the context of the assurance being sought, so if the subject matter of the engagement is at a group level then the materiality will be based on benchmarks for the group and likewise if assurance is on a single facility then the benchmark will be at a facility level. Examples of benchmarks for overall materiality which may be appropriate, depending on the nature of the engagement, include:
- (a) Scope 1 emissions in an Emissions Report for liable entity under the CPM;
 - (b) Separate benchmarks for total emissions (scope 1 and 2), energy consumption and energy production in a Greenhouse and Energy Report;
 - (c) Specific amount, volume or compliance matter subject to assurance, where the subject matter of the engagement is not the entire report or application;
 - (d) Each main disclosure (emissions, assumptions in the process flow diagram and production) in an application for assistance under JCP, resulting in multiple benchmarks; or
 - (e) Total offsets in an Offsets Report, which may cover a period of 1 to 5 years, for an eligible offsets project.
82. The percentage applied to the benchmark to determine overall materiality will depend on the circumstances of the engagement and the amounts or volumes which may influence the decisions of users.
83. Performance materiality is usually set below the overall materiality so that the aggregated uncorrected or undetected misstatements is not likely to exceed overall materiality. If only one source is reported, it may be appropriate for performance materiality to be set at the same

amount as overall materiality. It is not simply a mechanical calculation but involves the exercise of professional judgement.

84. Overall, materiality and performance materiality, including the percentages and benchmarks on which they are based, are documented in the assurance engagement plan.

Identifying and Assessing the Risks of Material Misstatement or Compliance Breach

85. When identifying and assessing risks of material misstatement or compliance breach as a basis for designing and performing further assurance procedures, the assurance practitioner does so at the level of the report or application as a whole and, for reasonable assurance engagements, also at the assertion level for material classes of emissions, energy production, energy consumption or compliance matters.
86. Factors impacting the risk assessment for engagements on emissions, energy or offsets, in addition to those identified in ASAE 3410,⁹⁴ include:
- (a) The immaturity of the reporting systems;
 - (b) The lack of a double entry recording system;
 - (c) The estimation and uncertainty inherent in the methodologies applied;
 - (d) The application of thresholds to determine liabilities which may create a bias towards understatement or fractionalisation of facilities to fall below the threshold; and
 - (e) Any bias inherent in the measurement methodology.
87. Assurance engagements conducted for the first time will be higher risk usually than subsequent years, as the entity's systems and controls over the measurement and recording of emissions, energy consumption, energy production or offsets is likely to be immature and so more likely to contain deficiencies. In addition, the documentation maintained by the entity may not entirely meet the assurance practitioner's needs and measurement methodologies may not yet be well understood or procedures well established.

Assertions

88. Assertions are used as a means of assessing the risk of material misstatement and designing procedures to address those risks in reasonable assurance engagements and may also be applied in limited assurance engagements. The assurance practitioner identifies and assesses risk at the overall report level, whether it be a Greenhouse and Energy Report, an Emissions Report, application for assistance or Offsets Report, which is subject to assurance, and also at the assertion level for volumes and disclosures. The assertions identified in the NGER Measurement Determination are: reliability, accuracy and completeness of the matter being audited. ASAE 3410⁹⁵ provides more extensive assertions, which can be applied by the assurance practitioner in considering the different types of potential misstatements in emissions and can also be applied when assuring production or offsets volumes reported, which can be categorised as follows:
- (a) Assertions about activities during the period, including quantification of emissions, production or offsets:
 - (i) Occurrence – quantities that have been recorded have occurred and pertain to the entity;
 - (ii) Completeness – all quantities that should have been recorded have been recorded;

⁹⁴ See ASAE 3410, paragraph 34.

⁹⁵ See ASAE 3410, paragraph A82.

- (iii) Accuracy – quantities have been measured and recorded appropriately;
 - (iv) Cut-off – quantities have been recorded in the correct period; and
 - (v) Classification – quantities have been recorded in the proper category.
- (b) Assertions about presentation and disclosure:
- (i) Occurrence and rights and obligations – disclosed quantities and other matters have occurred and pertain to the entity;
 - (ii) Completeness – all disclosures that should have been included in the report or application have been included;
 - (iii) Classification and understandability – information on the subject matter is appropriately presented and described, and disclosures are clearly expressed;
 - (iv) Accuracy and quantification – quantification and other information on the subject matter is appropriately disclosed; and
 - (v) Consistency – quantification policies are consistent with those applied in the prior period, or changes are justified and have been properly applied and adequately disclosed; and comparative information, if any, is as reported in the prior period or has been appropriately restated.
89. When assessing the risks for engagements for which compliance with legislative or regulatory requirements is reported upon, some or all of these assertions may be applicable depending on the nature of the compliance matter.
90. Certain amounts or volumes will be assessed as higher risk due to the nature of those emissions or energy. For example, fugitive emissions, which are inherently difficult to measure, may be assessed as high risk with assurance procedures targeting completeness and accuracy of those fugitive emissions in response to that assessed risk.

Measurement Methodologies

91. When the criteria for the engagement includes measurement methodologies, the NGER Measurement Determination provides measurement methodologies for estimating scope 1 and scope 2 emissions, energy production and energy consumption and the CFI Methodology Determinations provides measurement methodologies for each offset activity. The methodologies are likely to be amended periodically to reflect new information in relation to methods and factors. The current methodologies are reflected and explained in *Technical Guidelines for the estimation of greenhouse gas emissions by facilities in Australia*.
92. Methodologies allowed under the Measurement Determination for scope 1 emissions, being direct emissions that arise on-site from the activities of the controlling corporation or facility, may include methods rated 1, 2, 3 or 4, with 1 representing the lowest order method or the least accurate with the greatest measurement uncertainty and 4 representing the highest order method or most accurate with the lowest measurement uncertainty. These methods are based on:
- Method 1: Applies national average emissions factors determined by the DCCEE to estimate emissions.
 - Method 2: A facility-specific method using industry sampling and Australian or international documentary standards for analysis of fuels and raw materials.
 - Method 3: A facility-specific method using Australian or international documentary standards for both sampling and analysis of fuels and raw materials.

- Method 4: Direct monitoring of emissions systems on a continuous or periodic basis.
93. Once a method has been selected by the controlling corporation or facility, this method is required to be applied for a four year period unless a higher order method is applied. The controlling corporation may only move to a lower order method after the four year period. If multiple reports are produced for the one facility the same methods are required to be used for those reports.⁹⁶
94. Within certain methods, different criterion are permitted to be applied, which may include measurement criteria which are rated AAA, AA, A or BBB, ranging from the highest order to the lowest order measurement criteria. Once a higher order measurement criteria, either AAA or AA, is applied the reporting entity is required to continue applying that criteria for a minimum period.⁹⁷
95. Scope 2 emissions are indirect emissions which arise primarily as a result of the consumption of electricity, heating, cooling or steam by the controlling corporation or facility. Scope 2 emissions are either calculated from:
- (a) State or territory-based factors, which are updated each year based on the current mix of electricity generation sources, for electricity purchased from the grid; or
 - (b) Vendor estimates of scope 1 emissions, for electricity, heating, cooling or steam purchased off-grid.
96. Whilst a number of different methodologies are permitted under the NGER Measurement Determination for calculating the emissions reported from each source, those methodologies vary in their accuracy. The accuracy of the methodology is reflected in the uncertainty associated with that methodology. The amount of uncertainty associated with the estimate for the total amount of scope 1 emissions in a Greenhouse and Energy Report is required to be reported to the Regulator.⁹⁸ This NGER Uncertainty is equivalent to statistical uncertainty which is just one component of “estimation uncertainty”, as referred to in ASAE 3410⁹⁹ which is defined in the GHG Protocol Guidance.¹⁰⁰ Estimation uncertainty comprises model uncertainty and parameter uncertainty, which itself comprises statistical (reported under NGERS) and systematic uncertainty. Uncertainty which is inherent in the measurement methodologies, such as an emissions factor, which are provided under the NGER Measurement Determination, will not usually impact the assurance conclusion. However, any material uncertainty or misstatement in the parameters which feed into the methodology applied, such as a site specific factor or activity data, need to be considered in reaching the assurance conclusion.

Understanding the Entity and its Environment

97. ASAE 3410¹⁰¹ and ASAE 3100¹⁰² require the assurance practitioner to obtain an understanding of the entity and its environment and identify and assess the risk of material misstatement or compliance breach in order to plan the engagement. In gaining this understanding, ASAE 3410¹⁰³ provides a comprehensive list of matters to be considered, which can be readily adapted to engagements which do not involve emissions. ASAE 3410¹⁰⁴ requires the assurance practitioner to conduct the following procedures in obtaining that understanding and assessing risk: enquiries, analytical procedures and observation and inspection.

⁹⁶ See NGER Measurement Determination, section 1.18A.

⁹⁷ See NGER Measurement Determination, section 2.14 for solid fuels, section 2.29 for gaseous fuels and section 2.50 for liquid fuels.

⁹⁸ See NGER Regulations, regulation 4.17A.

⁹⁹ See ASAE 3410, paragraph A54.

¹⁰⁰ See *GHG Protocol guidance on uncertainty assessment in GHG inventories and calculating statistical parameter uncertainty* (Sept 2003) v.1.0, World Business Council for Sustainable Development and the World Resources Institute.

¹⁰¹ See ASAE 3410, paragraphs 23-34.

¹⁰² See ASAE 3100, paragraphs 28-29.

¹⁰³ See ASAE 3410, paragraph 23.

¹⁰⁴ See ASAE 3410, paragraph 24.

98. For a limited assurance engagement the assurance practitioner does not normally develop the depth of understanding of internal controls as is required in a reasonable assurance engagement¹⁰⁵ and so gaining that understanding may be limited to enquiries.
99. The assessment of risk is directed at identifying those risks that may result in either the subject matter being materially misstated, as reported in a Greenhouse and Energy Report, Emissions Report, Offsets Report or an assistance application, or, for a compliance engagement, the existence of material breaches of the relevant requirements.

Overall Responses to Assessed Risks of Material Misstatement and Further Procedures

100. The assurance practitioner designs and performs further assurance procedures which are responsive to assessed risks of material misstatement or material compliance breach. The assurance procedures performed on any particular engagement is a matter of professional judgement and the nature, timing and extent of procedures will vary widely due to the different circumstances of each engagement. The assurance practitioner chooses a combination of assurance procedures, which may include: inspection, observation, confirmation, recalculation, re-performance, analytical procedures and enquiry. Irrespective of the assessed risks of material misstatement or material compliance breach, the assurance practitioner designs and performs test of details for each material source of emissions, energy or offset, production process, class of transaction or compliance matter. In designing these tests the assurance practitioner needs to consider the risks of material understatement, particularly with respect to immaterial amounts reported, or risk of material omission.

Work Effort for a Limited versus Reasonable Assurance Engagement

101. ASAE 3410 clearly differentiates between the work which is required to be conducted for a limited versus a reasonable assurance engagement. However, the nature, timing and extent of evidence gathering procedures which are conducted in any given circumstance is a matter of professional judgement and is determined in response to the assurance practitioner's determination of materiality, risk assessment and the results of the procedures conducted in response to assessed risks. As the level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, the procedures the assurance practitioner will perform will vary in nature from and will be less in extent than for a reasonable assurance engagement.¹⁰⁶ In a limited assurance engagement procedures primarily involve enquiries and substantive analytical procedures and may not include tests of controls. Although procedures in a limited assurance engagement will be much more limited in nature, timing and extent than for a reasonable assurance engagement, ASAE 3000, ASAE 3100¹⁰⁷ and ASAE 3410¹⁰⁸ require additional procedures to be conducted if the assurance practitioner becomes aware of a matter which causes them to believe the subject matter may be materially misstated or there may be a material compliance breach. The assurance practitioner may conduct procedures more akin to a reasonable assurance engagement on this particular matter in order to satisfy themselves that either the subject matter is not likely to be materially misstated or non-compliant or it is materially misstated or non-compliant.
102. Most engagements addressed in this Guidance Statement are reasonable assurance engagements, however limited assurance engagements may be:
- (a) Initiated by the Regulator for monitoring or compliance purposes under NGERs or CFI;
 - (b) Initiated voluntarily by the entity; or
 - (c) Required for applications for JCP assistance, which include facilities without continuously operating EITE activities or commencing significant expansions, on

¹⁰⁵ See ASAE 3410, paragraph 25.

¹⁰⁶ See ASAE 3410, paragraphs 7-8.

¹⁰⁷ See ASAE 3100, paragraph 56.

¹⁰⁸ See ASAE 3410, paragraph 49L.

expected production. Limited assurance in this case is provided on the reasonableness of assumptions for the preparation of expected production and the preparation of expected production on the basis of the assumptions and the basis of preparation.

103. In a reasonable assurance engagement, procedures will include tests of controls as well tests of details. When conducting a reasonable assurance engagement, if the assurance practitioner is able to obtain evidence that the controls they wish to rely on are operating effectively, then the nature, timing and extent of tests of details may be reduced or modified. If reliance is to be placed on the operating effectiveness of controls throughout the period, then testing will need to cover that period. Alternatively, if the identified controls are not operating effectively, then the nature, timing or extent of tests of details will need to be increased or modified.

Sampling

104. When testing controls or conducting tests of details on amounts, volumes or compliance activities, the assurance practitioner may select:¹⁰⁹
- (a) All items, where the number of items are small and the risks are significant;
 - (b) Specific items based on their attributes, although the results cannot be projected to the entire population;
 - (c) A non-statistical sample; or
 - (d) A statistical sample, from which conclusions may be drawn about the entire population.
105. If a sample is to be selected for testing, the assurance practitioner considers the purpose of the procedure and the characteristics of the population,¹¹⁰ determines a sample size which may reduce sampling risk to an acceptably low level and selects items so that each unit has a chance of selection. Sampling may be used for a limited assurance engagement, if appropriate, however as the acceptable level of risk will be higher the sample size may be smaller than if a reasonable assurance engagement was being conducted. For any misstatements or compliance breaches identified the assurance practitioner investigates the nature and cause and (unless it is clearly established to be an anomaly) projects the misstatements to the population.
106. Sampling and analysis may be required to be used by an entity extensively under the NGER Measurement Determination to determine the composition of fuels or materials produced or consumed in order to estimate emissions and also under CFI methodologies. This sampling conducted by the entity is contrasted to that conducted by the assurance practitioner, in that the assurance practitioner may use sampling to test any of the parameters which form part of the emissions or offsets calculated, not solely the composition of a fuel or material.

Estimates

107. ASAE 3410¹¹¹ explains the procedures which are conducted by the assurance practitioner with respect to estimates for limited and reasonable assurance engagements on reported emissions. This approach can be applied as guidance for other engagements addressed in this Guidance Statement.

Using the Work of Experts

108. Engagements to provide assurance on emissions, energy, offsets or compliance with NGER Act, CE Act, CFI Act or related regulations requires a broad ranges of skills, which may necessitate the engagement of an industry, environmental, scientific, assurance or other

¹⁰⁹ ASA 530 *Audit Sampling* may be used as guidance on sample selection and evaluation of sampling results.

¹¹⁰ See ASAE 3410, paragraph 46.

¹¹¹ See ASAE 3410, paragraphs 44-45.

technical expert from outside of the assurance practitioner's practice in order to ensure that those who are to perform the engagement collectively possess the necessary professional competencies. Experts may be engaged to work on the engagement as part of a multidisciplinary team, to provide advice on a discrete matter, such as certain measurement methodologies, or to be involved at a specific stage in the engagement, such as to provide a quality control review.

109. When an expert is to be used, the assurance practitioner still needs to understand their work sufficiently to conclude on the subject matter, including obtaining sufficient appropriate evidence that the expert's work is adequate for the purposes of the engagement.¹¹²
110. For an engagement involving assurance on emissions it is usually preferable if the expertise of the quality control reviewer is that of a different professional discipline to that of the assurance practitioner, as the quality control reviewer will bring complementary skills to the engagement and may be in a better position to challenge the adequacy of the evidence provided by the work of experts, within the quality control reviewer's field of expertise.

Evidence Held at Service Organisations

111. Records may be kept by a third party or service organisation, which provides services to the controlling corporation or the facility, with respect to the subject matter of the engagement. These records may include documentation relating to emissions, energy, offsets, production or compliance. If evidence which is required for the purposes of the assurance engagement is held by a service organisation, then arrangements need to be made either for an assurance report to be obtained by the service organisation or for access to the records of the service organisation by the assurance practitioner to obtain that evidence directly.
112. When obtaining an understanding of the subject matter and other engagement circumstances as required by ASAE 3000 or an understanding of the entity and its environment under ASAE 3410,¹¹³ including the nature of the operations, the assurance practitioner considers the organisational boundary of the controlling corporation or facility applicable to the engagement. The assurance practitioner determines whether any service organisations maintain records of material amounts or volumes which fall within the organisational boundary of the activity which is being reported on and so hold evidence needed to support the assurance conclusion. If so, the assurance practitioner determines whether they intend to rely on the operating effectiveness of controls at the service organisation or on evidence held at the service organisation regarding assertions relating to amounts, volumes or compliance matters. The assurance practitioner determines whether that evidence may be obtained by:
- (a) An assurance practitioner's report on controls over the subject matter provided by the service organisation;
 - (b) Performing tests of controls or tests of details at the service organisation; or
 - (c) Using another assurance practitioner to perform those tests of controls or tests of details.

Fraud

113. For assurance engagements on emissions, ASAE 3410 requires the assurance practitioner to respond appropriately to fraud or suspected fraud and compliance breach or suspected compliance breach identified during the engagement. The nature of that response is detailed in the application material to ASAE 3410.¹¹⁴ The requirements and application material in ASAE 3410 may also be used as guidance for other engagements addressed in this Guidance

¹¹² See ASAE 3000.

¹¹³ See ASAE 3410, paragraph 23.

¹¹⁴ See ASAE 3410, paragraphs 47, A106 and A107.

Statement to which ASAE 3410 does not directly apply. In addition, ASA 240¹¹⁵ may be used as additional guidance in these circumstances.

Evaluating Misstatements or Compliance Breaches Identified

114. When assuring emissions, ASAE 3410¹¹⁶ requires the assurance practitioner to accumulate misstatements identified during the engagement, other than those that are clearly trivial. For engagements relating to other subject matters, including energy, offsets, record keeping or compliance, the assurance practitioner also accumulates any misstatements or compliance breaches. Misstatements or breaches may be factual, where they have been identified and quantified; judgemental, where they arise from differences between the assurance practitioner's and management's judgements; or projected, where they are an estimate based on a sample of the population.
115. Revision of the assurance engagement strategy or plan in order to perform additional procedures may be necessary if:
- (a) The nature of the misstatements or breaches and the circumstances of their occurrence indicate that other misstatements or breaches exist, which when aggregated with those identified could be material; or
 - (b) The aggregated misstatements or breaches approach materiality.¹¹⁷
116. Once the additional procedures have been conducted, ASAE 3410 requires the assurance practitioner to request that the identified misstatements are corrected by the responsible party.¹¹⁸ This will be possible if the report or application has not yet been lodged or if resubmission of data is permitted under the relevant scheme, but not for engagements conducted subsequent to lodgement where resubmission is not permitted. Compliance breaches identified may also be rectified by the responsible party in certain circumstances.
117. The assurance practitioner evaluates the effect of the remaining misstatements or breaches, to determine whether they are material individually or in aggregate. Materiality, determined in planning the engagement, may need to be reassessed if the engagement commenced prior to finalisation of the report or application.¹¹⁹

Communication with the Responsible Party

Compliance Breaches

118. Compliance breaches which the assurance practitioner becomes aware of during the conduct of an assurance engagement are required to be reported to the Regulator under Part B of the assurance report, for reports issued under NGERs.¹²⁰ They are also reported to those charged with governance under ASAE 3000 or ASAE 3410,¹²¹ along with any identified or suspected fraud and non-compliance with laws and regulations. However, a compliance breach does not impact the assurance report conclusion, unless the breach:
- (a) Relates to a compliance matter which is part of the subject matter of the engagement on which the assurance practitioner is required to conclude; or
 - (b) Results in a material misstatement of the subject matter or insufficient evidence being available to form a conclusion.
119. Compliance breaches which may impact the assurance conclusion include:

¹¹⁵ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

¹¹⁶ See ASAE 3410, paragraph 50.

¹¹⁷ See ASAE 3410, paragraph 51.

¹¹⁸ See ASAE 3410, paragraph 53.

¹¹⁹ See ASAE 3410, paragraph 55.

¹²⁰ See NGER Audit Determination, section 3.23.

¹²¹ See ASAE 3410, paragraph 78.

- For engagements initiated by the Regulator under the NGER and CFI Acts: material breaches of the compliance matters under the NGER or CFI Act identified in the scope of the engagement.
- For assurance reports under the CFI Act, submitted with an Offsets Report: material breaches of any requirement of the CFI Act.
- For assurance reports under section 74AA, NGER Act for the purposes of the carbon pricing mechanism: material breaches of the section 22A reporting requirements or section 22B record keeping requirements.

Control Deficiencies

120. If the assurance practitioner identifies any deficiencies in internal controls, the assurance practitioner determines whether those deficiencies individually or in combination amount to significant deficiencies. Significant deficiencies are communicated to those charged with governance of the responsible party on a timely basis. Significant deficiencies which the assurance practitioner has communicated or intends to communicate to those charged with governance are also communicated to management with oversight responsibilities for the subject matter, along with other deficiencies of sufficient importance to merit management's attention.¹²² When reporting under NGERs, the assurance practitioner determines whether significant deficiencies are a matter required to be included in Part B of the assurance report.
121. In assessing the significance of deficiencies identified the assurance practitioner may use ASA 265¹²³ as useful guidance.
122. Where the Regulator is the engaging party, such as engagements under section 73 and section 74 of the NGER Act or section 214 and section 215 of the CFI Act, control deficiencies are communicated by the assurance practitioner to the responsible party in the manner agreed in the engagement letter.
123. Deficiencies in controls do not affect the conclusion in the assurance report unless:
- (a) The subject matter of the engagement includes the description, design or operating effectiveness of those controls; or
 - (b) Reliance on the operating effectiveness of those controls is necessary in order to obtain sufficient appropriate evidence on which to base the assurance conclusion and alternative procedures are not available.

Representations from the Responsible Party

124. ASAE 3000 and ASAE 3100 require the assurance practitioner to obtain written representations from the responsible party, which may include:
- (a) Confirmation of oral representations;
 - (b) Confirmation that the responsible party has provided the assurance practitioner with all information which they are aware is relevant to the engagement and all reasonable facilities and assistance during the engagement; and
 - (c) Acknowledgement that the responsible party has prepared the report or application in accordance with the relevant legislation and regulations and that all relevant matters are reflected in that report or application.

¹²² See ASAE 3410, paragraph 78.

¹²³ ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

These written representations are obtained as close as possible to the date of the assurance report, but not after that date, and cannot replace other evidence which the assurance practitioner can reasonably expect to be available.

125. ASAE 3410 expands on the matters to be addressed in representations from the responsible party.

Subsequent Events

126. ASAE 3000, ASAE 3100¹²⁴ and ASAE 3410¹²⁵ require the assurance practitioner to consider subsequent events up until the date of the assurance report and provide the requirements for the appropriate response to any such matters identified.

Documentation

127. ASAE 3000, ASAE 3100¹²⁶ and ASAE 3410¹²⁷ provide requirements for the matters which are documented by the assurance practitioner. The NGER Regulations¹²⁸ require retention of the assurance practitioner's records for 5 years.
128. In determining the extent of documentation to be prepared and retained the assurance practitioner may consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken to another experienced assurance practitioner who has no previous experience with the engagement. This understanding is not expected to extend to the detailed aspects of the engagement without discussions with the assurance practitioner who prepared the documentation.

Engagement Quality Control Review

129. Engagements conducted under the NGER Audit Determination, which include assurance engagements conducted under NGERs, CPM and CFI, are required to be evaluated by a peer reviewer.¹²⁹ The outcomes of that evaluation are required to be reported in Part B of the assurance report.¹³⁰ A peer review under NGER Audit Determination is equivalent to an engagement quality control review under ASAE 3410. Consequently, when conducting their evaluation the peer reviewer addresses the matters required by ASAE 3410.¹³¹

Preparing the Assurance Report

130. The required content of the assurance report for each scheme is set out in:
- NGERs and CPM – NGER Audit Determination¹³² and ASAE 3410, whether initiated by the Regulator or required to be submitted with the related Greenhouse and Energy Report or Emissions Report.
 - JCP activity assessments – ASAE 3000 for assurance on applications for formal assessment of activities as EITE.
 - JCP assistance – CE Regulations¹³³ and ASAE 3000 for assurance on applications for EITE assistance and LNG supplementary assistance.
 - CFI – NGER Audit Determination and ASAE 3100 for assurance on compliance with the CFI Act.

¹²⁴ See ASAE 3100, paragraph 70.

¹²⁵ See ASAE 3410, paragraph 61.

¹²⁶ See ASAE 3100, paragraph 72.

¹²⁷ See ASAE 3410, paragraphs 65-70.

¹²⁸ See NGER Regulations, regulation 6.70.

¹²⁹ See NGER Audit Determination, section 3.7.

¹³⁰ See NGER Audit Determination, section 3.23(1)(d).

¹³¹ See ASAE 3410, paragraph 71.

¹³² See NGER Audit Determination, section 3.21.

¹³³ See CE Regulations, regulation 604.

- RET – RET Regulations, NGER Audit Determination, ASAE 3000 and ASAE 3100 for assurance on applications for a PEC.
131. ASAE 3000 applies to all engagements covered by this Guidance Statement and, in addition, ASAE 3410 applies to engagements to report on emissions and ASAE 3100 applies to engagements to report on compliance matters. The matters required to be included in assurance reports under the NGER Audit Determination are consistent with the content required in ASAE 3000, ASAE 3100 and ASAE 3410, except that those standards also require the assurance report to include:
- (a) When the criteria used to evaluate or measure the subject matter is only available to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose;¹³⁴
 - (b) A statement to identify the responsible party and to describe the responsible party's and the assurance practitioner's responsibilities;¹³⁵ and
 - (c) In the case of a limited assurance engagement, a statement that the procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.¹³⁶
132. Assurance practitioners' reports under the NGER Audit Determination are long form reports which require detailed findings to be reported under Part B. Part B need not repeat the entirety of the engagement plan nor the detail contained in the working papers which document the work conducted. As the NGER Audit Determination requires that Part B contains details of matters that required particular attention during the engagement, particularly impacted carrying out the engagement, the assurance practitioner believes amounts to a contravention of the NGER Act or NGER Regulations or any other matters which should be mentioned, in addition to the outcome of the peer review, it is not necessary to report trivial matters. The assurance practitioner may report how any misstatements or breaches are aggregated, whether they are material and if they have impacted the conclusion reached.
133. The assurance practitioner is only required to conclude on NGER Uncertainty reported by the entity in OSCAR if the provision of assurance on NGER Uncertainty has been agreed in the terms of engagement. If assurance on NGER Uncertainty is not included in the scope of the engagement, the assurance practitioner may include a statement to that effect in the assurance report on a Greenhouse and Energy Report to avoid any misunderstanding. If the assurance practitioner identifies, in the course of their work, a material misstatement or inconsistency in the NGER Uncertainty reported, if it does not impact the assurance conclusion, they may report it in an "Other Matter paragraph"¹³⁷ and in Part B of the assurance report.
134. Example reports for limited assurance and reasonable assurance engagements are provided in Appendix 5, Examples 2 and 3 respectively.

Other Information

135. If the Greenhouse and Energy or Emissions Report and accompanying assurance report is contained within other documents, ASAE 3410¹³⁸ requires the assurance practitioner to read the other information in those documents and take appropriate action, including discussion with the entity, if it could undermine the credibility of the Greenhouse and Energy or

¹³⁴ See ASAE 3000.

¹³⁵ See ASAE 3000.

¹³⁶ See ASAE 3410, paragraph 76(h)(ii). Note that this statement is included in the limited assurance report template in the *NGER Audit Determination Handbook*.

¹³⁷ See this Guidance Statement, paragraphs 141-142.

¹³⁸ See ASAE 3410, paragraph 64.

Emissions Report and accompanying assurance report. When conducting other assurance engagements, the assurance practitioner uses ASAE 3410 and ASA 720¹³⁹ to provide guidance with respect to other information. The assurance practitioner will usually need to take action if they identify a material inconsistency or a material misstatement of fact in the other information.

Modifications to the Assurance Conclusion

136. ASAE 3000 allows for the following modifications to the assurance conclusion:

- (a) A qualified conclusion;
- (b) An adverse conclusion; and
- (c) A disclaimer of conclusion, which is equivalent to an “inability to form a conclusion” in the NGER Audit Determination.

137. ASAE 3000 requires that:

- (a) If there is a limitation of scope, imposed either by circumstances, the responsible party or the engaging party, which imposes a restriction which prevents the assurance practitioner obtaining the evidence required, then the assurance practitioner is required to express, depending on the pervasiveness and materiality of the matter:
 - (i) A qualified conclusion; or
 - (ii) A disclaimer of conclusion.
- (b) If the report or application is materially misstated or there is material non-compliance with the specified requirements, the assurance practitioner is required to express, depending on the pervasiveness and materiality of the matter:
 - (i) A qualified conclusion; or
 - (ii) An adverse conclusion.

138. Even though the matters which lead to a qualified conclusion are not so material as those which lead to a disclaimer or adverse conclusion, it is still necessary for them to be material under ASAE 3000 to result in a qualification. Misstatements, compliance breaches or a limitation of scope, which are not material, may still be communicated to the Regulator if they relate to a contravention of the relevant legislation or regulations and to those charged with governance if they relate to significant deficiencies in controls which need to be addressed.

139. If a material misstatement or compliance breach is identified during the engagement and the report or application is adjusted to correct the misstatement or the breach rectified for the relevant period, the assurance practitioner will be able to issue an unmodified conclusion.

Emphasis of Matter and Other Matter Paragraphs

140. In complying with ASAE 3000 and ASAE 3410,¹⁴⁰ when the assurance practitioner considers it necessary to draw users’ attention to:

- A matter or matters presented or disclosed in a Greenhouse and Energy Report, an Emissions Report, an Offsets Report or a JCP or PEC application that, in the assurance practitioner’s judgement, are of such importance that they are fundamental to users’ understanding of that report or application the assurance practitioner includes an Emphasis of Matter paragraph.

¹³⁹ See ASA 720 *The Auditor’s Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*.
¹⁴⁰ See ASAE 3410, paragraph 77.

- Any matter or matters other than those that are presented or disclosed in the relevant report or application, which in the assurance practitioner's judgement is relevant to users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, the assurance practitioner communicates that matter in an Other Matter paragraph. Other Matter paragraphs may cover a pervasive limitation of scope, where the assurance practitioner cannot withdraw from the engagement, or a restriction on distribution.
141. Whilst Emphasis of Matter paragraphs and Other Matter paragraphs are not considered in the NGER Audit Determination, the assurance practitioner is not prevented by legislation or regulation from including such paragraphs when appropriate. An Emphasis of Matter or Other Matter paragraph does not affect the assurance practitioner's conclusion.

Conformity with International Pronouncements

As this Guidance Statement relates to Australian legislative requirements, there is no equivalent International Practice Statement (IAPS) to this Guidance Statement.

ABBREVIATIONS

ACCU	Australian carbon credit unit
ASAE 3000	Standard on Assurance Engagements ASAE 3000 <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>
ASAE 3100	Standard on Assurance Engagements ASAE 3100 <i>Compliance Engagements</i>
ASAE 3410	Standard on Assurance Engagements ASAE 3410 <i>Assurance on Greenhouse Gas Statements</i>
ASA 102	Auditing Standard ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>
ASA 240	Auditing Standard ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i>
ASA 265	Auditing Standard ASA 265 <i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i>
ASA 720	Auditing Standard ASA 720 <i>The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report</i>
ASQC 1	Standard on Quality Control ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>
ASRS 4400	Standard on Related Services ASRS 4400 <i>Agreed-upon Procedures Engagements to Report Factual Findings</i>
AUASB	Auditing and Assurance Standards Board
CPM	Carbon Pricing Mechanism
CE Act	<i>Clean Energy Act 2011</i>
CE Regulations	<i>Clean Energy Regulations 2011</i>
CFI	Carbon Farming Initiative
CFI Act	<i>Carbon Credits (Carbon Farming Initiative) Act 2011</i>
CFI Regulations	<i>Carbon Credits (Carbon Farming Initiative) Regulations 2011</i>
CO ₂ e	Carbon dioxide equivalent
DCCEE	Department of Climate Change and Energy Efficiency
EITE	Emissions-intensive Trade-exposed
GHG	Greenhouse gas
GJ	Gigajoules

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JCP	Jobs and Competitiveness Program
LTC	Liability transfer certificate under the CPM
LNG	Liquefied natural gas
NGER Act	<i>National Greenhouse and Energy Reporting Act 2007</i>
NGER Audit Determination	<i>National Greenhouse and Energy Reporting (Audit) Determination 2009</i>
NGER Measurement Determination	<i>National Greenhouse and Energy Reporting (Measurement) Determination 2008</i>
NGER Regulations	<i>National Greenhouse and Energy Reporting Regulations 2008</i>
NGERS	National Greenhouse and Energy Reporting Scheme
OSCAR	Online system for comprehensive reporting operated by the Regulator
PEC	Partial exemption certificate under the Renewable Energy Target
Regulator	Clean Energy Regulator
RET	Renewable Energy Target
RET Act	<i>Renewable Energy (Electricity) Act 2000</i>
RET Regulations	<i>Renewable Energy (Electricity) Regulations 2001</i>
ROE	Recognised Offset Entity under CFI

Appendix 2

(Ref: Para.6)

RELEVANT REQUIREMENTS AND NATURE OF ENGAGEMENTS

Schemes Covered	Legislation/Regulation/Guidance	Nature of Engagement	Subject Matter Information/Subject Matter	Assurance Practitioner	Relevant Sec./Reg.
NGERS	NGER Act NGER Measurement Determination NGER Audit Determination NGER Audit Determination Handbook	Reasonable assurance, limited assurance or verification engagement initiated by the Regulator, post-submission of Greenhouse and Energy Report, for compliance or monitoring purposes.	Registered corporation's Greenhouse and Energy Report under section 19, NGER Act or specified compliance requirements.	Registered Greenhouse and Energy Auditor Category 1, 2 or 3.	NGER Act, sections 73A, 74 and 74A
CPM - Carbon Pricing Mechanism	CE Act NGER Act NGER Regulations NGER Audit Determination	Reasonable assurance engagement under NGERS, report submitted with Emissions Report for entities over emissions threshold.	Liable entity's Emissions Report under s. 22A, NGER Act on covered scope 1 emissions for all facilities of liable entity and compliance with section 22B record keeping requirement.	Registered Greenhouse and Energy Auditor Category 2 or 3.	NGER Act, section 74AA NGER Regulation, regulation 6.04A

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Schemes Covered	Legislation/ Regulation/Guidance	Nature of Engagement	Subject Matter Information/ Subject Matter	Assurance Practitioner	Relevant Sec./Reg.
JCP – EITE eligibility	<i>Establishing the eligibility of activities under the Jobs and Competitiveness Program (2012)</i> <i>Assessment of activities for the purposes of the Jobs and Competitiveness Program supplementary guidance v.3</i>	Reasonable assurance engagement in accordance with ASAE 3000 of application submitted with formal assessment of activities as EITE and allocative baselines.	Application under JCP for EITE activity eligibility.	Registered Company Auditor (see DCCEE EITE Auditor Register)	Guidance Parts 2.1 and 2.2
JCP – EITE assistance	CE Regulations	Reasonable assurance and limited assurance engagement in accordance with NGER Audit Determination and ASAE 3000 submitted with application.	Application for JCP assistance for EITE activity.	Authorised Audit Company, Registered Company Auditor or Registered Greenhouse and Energy Auditor Category 2 or 3.	CE Act, section 149; CE Regulation, regulations 603 and 604(7)(c)
JCP – LNG supplementary assistance	CE Regulations	Reasonable assurance engagement report submitted with application for assistance.	Application under JCP for supplementary assistance for LNG production.	Authorised Audit Company, Registered Company Auditor or Registered Greenhouse and Energy Auditor Category 2 or 3.	CE Act, section 149; CE Regulation, regulations 604(7)(d) and 710

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Schemes Covered	Legislation/Regulation/Guidance	Nature of Engagement	Subject Matter Information/Subject Matter	Assurance Practitioner	Relevant Sec./Reg.
CFI – Eligible offsets project	CFI Act CFI Regulations	Reasonable assurance engagement report in accordance with NGER Audit Determination, submitted with application for certificate of entitlement for eligible offsets project and lodgement of an Offsets Report (reporting period 1-5 years).	Recognised Offset Entity’s Certificate of Entitlement application and an Offsets Report for eligible offsets project.	Registered Greenhouse and Energy Auditor Category 2 or 3.	CFI Act, sections 13 and 76; CFI Regulation 1.11-1.13
CFI – Regulator initiated engagements	CFI Act	Reasonable assurance, limited assurance or verification engagement initiated by the Regulator.	Specified compliance requirements of CFI Act.	Registered Greenhouse and Energy Auditor Category 1, 2 or 3.	CFI Act, sections 214 and 215
RET – PEC applications	RET Regulations	Reasonable assurance report in accordance with NGER Audit Determination, ASAE 3000 or AUASB Standards, submitted with partial exemption certificate applications or assurance report submitted for JCP.	Partial exemption certificate application for EITE activity.	Authorised Audit Company, Registered Company Auditor or Registered Greenhouse and Energy Auditor Category 2 or 3.	RET Regulation, regulation 22UB

Appendix 3

(Ref: Para.47 & Para. 63)

SUBJECT MATTER, CRITERIA, LEVEL OF ASSURANCE AND APPLICABLE AUASB STANDARDS FOR ENGAGEMENTS

Schemes Covered	Subject Matter	Criteria	Level of Assurance	Applicable AUASB Standards	Example Report
NGERS	<p>Compliance with selected requirement of the NGER Act or Regulations, may include:</p> <ul style="list-style-type: none"> Greenhouse and Energy Report on controlling corporation’s scope 1 and 2 emissions, energy production and energy consumption. Registration requirements. Record keeping requirements. Amount of NGER Uncertainty. 	<p>Greenhouse and Energy Report (section 19, NGER Act):</p> <ul style="list-style-type: none"> NGER Measurement Determination¹⁴¹ for emissions and energy quantification. NGER Act, sections 11, 11A, 11B or 11C for operational control. <p>Selected Compliance Requirements:</p> <ul style="list-style-type: none"> NGER Act. NGER Regulations. 	<p>Reasonable assurance Limited assurance Verification</p>	<p>ASAE 3410 ASRS 4400</p>	<p>Appendix 5; NGER Audit Determination</p>

¹⁴¹ See also *National Greenhouse and Energy Reporting System Measurement - Technical Guidelines for the estimation of greenhouse gas emissions by facilities in Australia* (July 2012) issued by DCCEE.

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Schemes Covered	Subject Matter	Criteria	Level of Assurance	Applicable AUASB Standards	Example Report
JCP – LNG supplementary assistance	<ul style="list-style-type: none"> Provisional LNG emissions number Process flow diagram and assumptions Average GJ/t production in application for assistance. 	<p>CE Regulation, regulation 710, for emissions quantification.</p> <p>Measurement policies in application for the process flow diagram and production.</p>	Reasonable assurance	<p>ASAE 3410</p> <p>ASAE 3000</p> <p>ASAE 3410</p>	<p>Conclusion wording:</p> <p>CE Regulations, regulation 604(7)(d)</p>
CFI –Eligible offsets project	<p>Eligible offsets project compliance with:</p> <ul style="list-style-type: none"> Section 27 declaration of eligible offsets project in operation for the project Applicable methodology determination Requirements of the CFI Act <p>Project proponent’s compliance with applicable CFI methodology determination.</p>	<p>Declaration of eligible offsets project for project definition and boundaries.</p> <p>Relevant CFI methodology determination for offset activity quantification.</p> <p>CFI Act requirements for compliance, including notification and record keeping.</p> <p>Relevant CFI methodology for project proponent’s compliance with:</p> <ul style="list-style-type: none"> Content of Offsets Report Information to be provided to the Regulator Record keeping and monitoring 	Reasonable assurance	<p>ASAE 3000</p> <p>ASAE 3100</p>	<p>Conclusion wording:</p> <p>CFI Regulations, regulations 1.11-1.13</p>
CFI – Regulator initiated engagements	Compliance with any requirement of CFI Act or associated provisions (including CFI Regulations).	Requirements of CFI Act and CFI Regulations for compliance.	<p>Reasonable assurance</p> <p>Limited assurance</p> <p>Verification</p>	<p>ASAE 3100</p> <p>ASRS 4400</p>	<p>Conclusion wording:</p> <p>CFI Act, sections 214 and 215.</p>

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Schemes Covered	Subject Matter	Criteria	Level of Assurance	Applicable AUASB Standards	Example Report
RET – PEC applications	<ul style="list-style-type: none"> • EITE activity description • Production • Expected additional production in PEC application. 	<p>RET Regulations Schedule 6 for EITE activity definitions and production and expected production quantification.</p> <p>Measurement policies in application for production and expected production quantification.</p>	Reasonable assurance	ASAE 3000 ASAE 3100	Conclusion wording: RET Regulations, regulation 22UB

Appendix 4

(Ref: Para.52 & Para. 57)

EXAMPLE ENGAGEMENT LETTERS

The following examples of an assurance practitioner's engagement letter are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Agreed-upon Procedures Engagement

Assurance Practitioner's Engagement Letter for an Agreed-upon Procedures Engagement under the NGER Act

To the appropriate representative of management or those charged with governance of ABC¹⁴³ [and name of any other intended users as appropriate]:

[The objective and scope of the engagement]

You have requested that I/we perform the agreed-upon procedures specified below, in accordance the requirements for verification engagements in the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) to assist you [and other intended users]. I/We are pleased to confirm my/our acceptance and understanding of this agreed-upon procedures engagement and the nature and limitations of the procedures I/we will conduct. My/Our engagement will be conducted with the objective of reporting factual findings resulting from each procedure for the purpose of [specify purpose]. The procedures performed will not constitute a reasonable or limited assurance engagement, accordingly, no assurance will be provided.

[The responsibilities of the assurance practitioner]

I/We will conduct my/our engagement in accordance with NGER Audit Determination and Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. The NGER Audit Determination requires that I/we provide you with an *Independence and Conduct Declaration*, which accompanies this engagement letter. ASRS 4400 also requires that I/we comply with ethical requirements equivalent to other assurance engagements,¹⁴⁴ including independence, and plan and perform the agreed procedures to obtain factual findings. The procedures which I/we will perform will be restricted to those procedures agreed with you and listed below. Information acquired by me/us in the course of my/our engagement is subject to strict confidentiality requirements and will not be disclosed by me/us to other parties except as required or allowed for by law or professional standards, or with your express consent.

I/We have agreed to perform the following procedures and report to you the factual findings resulting from my/our work:

[Describe the nature, timing and extent of each procedure to be performed, including specific reference, where applicable, to the facilities to be subject to the procedures, the identity of documents and records to be read and individuals to be contacted.]

If I/we are unable to perform the exact nature, timing or extent of procedures agreed above but alternative procedures are available, I/we will only perform these alternative procedures if modified terms of the engagement are agreed with you.

¹⁴³ Insert name of registered corporation or other emitter.

¹⁴⁴ See APES 110 *Code of Ethics for Professional Accountants*, (Dec 2010), section 291 *Independence - Other Assurance Engagements*.

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[The responsibilities of management or those charged with governance and other intended users if appropriate]

My/Our agreed-upon procedures will be performed on the basis that [management or those charged with governance and other intended users] acknowledge and understand that:

- (a) You have responsibility for determining the adequacy or otherwise of the procedures agreed to be performed by me/us;
- (b) You have responsibility for determining whether the factual findings provided by me/us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you wish to draw on the subject matter;
- (c) You have responsibility to provide me/us with:
 - (i) access to all information of which management is aware that is necessary for the performance of the procedures agreed;
 - (ii) additional information that I/we may request from you for the purpose of the engagement; and
 - (iii) unrestricted access to persons within ABC from whom I/we require co-operation in order to perform the procedures agreed.
- (d) The procedures I/we will perform are solely to assist you [and other intended users] in [state purpose]. My/Our report of factual findings is not to be used for any other purpose and is solely for your information.
- (e) The procedures that I/we will perform will not constitute a reasonable or limited assurance engagement in accordance with AUASB standards and, consequently, no assurance will be provided.

I/We look forward to full co-operation with your staff during my/our engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms as appropriate]

[Reporting]

My/Our report of factual findings will consist of a detailed listing of the procedures performed and my/our findings in relation to each procedure, including any errors or exceptions identified regardless of whether those errors or exceptions have since been rectified. Use of my/our report will be restricted to you [and other intended users] and all other parties will be excluded from reliance on the report.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for my/our agreed-upon procedures engagement including the specific procedures which I/we have agreed will be performed and our respective responsibilities.

Yours faithfully,

(signed)

.....

Assurance Practitioner

Date

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Acknowledged on behalf of ABC by

(signed)

.....

Name and Title

Date

Example 2: Assurance Engagement

Assurance Practitioner's Engagement Letter for an Assurance Engagement on a Greenhouse and Energy Report under section 19, NGER Act

To the appropriate representative of management or those charged with governance of ABC:¹⁴⁵

[The objective and scope of the engagement]

You have requested that I/we conduct a [reasonable/limited] assurance engagement on the ABC's [Group/Facility] Greenhouse and Energy Report, comprising ABC's [Group/Facility] greenhouse gas emissions, energy consumption and energy production,¹⁴⁶ prepared in accordance with section 19 of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act)/*National Greenhouse and Reporting Regulations 2008*, for the [year/period] ending [date], which you will provide and which will accompany my/our report.

I/We are pleased to confirm my/our acceptance and my/our understanding of this [reasonable/limited] assurance engagement by means of this letter. My/Our assurance engagement will be conducted with the objective of me/our expressing an [opinion/conclusion]¹⁴⁷ on the Greenhouse and Energy Report.

[Responsibilities of the assurance practitioner]

I/We will conduct my/our assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410). The NGER Audit Determination requires that I/we provide you with an *Independence and Conduct Declaration*, which accompanies this engagement letter. ASAE 3410 also requires that I/we comply with ethical requirements and plan and perform the assurance engagement to obtain [reasonable/limited] assurance about whether ABC's [Group/Facility] Greenhouse and Energy Report is prepared, in all material respects, in accordance with section 19 of the NGER Act. An assurance engagement involves performing procedures to obtain evidence about the quantities and disclosures in the Greenhouse and Energy Report. The procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement of the Greenhouse and Energy Report, whether due to fraud or error. An assurance engagement on a Greenhouse and Energy Report also includes evaluating:

1. The application of reporting boundaries including operational control under the NGER Act;
2. The appropriateness of the measurement methodologies selected from the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (NGER Measurement Determination) and their application;
3. The reasonableness of emissions and energy estimates made by ABC's management; and
4. The accuracy of the disclosures made.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the engagement is properly planned and performed in accordance with the NGER Audit Determination and Standards on Assurance Engagements.

In making my/our risk assessments, I/we consider internal control relevant to ABC's preparation of the [Group/Facility] Greenhouse and Energy Report in order to design assurance procedures that are

¹⁴⁵ Insert name of registered corporation or other emitter.

¹⁴⁶ This example report is for an assurance engagement on the Greenhouse and Energy Report as a whole, however if the subject matter is restricted to the total GHG emissions, energy consumption and energy production amounts reported then the terms of engagement would amended to specify a [reasonable/limited] assurance engagement on ABC's [Group/Facility] GHG emissions, energy consumption and energy production, reported in ABC's [Group/Facility] Greenhouse and Energy Report.

¹⁴⁷ Delete whichever is not applicable depending on whether it is a reasonable assurance engagement, for which an opinion is provided, or limited assurance engagement, for which a conclusion is provided.

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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, I/we will communicate to you in writing, any significant deficiencies in internal control relevant to the assurance engagement that I/we have identified during the engagement.

[The responsibilities of management and identification of the applicable reporting framework]

My/Our assurance engagement will be conducted on the basis that [management or, where appropriate, those charged with governance] acknowledge and understand that you have a responsibility:

- (a) For the preparation of the Greenhouse and Energy Report that presents ABC's [Group/Facility] emissions, energy consumption and energy production, in all material respects, in accordance with section 19 of the NGER Act.
- (b) For such internal control as you determine is necessary to enable the preparation of the Greenhouse and Energy Report that is free from material misstatement, whether due to fraud or error; and
- (c) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to the preparation of the Greenhouse and Energy Report, such as records, documentation and other matters;
 - (ii) Additional information that I/we may request from those charged with governance and management of ABC for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within ABC from whom I/we determine it necessary to obtain evidence.

As part of our assurance process, I/we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with the NGER Audit Determination and ASAE 3410 and will consist of a coversheet, Part A, comprising summary information and the assurance [opinion/conclusion], and Part B, comprising details of matters which impacted the engagement and the peer review. An example of the proposed report is contained in the appendix to this letter.

[Use and Distribution of the Assurance Report]

My/Our report is intended only for ABC, who have a sufficient understanding to consider its content and is not intended for wider distribution. The assurance report will be prepared for this purpose only and I/we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC, or for any purpose other than that for which it was prepared.

I/We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's [Group/Facility] Greenhouse and Energy Report, including our respective responsibilities.

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Yours faithfully,

(signed)

.....

Assurance Practitioner

Date

Acknowledged on behalf of ABC:

(signed)

.....

Name and Title

Date

Appendix 5

(Ref: Para. 56 and Para.135)

EXAMPLE ASSURANCE PRACTITIONER'S REPORTS

The following examples of assurance practitioners' reports are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Agreed-upon Procedures Engagement (Verification) on Measurement of ABC's Emissions from [Source]

Coversheet¹⁴⁸

Entity:¹⁴⁹ [Registered Corporation]

Kind of engagement: Verification engagement pursuant to section 73 of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) on [subject matter] of [registered corporation/liable entity].

Date that the terms of engagement were signed: [date]

Date Report of Factual Findings (Verification Report) was signed: [date]

Period engagement was carried out: [date] to [date]

Contact for engagement: [name and contact details]

Engagement team leader:¹⁵⁰ [name and contact details]

[Exemptions under regulation 6.71, *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations): [detail if any]]

[Procedures for managing conflict of interest situation: [detail if any]]

Professional team members: [name and contact details]

To [Clean Energy Regulator/Engaging Party]

Report of Factual Findings

I/We have conducted a verification engagement pursuant to section [73/74] of the NGER Act involving performance of the procedures agreed with you and [name of any intended users party to the terms of the engagement] to report factual findings for the purpose of assisting you [and [name of other intended users or class of intended users]] in assessing, in combination with other information obtained by you, the [insert purpose of the engagement, for example accuracy of the application of measurement methodologies for emissions from [source] during the [period] ended [date]]. The procedures performed are detailed in the terms of the engagement of [date] and described below [(or if appropriate) set forth in the attached schedules] with respect to the measurement of ABC's emissions from [source] during the [period] ended [date].

¹⁴⁸ See NGER Audit Determination, section 3.21(3), for required contents of the coversheet.

¹⁴⁹ Entity is referred to as the "audited body" under the NGER Audit Determination and is defined in the NGER Regulations.

¹⁵⁰ Engagement team leader is referred to as the "engagement partner" in ASQC 1 and the "audit team leader" in the NGER Audit Determination.

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[The Clean Energy Regulator/Engaging Party]’s Responsibility for the Procedures Agreed

[The Clean Energy Regulator/Engaging Party and any intended users party to the terms of the engagement] are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You [and name of other intended users or class of intended users] are responsible for determining whether the factual findings provided by me, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance Practitioner’s Responsibility

My/Our responsibility is to report factual findings obtained from conducting the procedures agreed. I/We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* and the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination). I/We have complied with ethical requirements equivalent to those applicable to other assurance engagements, including independence,¹⁵¹ and have signed an *Independence and Conduct Declaration* dated [date] and provided to you prior to commencement of the engagement.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, I/we do not express any conclusion and provide no assurance on ABC’s emissions from [source] during the [period]. Had I/we performed additional procedures or had I/we performed a reasonable or limited assurance engagement on ABC’s emissions from [source] in accordance with AUASB standards and NGER Audit Determination, other matters might have come to our attention that would have been reported to you.

*Factual Findings*¹⁵²

The procedures were performed solely to assist you in evaluating the [insert purpose of the engagement, for example accuracy of the application of measurement methodologies for ABC’s emissions from [source]]. The procedures performed and the factual findings obtained are as follows:

Procedures Performed	Factual Findings	Errors or Exceptions Identified
1. I/We obtained and checked the addition of the production listing for [source] during the period prepared by ABC, and I/we compared the total to the balance in the related inventory account in the accounting system.	I/We found the addition to be correct and the total volume to be in agreement.	[None/detail the exceptions]
2. I/We checked plant production log for XXX dates randomly selected during the period to production schedule.	I/We found the volumes compared to be in agreement, except for the exceptions noted.	[None/detail the exceptions]
3. [Insert procedure]	[Insert findings]	[None/detail the exceptions]
4. [Insert procedure]	[Insert findings]	[None/detail the exceptions]

¹⁵¹ See APES 110 (Dec 2010), section 291.

¹⁵² The assurance practitioner may choose instead to present the table of factual findings as an attachment to the report, particularly if it is lengthy.

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[The following procedures included in the terms of the engagement could not be performed for the reasons set out below:]¹⁵³

[Procedure Unable to be Performed]	[Reasons Procedure was Unable to be Performed]
[Detail procedure in terms of the engagement]	[Detail reasons]

*Other Matters to be Reported*¹⁵⁴

As required by the NGER Audit Determination, I/we also report the following matters which particularly impacted carrying out of the engagement:

1. [Detail matter impacting engagement].
2. [Detail matter impacting engagement].

As required by the NGER Audit Determination, I/we also report the following matters which I/we believe amount to contraventions of the NGER Act or NGER Regulations:

1. [Detail of contravention; Section or Regulation contravened].
2. [Detail of contravention; Section or Regulation contravened].

Restriction on Distribution and Use of Report

This report is intended solely for the use of [the Clean Energy Regulator/ABC] and [intended users identified in the terms of the engagement] for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, distribution of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, I/we expressly disclaim and do not accept any responsibility or liability to any party other than [the Clean Energy Regulator, ABC and name of intended users] for any consequences of reliance on this report for any purpose.

[Assurance practitioner’s signature]

[Date of the report of factual findings]

[Assurance practitioner’s address]

¹⁵³ Insert this table where there has been a limitation of scope such that certain procedures could not be performed.
¹⁵⁴ Other matters reported may be included as additional columns in the tables of factual findings.

Example 2: Limited Assurance Report on a Greenhouse and Energy Report

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT ON ABC'S¹⁵⁵ GREENHOUSE AND ENERGY REPORT

Coversheet¹⁵⁶

Entity:¹⁵⁷ [Registered Corporation]

Kind of engagement: Limited assurance engagement pursuant to section 73 of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) on [registered corporation]'s Greenhouse and Energy Report under section 19 of the NGER Act.

Date that the terms of engagement were signed: [date]

Date assurance report was signed: [date]

Period engagement was carried out: [date] to [date]

Contact for engagement: [name and contact details]

Engagement team leader:¹⁵⁸ [name and contact details]

[Exemptions under regulation 6.71, *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations): [detail if any]]

[Procedures for managing conflict of interest situation: [detail if any]]

Professional team members: [name and contact details]

Part A: Report on Greenhouse and Energy Report

To: [Clean Energy Regulator/Engaging Party]

I/We have undertaken a limited assurance engagement of the accompanying Greenhouse and Energy Report of ABC for the year ended 30 June 20X1, comprising greenhouse gas emissions, energy production and energy consumption from the operation of facilities under the operational control of ABC and entities in ABC's group (the Group) and the measurement methods and criterion reported on pages xx–yy, prepared in accordance with section 19 of the NGER Act. [This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.]¹⁵⁹

The emissions and energy in the Greenhouse and Energy Report for the year ended 30 June 20X1 subject to my/our limited assurance engagement are:

- Greenhouse gas emissions: [quantity of the Group's emissions] t CO₂e
- Energy production: [quantity of the Group's production] GJ
- Energy consumption: [quantity of the Group's consumption] GJ

¹⁵⁵ Where ABC is a registered corporation, being a controlling corporation registered under section 12 of the NGER Act.

¹⁵⁶ See NGER Audit Determination, section 3.21(3), for the required contents of the coversheet.

¹⁵⁷ Entity is referred to as the "audited body" under the NGER Audit Determination and is defined in the NGER Regulations.

¹⁵⁸ Engagement team leader is referred to as the "engagement partner" in ASQC 1 and the "audit team leader" in the NGER Audit Determination.

¹⁵⁹ The sentence should be deleted if it is not applicable to the engagement (for example, if the engagement was to report only on scope 2 emissions and no other experts were used).

ABC's Responsibility for the Greenhouse and Energy Report

ABC is responsible for the preparation of the Greenhouse and Energy Report in accordance with the NGER Act. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Greenhouse and Energy Report that is free from material misstatement, whether due to fraud or error.

Emissions and energy quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

My/our Independence and Quality Control

[Each professional member of the engagement team and I/we have signed an *Independence and Conduct Declaration* and provided them to the Clean Energy Regulator prior to commencement of the engagement on [date].]¹⁶⁰ The engagement team and I have [also] complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Australian Standard on Quality Control 1,¹⁶¹ [name of assurance practitioner's firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

My/our Responsibility

My/Our responsibility is to express a limited assurance conclusion on the Greenhouse and Energy Report based on the procedures I/we have performed and the evidence I/we have obtained. I/We conducted my/our limited assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2008* (NGER Audit Determination) and Standard on Assurance Engagements ASAE 3410, *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410), issued by the Auditing and Assurance Standards Board. The NGER Audit Determination and ASAE 3410 require that I/we plan and perform this engagement to obtain limited assurance about whether the Greenhouse and Energy Report is free from material misstatement.

A limited assurance engagement undertaken in accordance with the NGER Audit Determination and ASAE 3410 involves assessing the suitability in the circumstances of ABC's selection of measurement methods and criterion provided in the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (NGER Measurement Determination) as the basis for the preparation of the Greenhouse and Energy Report, assessing the risks of material misstatement of the Greenhouse and Energy Report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Greenhouse and Energy Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures I/we performed were based on my/our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

[The assurance practitioner may insert a summary of the nature and extent of procedures performed that, in the assurance practitioner's judgement, provides additional information that may be relevant

¹⁶⁰ Insert if engaged by the Regulator.

¹⁶¹ ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

to users' understanding of the basis for the assurance practitioner's conclusion.¹⁶² The following section has been provided as guidance, and the example procedures are not an exhaustive list of either the type, or extent, of the procedures which may be important for users' understanding of the work done.]¹⁶³

[Given the circumstances of the engagement, in performing the procedures listed above I/we:

- Through enquiries, obtained an understanding of ABC's control environment and information systems relevant to emissions and energy quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether ABC's methods for developing estimates are appropriate and had been consistently applied. However, my/our procedures did not include testing the data on which the estimates are based or separately developing my/our own estimates against which to evaluate ABC's estimates.
- Undertook site visits at [number of sites] to assess the completeness of the emissions sources, data collection methods, source data and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. My/our procedures [did/did not] include testing information systems to collect and aggregate facility data, or the controls at these sites.]¹⁶⁴

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had I/we performed a reasonable assurance engagement. Accordingly, I/we do not express a reasonable assurance opinion about whether ABC's Greenhouse and Energy Report has been prepared, in all material respects, in accordance with the NGER Act, using the methods available in the NGER Measurement Determination identified in the Greenhouse and Energy Report.

Restriction on Distribution and Use of Report

This report has been prepared for the use of ABC, the Clean Energy Regulator [and intended users identified in the terms of the engagement] for the sole purpose of reporting on ABC's Greenhouse and Energy Report. Accordingly, I/we expressly disclaim and do not accept any responsibility or liability to any party other than [the Clean Energy Regulator, ABC and name of intended users] for any consequences of reliance on this report for any purpose.

Limited Assurance Conclusion

Based on the procedures I/we have performed and the evidence I/we have obtained, nothing has come to my/our attention that causes me/us to believe that ABC's Greenhouse and Energy Report for the year ended 30 June 20X1 is not prepared, in all material respects, in accordance with section 19 of the NGER Act, applied as identified in that Report.

¹⁶² The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan.

¹⁶³ In the final report, this explanatory paragraph will be deleted.

¹⁶⁴ This section should be deleted if the practitioner concludes that the expanded information on the procedures performed is not needed in the circumstances of the engagement.

[Assurance practitioner's signature]

[Date of the assurance report]

[Assurance practitioner's address]

Part B Detailed Findings

[Provide:

- (a) Details of the items or issues related to the matter assured that required particular attention during the assurance engagement;
- (b) Details of aspects of the matter assured that particularly impacted on the carrying out of the assurance engagement;
- (c) Details of any matter, related to the matter being assured, that the engagement team leader has found during the carrying out of the assurance engagement that he or she believes amount to a contravention of the NGER Act or NGER 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; and
- (e) Any other matter, related to the matter assured, that the engagement team leader believes should be mentioned in the assurance engagement report.^{165]}

¹⁶⁵ Note that the assurance practitioner may choose to communicate significant deficiencies in internal control either in Part B of the assurance report or in a separate management letter to the entity, as these deficiencies are not specifically required to be included in Part B under the NGER Audit Determination

Example 3: Reasonable Assurance Report on a Greenhouse and Energy Report

INDEPENDENT ASSURANCE PRACTITIONER'S REASONABLE ASSURANCE REPORT ON ABC'S¹⁶⁶ GREENHOUSE AND ENERGY REPORT

Coversheet¹⁶⁷

Entity:¹⁶⁸ [Registered Corporation]

Kind of engagement: Reasonable assurance engagement pursuant to section 73 of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) on [registered corporation]'s Greenhouse and Energy Report under section 19 of the NGER Act.

Date that the terms of engagement were signed: [date]

Date assurance report was signed: [date]

Period engagement was carried out: [date] to [date]

Contact for engagement: [name and contact details]

Engagement team leader:¹⁶⁹ [name and contact details]

[Exemptions under regulation 6.71, *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations): [detail if any]]

[Procedures for managing conflict of interest situation: [detail if any]]

Professional team members: [name and contact details]

Part A: Report on the Greenhouse and Energy Report

To [Clean Energy Regulator/Entity/Engaging Party]

I/We have undertaken a reasonable assurance engagement of the accompanying Greenhouse and Energy Report of ABC for the year ended 30 June 20X1, comprising greenhouse gas emissions, energy production and energy consumption from the operation of facilities under the operational control of ABC and entities in ABC's group (the Group) and the measurement methods and criterion reported on pages xx-yy, prepared in accordance with section 19 of the NGER Act, [This engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists.]¹⁷⁰

The emissions and energy in the Greenhouse and Energy Report for the year ended 30 June 20XX subject to my/our reasonable assurance engagement are:

- Greenhouse gas emissions: [quantity of the Group's emissions] t CO₂e
- Energy production: [quantity of the Group's production] GJ
- Energy consumption: [quantity of the Group's consumption] GJ

¹⁶⁶ Where ABC is a registered corporation, being a controlling corporation registered under section 12 of the NGER Act.

¹⁶⁷ See NGER Audit Determination, section 3.21(3), for the required contents of the coversheet.

¹⁶⁸ Entity is referred to as the "audited body" under the NGER Audit Determination and is defined in the NGER Regulations.

¹⁶⁹ Engagement team leader is referred to as the "engagement partner" in ASQC 1 and the "audit team leader" in the NGER Audit Determination.

¹⁷⁰ The sentence should be deleted if it is not applicable to the engagement.

ABC's Responsibility for the Greenhouse and Energy Report

ABC is responsible for the preparation of the Greenhouse and Energy Report in accordance with section 19 of the NGER Act. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Greenhouse and Energy Report that is free from material misstatement, whether due to fraud or error.

Emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

My/Our Independence and Quality Control

I/We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. I/We have signed an *Independence and Conduct Declaration* and provided it to you prior to commencement of the engagement on [date].

In accordance with Auditing Standard ASQC 1,¹⁷¹ [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

My/our Responsibility

My/Our responsibility is to express an opinion on the Greenhouse and Energy Report based on the evidence I/we have obtained. I/We conducted my/our reasonable assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2008* (NGER Audit Determination), Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) and ASAE 3100 *Compliance Engagements* (ASAE 3100), issued by the Auditing and Assurance Standards Board (AUASB). That NGER Audit Determination and AUASB standards require that I/we plan and perform this engagement to obtain reasonable assurance about whether ABC's Greenhouse and Energy Report is free from material misstatement.

A reasonable assurance engagement in accordance with the NGER Audit Determination and ASAE 3410 involves performing procedures to obtain evidence about the quantification of emissions and related information in the Greenhouse and Energy Report. The nature, timing and extent of procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Greenhouse and Energy Report. In making those risk assessments, I/we considered internal control relevant to ABC's preparation of the Greenhouse and Energy Report. A reasonable assurance engagement also includes:

1. Assessing the suitability in the circumstances of ABC's use of the *National Greenhouse and Energy Reporting (Measurement) Determination 2008*, applied as explained in the Basis of Preparation to the Greenhouse and Energy Report;
2. Evaluating the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by ABC;
3. Evaluating the application of the activity definitions in determining facility boundaries and operational control in determining controlling corporation boundaries; and
4. Evaluating the overall presentation of the Greenhouse and Energy Report.

I/We believe that the evidence I/we have obtained is sufficient and appropriate to provide a basis for my/our opinion.

¹⁷¹ ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

Restriction on Distribution and Use of Report

This report has been prepared for the use of ABC, the Clean Energy Regulator [and intended users identified in the terms of the engagement] for the sole purpose of reporting on ABC's Greenhouse and Energy Report. Accordingly, I/we expressly disclaim and do not accept any responsibility or liability to any party other than [the Clean Energy Regulator, ABC and name of intended users] for any consequences of reliance on this report for any purpose.

Opinion

In my/our opinion, the Greenhouse and Energy Report for the year ended 30 June 20X1 is prepared, in all material respects, in accordance with section 19 of the NGER Act, applied as identified in that Report.

[Assurance practitioner's signature]

[Date of the assurance report]

[Assurance practitioner's address]

Part B: Detailed Findings

[Provide:

- Details of the items or issues related to the matter assured that required particular attention during the assurance engagement.
- Details of aspects of the matter assured that particularly impacted on the carrying out of the assurance engagement.
- Details of any matter, related to the matter being assured, that the engagement team leader has found during the carrying out of the assurance engagement that he or she believes amount to a contravention of the NGER Act or the NGER Regulations.
- The name of the peer reviewer for the assurance engagement and details of the outcome of the evaluation undertaken by the peer reviewer.
- Any other matter, related to the matter assured, that the engagement team leader believes should be mentioned in the assurance engagement report.^{172]}

¹⁷² Note that the assurance practitioner may choose to communicate significant deficiencies in internal control either in Part B of the assurance report or in a separate management letter to the entity, as these deficiencies are not specifically required to be included in Part B under the NGER Audit Determination.