



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **14**

Meeting Date: 4 June 2012

Subject: NGRS and Clean Energy Schemes and Greenhouse Gas Assurance

Date Prepared: 17 May 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide an update on the project to issue ASAE 3410 *Assurance on a Greenhouse Gas Statement* in conformity with ISAE 3410 and confirm approach to issuing the standard.
2. To approve the project plan for developing a Guidance Statement for applying ASAE 3410 to NGRS audits and assurance under Clean Energy Scheme programs.

Background

At the March IAASB meeting ISAE 3410 *Assurance on a Greenhouse Gas Statement* was approved. It now awaits Public Interest Oversight Board (PIOB) approval for release, expected at the next PIOB meeting in June 2012. The AUASB agreed at the 16 April meeting that, as the carbon pricing mechanism is due to commence in Australia from 1 July 2012, an equivalent standard to ISAE 3410 needed to be issued in Australia as a matter of priority so that it may be operative at the same time as the carbon pricing mechanism came into effect. The Clean Energy Regulator also support the release of a standard in Australia to coincide with the carbon pricing mechanism so that Australian requirements maybe linked to the proposed ASAE 3410, providing consistency with international standards and credibility for the future domestic and international trading of carbon permits.

In addition, the AUASB agreed in principle to developing a guidance statement to apply ASAE 3410 to audits under the National Greenhouse and Energy Reporting Scheme (NGERS) and Clean Energy Scheme (CES), which creates a carbon pricing mechanism under the Clean Energy Act 2011.

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The Clean Energy Regulator commenced operating on 2 April 2012 with responsibility for regulation of NGERs, CES, Carbon Farming Initiative (CFI) and Renewable Energy Target (RET). The Department of Climate Change and Energy Efficiency retained responsibility for policy and legislative drafting.

Under NGERs, CES and CFI assurance reports are required for:

- NGERs reported emissions and energy – reasonable assurance, limited assurance or verification reports for monitoring or compliance purposes initiated by the Regulator (NGER Act 2007).
- Carbon pricing mechanism - reasonable assurance reports submitted with s.22A emissions reports (s.22A reports are used as the basis for emitters' carbon permit obligation) for liable entities with an emissions number over 125,000 tonnes of CO₂-e.
- Jobs and Competitiveness program – reasonable or limited assurance reports on data submitted in the applications (Clean Energy Regulations 2012) for:
 - Assistance for emissions intensive trade exposed (EITE) emitters, including reported emissions.
 - Supplementary allocations for LNG industry, including prior production and in certain cases expected production.
- Coal-fired electricity generators assistance (Clean Energy Regulations 2011) – reasonable assurance reports on data submitted in applications.
- Carbon offsets scheme (Carbon Credits (Carbon Farming) Act 2011) - reasonable assurance, limited assurance or verification engagements initiated by the Carbon Credits Administrator on compliance with the Act.

An Exposure Draft ED 01/12 of proposed ASAE 3410 *Assurance on a Greenhouse Gas Statement* was issued on 9 May 2012 for a 30 day comment period (see Agenda Item 14.2). Proposed ASAE 3410 conforms with proposed ISAE 3410, with changes made only for:

- “Practitioner” changed to “assurance practitioner”.
- References to “Code of Ethics for professional accountants” replaced by “relevant ethical requirements relating to assurance engagements” and reference to ASA 102.
- Effective date changed from “reporting periods ending on or after September, 30 2013” to “reporting periods commencing on or after 1 July 2012”.
- American spelling changed to Australian spelling.
- Footnotes added to reference NGERs.

OBPR clearance of the Preliminary Impact Assessment was received on ASAE 3410 on 16 May 2012.

Matters to Consider

Comments on ED 01/12 are due back by 8 June 2012, following which comments will be considered and a final standard presented to the AUASB for out-of-session approval. The AUASB are expected to receive the final standard about 18 June so that it can be agreed and issued by 30 June. The Board are asked to confirm this timetable for approving ASAE 3410 out-of-session.

The Board is asked to confirm its stated intention to have an effective date for ASAE 3410 of periods commencing 1 July 2012, which is intended to coincide with the commencement of the carbon pricing mechanism under the Clean Energy Scheme. Clarification of the Board's intentions is sought given the short period between the anticipated issue date (late June 2012) and the effective date (1 July 2012).

The myriad of assurance requirements under the schemes regulated by the Clean Energy Regulator, whilst linked back to NGERs for assurance on emissions, are spread through a number of pieces of legislation and regulations. There is a need for the proposed Guidance Statement to identify all of these assurance requirements and explain how the AUASB standards, including ASAE 3410, ASAE 3000, ASAE 3100 and ASRS 4400, can be applied in meeting those requirements.

A project plan for development of a Guidance Statement on assurance and agreed-upon procedures (verification) under NGERs and CES is presented for approval (see Agenda Item 14.1). A Project Advisory Group (PAG) is being formed to advise the AUASB Technical Group on the development of this proposed Guidance Statement. The AUASB will be advised of the members of this PAG at the Board meeting.

AUASB Technical Group Recommendations

The Technical Group recommend:

1. Timetable for issue of ASAE 3410:
 - 8/6/12 - Closing ED comment period.
 - 18/6/12 - Voting on ASAE 3410 out-of-session.
 - 29/6/12 – Issue ASAE 3410.
2. Confirmation of the effective date for ASAE 3410 of periods commencing 1 July 2012.
3. Approval of the project plan for the development of a Guidance Statement on assurance and agreed-upon procedures engagements under NGERs and CES.

Material Presented

- Agenda Item 14 AUASB Board Meeting Summary Paper
- Agenda Item 14.1 Project Plan for Guidance Statement GS XX on engagements under NGERS and CES
- Agenda Item 14.2 ED 01/12 of proposed ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* – electronic only

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Agree timetable for out-of-session approval of ASAE 3410.	Agreed approach	AUASB	4 June 2012	Pending
2.	Confirm ASAE 3410 effective date of periods commencing 1/7/12.	Confirmation	AUASB	4 June 2012	Pending
3.	Approve project plan for GS XX.	Approval	AUASB	4 June 2012	Pending

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