



# AUASB Board Meeting Summary Paper

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AGENDA ITEM NO.           **7**

**Meeting Date:**           12 September 2011

**Subject:**                 Clean Energy Scheme and National Greenhouse and Energy Reporting Scheme Update

**Date:**                    31 August 2011

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**Action Required**

**For Information Purposes Only**

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## **Agenda Item Objectives**

To provide an update on the status of the Clean Energy Scheme and the conduct of audits under the National Greenhouse and Energy Reporting Scheme (NGERS).

## **Background**

The National Greenhouse and Energy Reporting Act 2007 requires emitters over certain thresholds (reducing thresholds each year) to report, under s.19, emissions to the Greenhouse and Energy Data Officer (GEDO) within the Department of Climate Change and Energy Efficiency (DCCEE) annually. The NGER Act also provides for the GEDO, under s.73 or 74, to require “audits” of the data or any aspect of compliance with NGERS, either on suspicion of non-compliance or for monitoring purposes. The first reporting year ended on 30 June 2009 and the first period for which the GEDO could require an audit was periods ending 30 June 2010.

Legislation and guidance relating to the scheme is set out in the following:

- NGER Measurement Determination 2008 – provides methods allowed for measurement of emissions.
- NGER Audit Determination 2009 – provides for the types of audits which may be reasonable assurance, limited assurance or verification (agreed-upon procedures) engagements; conduct of the audit and the form of reporting.

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- NGER Regulations 2009 – provides for registration of greenhouse and energy auditors.
- NGER Audit Determination Handbook (31 August 2010) – provides detailed guidance for auditors in planning, conducting and reporting on NGERS audits.

During 2010, the GEDO's main focus was the registration of greenhouse and energy auditors and the establishment of a panel of auditors from which they could draw when requiring an audit. During 2011, the GEDO's focus has been the conduct of pilot audits to trial the audit methodology set out under the NGERS.

On 10 July 2011, the Government announced the details of the carbon pricing mechanism under the Clean Energy Scheme, which will introduce a fixed carbon price from 1 July 2012 leading into a emissions trading scheme.

### **Matters to Consider**

The draft Clean Energy Legislative Package was released for exposure on 28 July 2011 and the exposure period ended on 22 August 2011. The AUASB made a brief submission, which is attached as Agenda Item 7.1.

The draft Clean Energy Legislative Package comprises a number of bills, however the amendments to the NGER Act, set out in the Clean Energy (Consequential Amendments) Bill 2011, contain the requirements relevant to assurance, being:

- NGER Act new sections 22A (& 22AA for fixed price years) require liable entities under the Clean Energy Scheme to report their provisional emissions number and emissions number annually to the Clean Energy Regulator (to be established in place of the GEDO).
- S.22A and S.19 NGER Act reports may be combined and submitted within 4 months of year end.
- NGER Act new sections 22B (& 22C for fixed price years) requires records to be kept.
- NGER Act new section 74AA requires liable entities, which meet emissions thresholds, to obtain an audit, and submit the auditor's report to the Regulator, from a registered greenhouse and energy auditor of:
  - their s.24A report;
  - others matters relating to the s.22A report;
  - compliance with s.22B record keeping requirements

The DCCEE are working on drafting the Clean Energy Regulations, which will address the following matters relevant to assurance:

- The threshold gross emissions required to trigger an audit (see proposed NGER Act s.74AA(1)(c)).
- The subject matter of the audit, in particular which "other matters relating to the section 22A report" are to be audited (see proposed NGER Act s.74AA(2)(b)).

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- The type of audit to be conducted, as the NGER Act allows for reasonable assurance, limited assurance or verification (no assurance), which will be determined by the “manner” of the audit report (see proposed NGER Act s.74AA(2)(d)).

The DCCEE have offered to consider any input we may wish to provide with respect to drafting the Clean Energy Regulations.

The GEDO have been assessing the 22 auditor’s reports which they have obtained this year for the period ended 30 June 2010. The reports covered a cross-section of reporting corporations, sizes, industry sectors and reasonable assurance, limited assurance and verification engagements. The GEDO are using the reports to identify areas which may require amendments to the legislation or regulations or additional guidance, in order to overcome issues which have arisen during these pilot audits and to obtain greater consistency between audits.

The DCCEE are interested in the progress of the proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement* and when an equivalent may be issued in Australia, so that it may be linked to the NGERS audits in some manner. The IAASB project timetable currently anticipates ISAE 3410 to be approved in June 2012.

### **AUASB Technical Group Recommendations**

The Board is requested to consider the extent of further input that should be provided by the AUASB to DCCEE on the proposed Regulations, in particular with regard to:

- the emissions threshold to trigger an audit;
- the subject matter of the audit; and
- the type of audit to be required under the Regulations

### **Material Presented**

Agenda Item 7      Board Meeting Summary Paper

Agenda Item 7.1      AUASB submission to the DCCEE on the Clean Energy Legislative Package

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