



Australian Government
Clean Energy Regulator

Clean Energy Regulator

Audit determination handbook
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A low-angle, perspective view of a series of high-voltage power line towers stretching into the distance. The sun is low on the horizon, creating a strong orange and yellow glow that silhouettes the metal lattice of the towers against a blue sky with some clouds.

Guideline

This document

This document contains:

- the audit determination handbook, and
- audit templates for:
 - » National Greenhouse and Energy Reporting audits
 - » liable entity report audits
 - » Jobs and Competitiveness Program audits
 - » partial exemption certificate audits
 - » Carbon Farming Initiative audits, and
 - » letters of engagement and engagement plans.



Contents

Audit determination handbook

1. Introduction.....	5
1.1 Purpose of the handbook	5
1.2 Audit framework.....	6
1.3 Registered auditors under the Clean Energy Regulator	7
1.4 Audit requirements for programs administered by the Clean Energy Regulator.....	7
1.5 Other uses of the National Greenhouse and Energy Reporting audit framework..	16
1.6 Sources of further guidance	17
2. Key greenhouse and energy audit concepts	18
2.1 Audit team leader's role	18
2.2 The three-party relationship.....	19
3. Overview of the greenhouse and energy audit process.....	21
3.1 Purpose of greenhouse and energy audits.....	21
3.2 Assurance engagement process	22
3.3. Verification engagement process	30
4. Team selection, quality control and conflict of interest	33
4.1 Selection of audit team members	33
4.2 Using audit team members with specialist expertise	34
4.3 Quality control processes	35
4.4. Dealing with fraud.....	41
4.5. Application of the Criminal Code	41
5. The assurance engagement process	42
5.1 Levels of assurance explained	42
5.2 Preparing.....	46
5.3 Planning	48
5.4 Performing.....	67
5.5 Reporting.....	79
6. The verification engagement process.....	88
6.1 What is a verification engagement?.....	88
6.2 Preparing.....	90
6.3 Planning the verification	91
6.4 Performing the verification.....	92
6.5 Reporting.....	93

Glossary	94
Audit templates	
NGER audit report (reasonable or limited assurance) template	98
Audit report coversheet	99
Part A—Auditor’s report	102
Part B—Detailed findings	106
NGER audit report (verification engagement) template	109
Audit report coversheet	109
NGER verification engagement report	112
Liabile entity report audit report template	117
Audit report coversheet	117
Part A—Auditor’s report	119
Part B—Detailed findings	123
Jobs and Competitiveness Program audit template	126
Audit report coversheet	127
Part A—Auditor’s report	129
Part B—Detailed findings	136
Partial exemption certificate audit template	140
Audit report coversheet	141
Part A—Auditor’s report	143
Part B—Detailed findings	148
Carbon Farming Initiative audit template	152
Audit report coversheet	153
Part A—Auditor’s report	156
Part B—Detailed findings	160
Letter of engagement—Assurance engagement	164
Letter of engagement—Verification engagement	168
Assurance/Verification engagement management representation letter	172
Assurance engagement plan—for use with NGER audits	175

1. Introduction

1.1 Purpose of the handbook

This handbook is intended to provide information and support to users of the Clean Energy Regulator's National Greenhouse and Energy Reporting audit framework. This framework applies to the following schemes and programs administered by the Clean Energy Regulator:

- the National Greenhouse and Energy Reporting (NGER) Scheme
- the carbon pricing mechanism (audits of liable entity reports)
- the Jobs and Competitiveness Program
- the Renewable Energy Target (audits of partial exemption certificate applications), and
- the Carbon Farming Initiative.

Templates for the audit reports required for the different schemes and programs are provided at the end of the handbook.

The intended users of this handbook include:

- registered or potential greenhouse and energy auditors
- other auditors participating in schemes administered by the Clean Energy Regulator, including registered company auditors
- entities seeking to engage a registered greenhouse and energy auditor, and
- regulators, investors and other users of NGER data.

This handbook is intended as a guide only and is not a substitute for the legislation under which these audit tasks are required.

Information on the different schemes and programs administered by the Clean Energy Regulator is available on the [Clean Energy Regulator website](http://www.cleanenergyregulator.gov.au).¹ The *Greenhouse and Energy Auditor Registration Guidelines*, available in the NGER section of the website provide further details on the registration of greenhouse and energy auditors.

For more information on conducting audits for the schemes and programs that the Clean Energy Regulator administers, refer to the 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 (AUASB).

¹ <http://www.cleanenergyregulator.gov.au>

1.2 Audit framework

The effectiveness of the programs administered by the Clean Energy Regulator depends on robust and reliable compliance monitoring and enforcement activities. As explained in the Clean Energy Regulator's Compliance Education and Enforcement Policy, greenhouse and energy auditing is a key compliance monitoring measure under the *National Greenhouse and Energy Reporting Act 2007* (NGER Act).

The National Greenhouse and Energy Reporting audit framework is established in law by the following:

- the NGER Act, sections 73–75A
- the *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations), Divisions 6.3–6.7, which specify eligibility requirements for registered greenhouse and energy auditors and standards of professional conduct for auditors
- the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination), which specifies requirements to be met by audit team leaders in preparing for and carrying out greenhouse and energy audits and in preparing an assurance engagement report and a verification engagement report, and
- the *National Greenhouse and Energy (Auditor Registration) Instrument 2012* (NGER Instrument), which sets out the qualifications, knowledge and experience required for a registered greenhouse and energy auditor.

It is the audit team leader's responsibility to ensure that the audit team has the required skills and expertise to satisfactorily prepare for and carry out all aspects of the engagement.

In order to cover the necessary skills and expertise, audit teams are typically multidisciplinary and may include assurance practitioners, engineers, environmental scientists and financial, legal or corporate experts.

The auditor must be independent of the subject of the audit, such as a program applicant or applicants or project proponent, to the extent that a conflict of interest situation (within the meaning of the NGER Regulations) does not arise in auditing the subject matter, such as an application.

If any auditor does not feel they have the required expertise within their audit team to meet all relevant national and international audit standards, or if a conflict of interest situation exists, they should not accept the engagement.

Prospective registered greenhouse and energy auditors should become familiar with the legislative background for whichever scheme they are involved with.

It should be noted that the legislation uses the term 'audit' more broadly than assurance and verification practitioners currently understand it and more broadly than provided for under the pronouncements of the Auditing and Assurance Standards Board (AUASB). Under the legislation, the term 'greenhouse and energy audit' provides for reasonable assurance, limited assurance and verification engagements.

1.3 Registered auditors under the Clean Energy Regulator

Section 75A of the NGER Act requires the Clean Energy Regulator to keep a register of greenhouse and energy auditors for the purposes of the NGER Act and other legislation. This register is published in the NGER section of the [Clean Energy Regulator website](#)².

Requirements for registered greenhouse and energy auditors are contained in Divisions 6.3 to 6.7 of the NGER Regulations, and in the NGER Instrument.

Under the legislation, only the audit team leader must be registered. However, the NGER Regulations do contain requirements for other members of an audit team.

For more information on registration requirements for greenhouse and energy auditors, refer to the *Greenhouse and Energy Auditor Registration Guidelines*, available in the NGER section of the Clean Energy Regulator website.

1.4 Audit requirements for programs administered by the Clean Energy Regulator

The following types of audits may be required for programs administered by the Clean Energy Regulator:

- National Greenhouse and Energy Reporting audits
- liable entity report audits
- Jobs and Competitiveness Program audits
- partial exemption certificate audits, and
- Carbon Farming Initiative audits.

1.4.1 National Greenhouse and Energy Reporting (NGER) audits

The NGER Act describes the circumstances in which the Clean Energy Regulator might initiate a greenhouse and energy audit. Greenhouse and energy audits are assurance engagements that are conducted under the NGER legislation.

If the Clean Energy Regulator has reasonable grounds to suspect non-compliance with the NGER legislation, it can initiate a compliance audit by providing a written notice to the corporation to be audited.

In these types of engagements, the audited body must appoint an audit team leader from the Register of Greenhouse and Energy Auditors and arrange for the audit to be undertaken. The audited body must also arrange for a copy of the audit report to be provided to the Clean Energy Regulator (under sections 73 and 73A of the NGER Act).

² <http://www.cleanenergyregulator.gov.au/National-Greenhouse-and-Energy-Reporting> > NGER audits and auditors

As these audits occur in cases where the Clean Energy Regulator suspects non-compliance, an audit may be undertaken as a precursor to the application of enforcement measures, including investigations by authorised officers, civil penalties and criminal proceedings.

In addition, the Clean Energy Regulator may initiate greenhouse and energy audits for any reason (that is, without necessarily suspecting non-compliance). For example, the Clean Energy Regulator may initiate audits on a risk management basis or to gather information on the regulated community's compliance with particular aspects of the NGER Act. The Clean Energy Regulator would appoint the audit team leader and must notify the audited body prior to commencement of the audit engagement (sections 74 and 74A of the NGER Act).

The information collected through audits will inform decisions on matters such as the targeting and effectiveness of capacity-building activities among registered corporations. These engagements will also inform decisions on further compliance monitoring and enforcement actions.

The NGER Audit Determination specifies requirements to be met by audit team leaders in preparing for and carrying out greenhouse and energy audits. It also specifies requirements for audit team leaders in preparing an assurance engagement report and a verification engagement report.

The table below outlines the main features of NGER audits.

Legislation/ guidance	<p>NGER Act, sections 73, 73A, 74 and 74A</p> <p>NGER Regulations, Divisions 6.3–6.7</p> <p>NGER Instrument</p> <p><i>National Greenhouse and Energy Reporting (Measurement) Determination 2008</i> (NGER Measurement Determination)</p> <p>NGER Audit Determination</p> <p>Applicable standards:</p> <ul style="list-style-type: none">• <i>ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>• <i>ASAE 3410 Assurance on Greenhouse Gas Statements</i>• <i>ASAE 3100 Compliance Engagements</i>, and• <i>ISO14064-3:2006 Greenhouse gases—specification with guidance for the validation and verification of greenhouse gas assertions</i>
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Nature of engagement	Reasonable assurance, limited assurance or verification engagement initiated by the Clean Energy Regulator, after submission of a greenhouse and energy report under the NGER Act, for compliance or monitoring purposes.
Assurance practitioner	<p>The audit team leader must be a registered greenhouse and energy auditor, Category 2 or 3. Other members of the audit team do not need to be registered. However, the NGER Regulations do contain requirements for other members of an audit team.</p> <p>Voluntary engagements or verification audits may be led by Category 1, 2 or 3 auditors.</p>
Subject matter	<p>The registered corporation's energy and emissions report under section 19 of the NGER Act, or specified compliance requirements.</p> <p>Compliance requirements may include:</p> <ul style="list-style-type: none"> • the controlling corporation's scope 1 and 2 emissions, energy production and energy consumption • registration requirements • record-keeping requirements, and • amount of NGER uncertainty.
Criteria	<p>Energy and emissions report (under section 19 of the NGER Act):</p> <ul style="list-style-type: none"> • NGER Measurement Determination for emissions and energy quantification, and • NGER Act, sections 11, 11A, 11B or 11C, for operational control. <p>Selected compliance requirements:</p> <ul style="list-style-type: none"> • NGER Act, and • NGER Regulations.

1.4.2 Audits of liable entity reports

Liable entities are required to prepare and submit a report of their covered scope 1 greenhouse gas emissions to the Clean Energy Regulator under section 22A of the NGER Act (the liable entity report).

Liable entities with an emissions number exceeding 125,000 tonnes are required to submit a reasonable assurance audit with their liable entity report. The reasonable assurance report is to be prepared by a Category 2 or 3 greenhouse and energy auditor in accordance with the NGER Audit Determination.

The table below outlines the main features of liable entity report audits.

Legislation/ guidance	<p><i>Clean Energy Act 2011</i> (Clean Energy Act)</p> <p>NGER Act, section 74AA</p> <p>NGER Regulations, regulation 6.04A</p> <p>NGER Audit Determination</p> <p>Applicable standards:</p> <ul style="list-style-type: none"> • ASAE 3410 <i>Assurance on Greenhouse Gas Statements</i>, when conducting assurance on the liable entity report • ASAE 3100 <i>Compliance Engagements</i>, when conducting assurance on compliance with the record-keeping requirements under section 22B of the NGER Act, and • ISO14064-3:2006 <i>Greenhouse gases—specification with guidance for the validation and verification of greenhouse gas assertions</i>.
Nature of engagement	Reasonable assurance engagement under the NGER Scheme, where a liable entity report has been submitted under section 22A of the NGER Act by an entity with emissions over the Clean Energy Act emissions threshold.
Assurance practitioner	The audit team leader must be a registered greenhouse and energy auditor, Category 2 or 3. Other members of the audit team do not need to be registered. However, the NGER Regulations do contain requirements for other members of an audit team.
Subject matter	Liable entity report submitted under section 22A of the NGER Act on covered scope 1 emissions for all facilities of the liable entity, and compliance with the section 22B record-keeping requirement.
Criteria	<p>Liable entity report:</p> <ul style="list-style-type: none"> • Clean Energy Act, sections 30 and 31, for covered emissions definition • NGER Measurement Determination for emissions quantification, and • NGER Act, sections 11, 11A, 11B or 11C, for operational control. <p>Record keeping:</p> <ul style="list-style-type: none"> • NGER Act, section 22B, and • NGER Regulations, regulation 4.34.

1.4.3 Jobs and Competitiveness Program audits

Entities conducting emissions-intensive trade-exposed (EITE) activities can apply for free carbon units under the Jobs and Competitiveness Program. The *Clean Energy Regulations 2011* (Clean Energy Regulations) require assurance reports to be submitted with applications for the Jobs and Competitiveness Program.

The table below outlines the main features of audits under the Jobs and Competitiveness Program.

Legislation/ guidance	<p>Clean Energy Act, section 149</p> <p>Clean Energy Regulations, clauses 603 and 604(7)(c) and 710 of Schedule 1</p> <p>NGER Audit Determination</p> <p>Applicable standards:</p> <ul style="list-style-type: none">• ASAE 3000 (for assurance on process flow diagram and production)• ASAE 3100 (for assurance on activity's compliance with relevant EITE activity description), and• ASAE 3410 (for assurance on emissions for new facilities reported in the application and provisional liquefied natural gas (LNG) emissions number).
Nature of engagement	Reasonable or limited assurance engagement report submitted with application for assistance.
Assurance practitioner	Authorised audit company, registered company auditor or registered greenhouse and energy auditor, Category 2 or 3.

Subject matter	<p>The relevant matters set out in clause 604 of Schedule 1 of the Clean Energy Regulations, including:</p> <ul style="list-style-type: none"> • the activity's compliance with relevant EITE activity description and production, as defined in Part 3 of Schedule 1 of the CE Regulations or on throughput volumes reported in the application • production of the relevant product • the expected production (if applicable), and • the amount of emissions worked out under subclause 911(2) (for a new facility, if applicable). <p>For an application to which clause 710 of Schedule 1 of the Clean Energy Regulations applies (relating to supplementary assistance for LNG production):</p> <ul style="list-style-type: none"> • provisional LNG emissions number • process flow diagram used to estimate the provisional LNG emissions number (if applicable), and • average GJ/t of LNG production (if applicable). • Limited assurance limited assurance on expected production, for a newly operating facility or significant expansion to an existing facility
Criteria	<p>Clean Energy Regulations Schedule 1 for activity definitions and requirements.</p> <p>Measurement policies in application for the quantification of the relevant product.</p> <p>If applicable:</p> <ul style="list-style-type: none"> • Clean Energy Regulations, clauses 705 and 706 of Schedule 1 • Clean Energy Regulations, clause 911 of Schedule 1 • measurement policies in application for the amount of emissions worked out under subclause 911(2) of Schedule 1 • Clean Energy Regulations, clause 710 of Schedule 1, and • measurement policies in application for the provisional LNG number and GJ/t of LNG production.

1.4.4 Partial exemption certificate (PEC) audits

Applications for partial exemption certificates under the *Renewable Energy (Electricity) Act 2000* (RET Act) and the *Renewable Energy (Electricity) Regulations 2001* (RET Regulations) are required to be accompanied by an assurance report where:

- the application is made by a prescribed person under regulations 22G, 22H, 22I, 22J or 22K of the RET Regulations, and
- the amount of partial exemption applied for exceeds 15 000 MWh for the application year.

However, it is not necessary to submit an audit report with a PEC application if:

- the Clean Energy Regulator has already been given an audit report with a Jobs and Competitiveness Program application under paragraph 603(1)(b) of Schedule 1 of the Clean Energy Regulations, and
- the other criteria of subregulation 22UA(3) or 22UA(4) of the RET Regulations are met.

The audit report must be dated and provided in hardcopy format consistent with the requirements for an assurance engagement report specified in the NGER Audit Determination, if applicable.

Additionally, the auditor may provide a basis of preparation and/or other appropriate attachments (such as process maps) in support of the audit report.

The table below outlines the main features of PEC audits.

Legislation/ guidance	RET Act, paragraph 46A(2)(bb) RET Regulations, regulation 22UB NGER Audit Determination Applicable standards: <ul style="list-style-type: none">• <i>ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information</i>, and• <i>ASAE 3100 Compliance Engagements</i>.
Nature of engagement	Reasonable assurance report in accordance with the NGER Audit Determination or ASAE 3000, submitted with partial exemption certificate applications, or the assurance report submitted for the Jobs and Competitiveness Program.
Assurance practitioner	Authorised audit company, registered company auditor or registered greenhouse and energy auditor, Category 2 or 3.

Subject matter	<p>The relevant matters set out in regulation 22UB of the RET Regulations, including:</p> <ul style="list-style-type: none"> • the activity set out in the PEC application • production amount or volume of relevant product, and • expected production amount or volume of relevant product (if applicable).
Criteria	<p>RET Regulations Schedule 6 for EITE activity definitions and requirements.</p> <p>Measurement policies in application for the quantity of relevant product.</p> <p>If applicable, RET Regulations, regulation 22ZD.</p>

1.4.5 Carbon Farming Initiative audits

Under the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act), the Carbon Farming Initiative allows farmers and land managers to earn Australian carbon credit units by storing carbon or reducing greenhouse gas emissions on the land.

There are two main types of audit activity under the CFI Act:

- audits of offsets projects, and
- Clean Energy Regulator-initiated engagements.

Audits of offsets projects

To participate in the Carbon Farming Initiative, applicants must apply to become a recognised offsets entity, have their project declared an eligible offsets project and then apply for a certificate of entitlement, which is used to issue Australian carbon credit units to the project proponent.

The application for a certificate of entitlement must include:

- an offsets report about a project for a reporting period
- an audit report of the project, and
- an application form for a certificate of entitlement.

Carbon Farming Initiative projects are able to generate credits throughout their crediting period. Crediting periods for each type of offsets project are set out in the CFI legislation. Each time a proponent applies for credits, an offsets and audit report must be submitted with the application form for a certificate of entitlement. The first application must be made between 12 months to five years from the date the project was declared eligible.

The table below outlines the main features of audits of carbon farming offsets projects.

Legislation/ guidance	<p>CFI Act, sections 13 and 76</p> <p><i>Carbon Credits (Carbon Farming Initiative) Regulations 2011</i> (CFI Regulations), Regulations 1.11–1.13</p> <p>Applicable standards:</p> <ul style="list-style-type: none"> • <i>ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> • <i>ASAE 3100 Compliance Engagements</i>, and • <i>ISO14064-3:2006 Greenhouse gases—specification with guidance for the validation and verification of greenhouse gas assertions.</i>
Nature of engagement	Reasonable assurance engagement report in accordance with the NGER Audit Determination, submitted with an application for a certificate of entitlement for a Carbon Farming Initiative eligible offsets project and lodgement of an offsets report.
Assurance practitioner	<p>The audit team leader must be a registered greenhouse and energy auditor, Category 2 or 3.</p> <p>Other members of the audit team do not need to be registered. However, the NGER Regulations do contain requirements for other members of an audit team.</p>
Subject matter	<p>Recognised offset entity's certificate of entitlement application and an offsets report for the eligible offsets project.</p> <p>Compliance of eligible offsets project with:</p> <ul style="list-style-type: none"> • section 27 declaration of eligible offsets project in operation for the project • applicable Carbon Farming Initiative methodology determination, and • requirements of the CFI Act. <p>Project proponent's compliance with applicable methodology determination.</p>

Criteria	<p>Declaration of eligible offsets project for project definition and boundaries.</p> <p>CFI Act requirements, including notification and record keeping.</p> <p>Relevant Carbon Farming Initiative methodology for:</p> <ul style="list-style-type: none"> • offset activity quantification • content of offsets report • information to be provided to the Clean Energy Regulator, and • record keeping and monitoring.
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Clean Energy Regulator-initiated engagements

The Clean Energy 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 provisions for compliance or monitoring purposes.

The engagement must be conducted by a registered greenhouse and energy auditor. While the subject matter of these engagements is at the Clean Energy Regulator's discretion, the main Carbon Farming Initiative compliance requirements relate to whether the project activity conforms with the applicable methodology determination, including unit entitlement calculators, data collection, monitoring, reporting and record keeping.

1.5 Other uses of the National Greenhouse and Energy Reporting audit framework

The NGER audit framework may also be used for audits initiated voluntarily by reporters or applicants. These audits usually assess compliance with legislation administered by the Clean Energy Regulator. For example, an audited body may wish to obtain a level of assurance that it is in compliance with its obligations even though it falls below a threshold for mandatory submission of an audit report. Voluntary audits may also be used to provide confidence to investors, customers or board members.

There are no legislative requirements for the NGER audit framework to be applied in relation to the undertaking of voluntary audits, but it is encouraged. All relevant national and international auditing and assurance standards should be followed.

Voluntary audits undertaken in accordance with the NGER Audit Determination may be used to support reported information to the Clean Energy Regulator and in some circumstances may also be used by auditors to meet registration requirements. If an auditor has undertaken a voluntary audit for a corporation, it is recommended the auditor asks the corporation to lodge the audit report with their energy and emissions report (under section 19 of the NGER Act) or their liable entity report (under section 22A of the NGER Act).

1.6 Sources of further guidance

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 (AUASB), provides guidance for the audit team leader when conducting assurance or verification engagements with respect to any of the schemes administered by the Clean Energy Regulator, and explains the applicable AUASB Standards.

Relevant standards issued and published by the AUASB include:

- Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*—applicable to all assurance engagements covered by this handbook
- ASAE 3100 *Compliance Engagements*—applicable to assurance engagements on compliance with requirements
- ASAE 3410 *Assurance on Greenhouse Gas Statements*—applicable to assurance engagements on emissions, and
- Standard in Related Services ASRS 4400 *Agreed-upon Procedures Engagements to Report Factual Findings*—applicable to all verification engagements covered by this handbook.

Relevant standards published by the International Organisation for Standardisation (ISO) include:

- ISO14064-1:2006 *Greenhouse gases—Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*
- ISO14064-2:2006 *Greenhouse gases—Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements*
- ISO14064-3:2006 *Greenhouse gases—Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*, and
- ISO 14065:2007 *Greenhouse gases—requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition*.

2. Key greenhouse and energy audit concepts

This chapter provides a brief explanation of key greenhouse and energy audit concepts and how they are to be applied and interpreted.

Assurance and verification engagements of greenhouse and energy information, prepared in accordance with the various schemes administered by the Clean Energy Regulator, are usually performed under the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination).

The assurance and verification engagements will be conducted by registered greenhouse and energy auditors, registered by the Clean Energy Regulator. In designing the NGER Audit Determination, the contemporary Department of Climate Change and Energy Efficiency considered the requirements of a number of existing standards and guidance statements, including those prepared by the Auditing and Assurance Standards Board (AUASB), the Accounting Professional and Ethical Standards Board (APESB) and the International Organisation for Standardisation (ISO).

However, common terms used in the NGER Audit Determination may have a slightly different interpretation to those used in the standards noted above. A glossary of common terms is provided in the templates section at the end of the handbook and an explanation of some of the key differences are provided in this chapter.

2.1 Audit team leader's role

The registered greenhouse and energy auditor who is appointed to an audit is known as the audit team leader. The audit team leader is responsible for ensuring the requirements of the NGER Audit Determination and the other applicable standards are satisfied. The way in which this objective is achieved is at the discretion of the audit team leader.

The audit team leader should be personally involved in the assurance or verification engagement so that they are part of the process as a whole. For example, this should include reviewing the outcomes of the planning phase, including the risk assessment and assurance or verification engagement plan, and being briefed on the progress of work and issues arising during the performing phase. The audit team leader should then take a lead role in the evaluation of the results of work performed and the preparation of the assurance or verification engagement report.

In practice it is not expected that the audit team leader physically and personally completes each and every one of these requirements but that they are involved in and responsible for making significant judgements and supervising the completion of these requirements.

Part 2 of the NGER Audit Determination stipulates requirements for all audit team leaders.

Subsection 2.6(1) of the NGER Audit Determination requires the audit team leader to document the process used to prepare for, carry out and report on the audit in compliance with the NGER Audit Determination.

2.2 The three-party relationship

The purpose of an audit is to provide the Clean Energy Regulator with independent assurance or verification of the information that the audited body has reported to the Clean Energy Regulator or of other aspects of compliance with the legislation underpinning the various schemes administered by the Clean Energy Regulator.

To provide independent assurance or verification, a three-party relationship must exist between the Clean Energy Regulator, the audited body and the audit team leader, where:

- the Clean Energy Regulator is the intended user of the matters to be subjected to assurance or verification
- the audited body is responsible for reporting in compliance with the legislation governing the schemes administered by the Clean Energy Regulator, and
- the audit team leader is responsible for:
 - » independently assessing the matter to be audited against the criteria and expressing an assurance conclusion following their assessment, or
 - » performing verification engagement procedures in line with the verification engagement terms.

It is important to note that the circumstances surrounding the relationship between the Clean Energy Regulator, audited body and the audit team leader may be different where the engagement has arisen because:

- the Clean Energy Regulator has required the audited body to seek an audit for compliance purposes
- the Clean Energy Regulator has appointed the audit team leader on the basis of a risk management approach, or
- the audited body has sought the audit voluntarily.

Under the third situation above, the audited body's directors may take the place of the Clean Energy Regulator as the intended users of the information, shown in the three-party relationship diagram below.

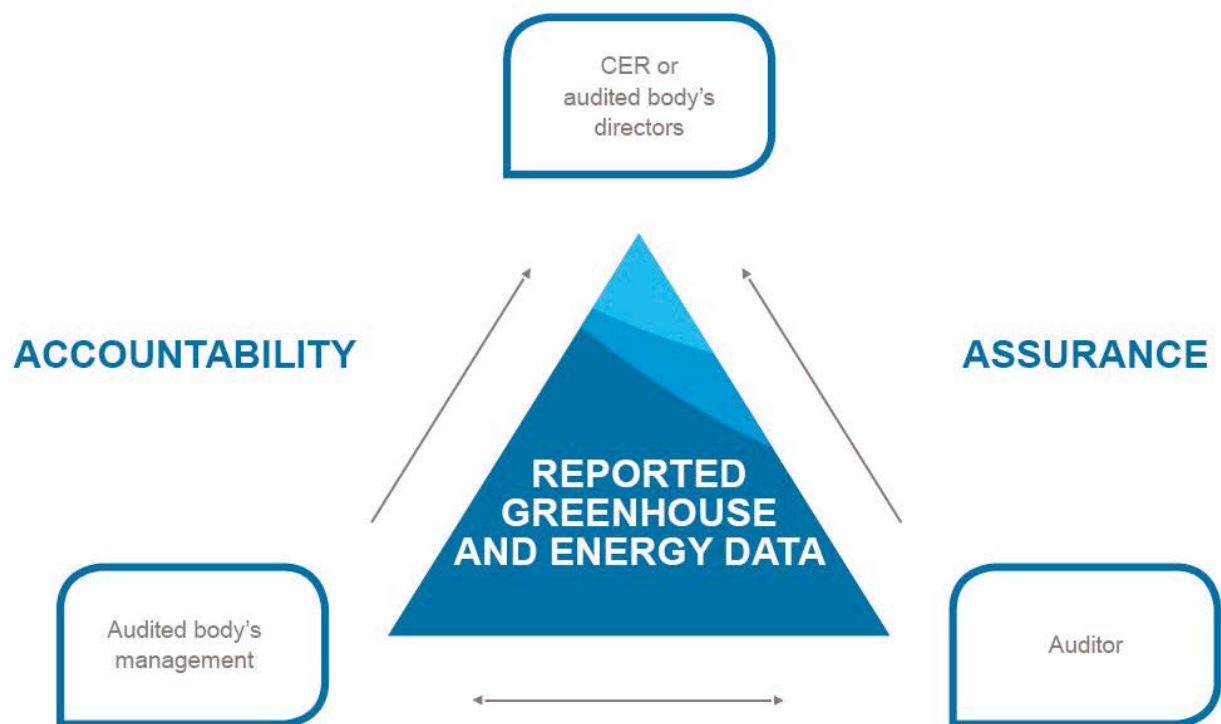


FIGURE 1—THREE PARTY RELATIONSHIP

3. Overview of the audit process

This chapter provides an overview of the process for audits conducted under the various schemes administered by the Clean Energy Regulator and the context within which the audit team leader performs assurance and verification engagements.

3.1 Purpose of audits for the Clean Energy Regulator

Audits conducted under the various schemes administered by the Clean Energy Regulator—which comprise either an assurance or verification engagement—are a key compliance monitoring measure under the schemes.

There are two different types of audits as stated under subsection 1.5(2) of the NGER Audit Determination:

- assurance engagements, providing either reasonable or limited assurance, and
- verification engagements, providing no assurance.

Assurance and verification engagements may examine any or all aspects of an audited body's compliance with the legislation governing the schemes administered by the Clean Energy Regulator and other subordinate legislation, including:

- emissions, energy production and energy consumption reported or provided to the Clean Energy Regulator
- definitions of corporate group and facilities determined through the application of overall and operational control
- requirements for identifying and measuring emissions sources, energy consumption and production points, and
- requirements established for accuracy, completeness and validity of reported subject matter including record-keeping requirements.

3.1.1 Assurance engagements

The purpose of an assurance engagement is to provide an independent conclusion on whether the audited body has complied, in all material respects, with specified requirements of the legislation governing the schemes administered by the Clean Energy Regulator.

3.1.2 Verification engagements

In contrast to assurance, a verification engagement is an independent assessment of specific areas of compliance, presented in the form of factual findings.

Refer to chapter 5 for guidance on the difference between verification and assurance engagements.

3.2 Assurance engagement process

The assurance process is divided into four key phases. This section outlines these phases, and the relationships that exist between and within each phase. Each of the elements in the assurance process is explained in detail in chapter 5 of this handbook. The verification process is explained separately in chapter 6 of the handbook.

Figure 2 below outlines the assurance engagement process. This diagram must be interpreted in the context of the type of audit conducted.

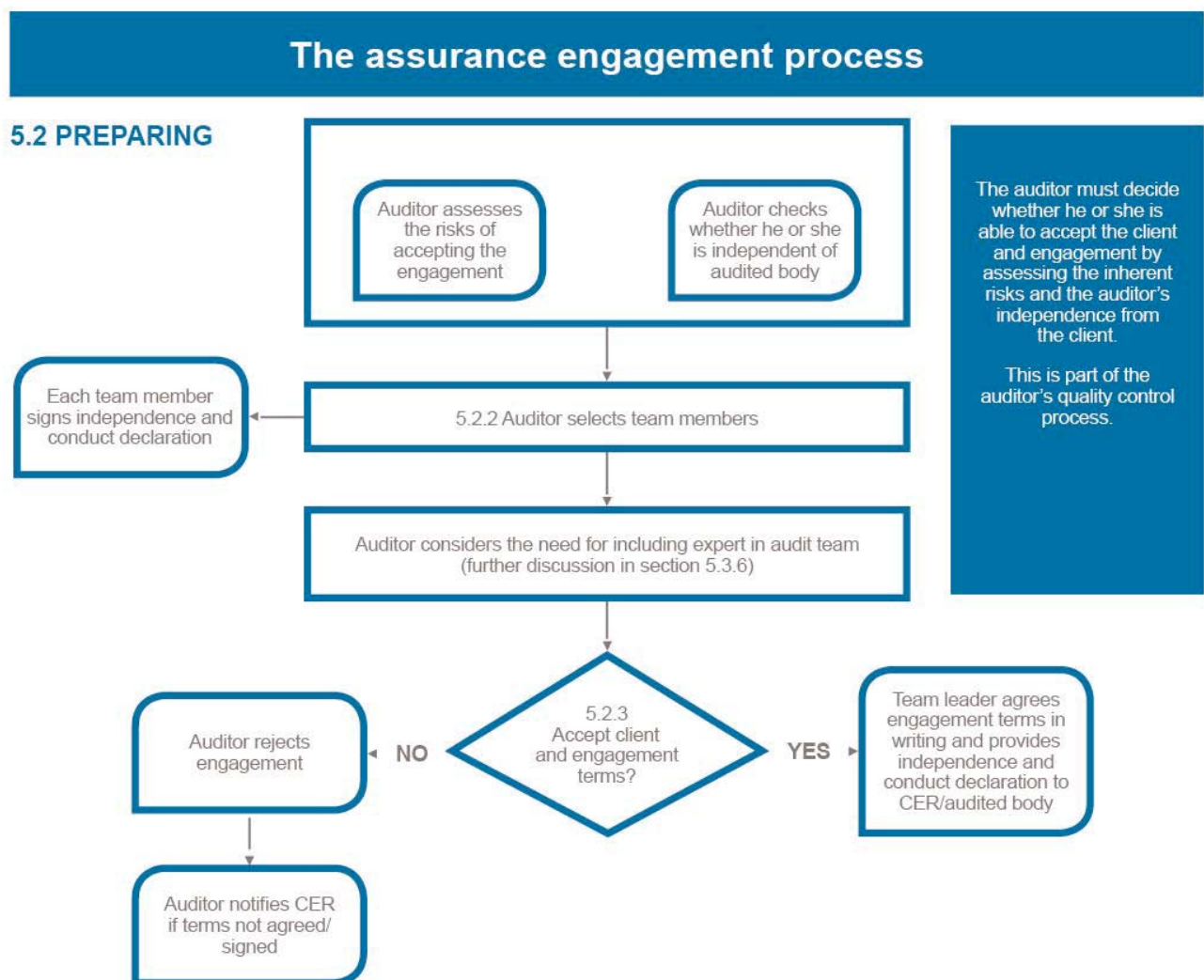
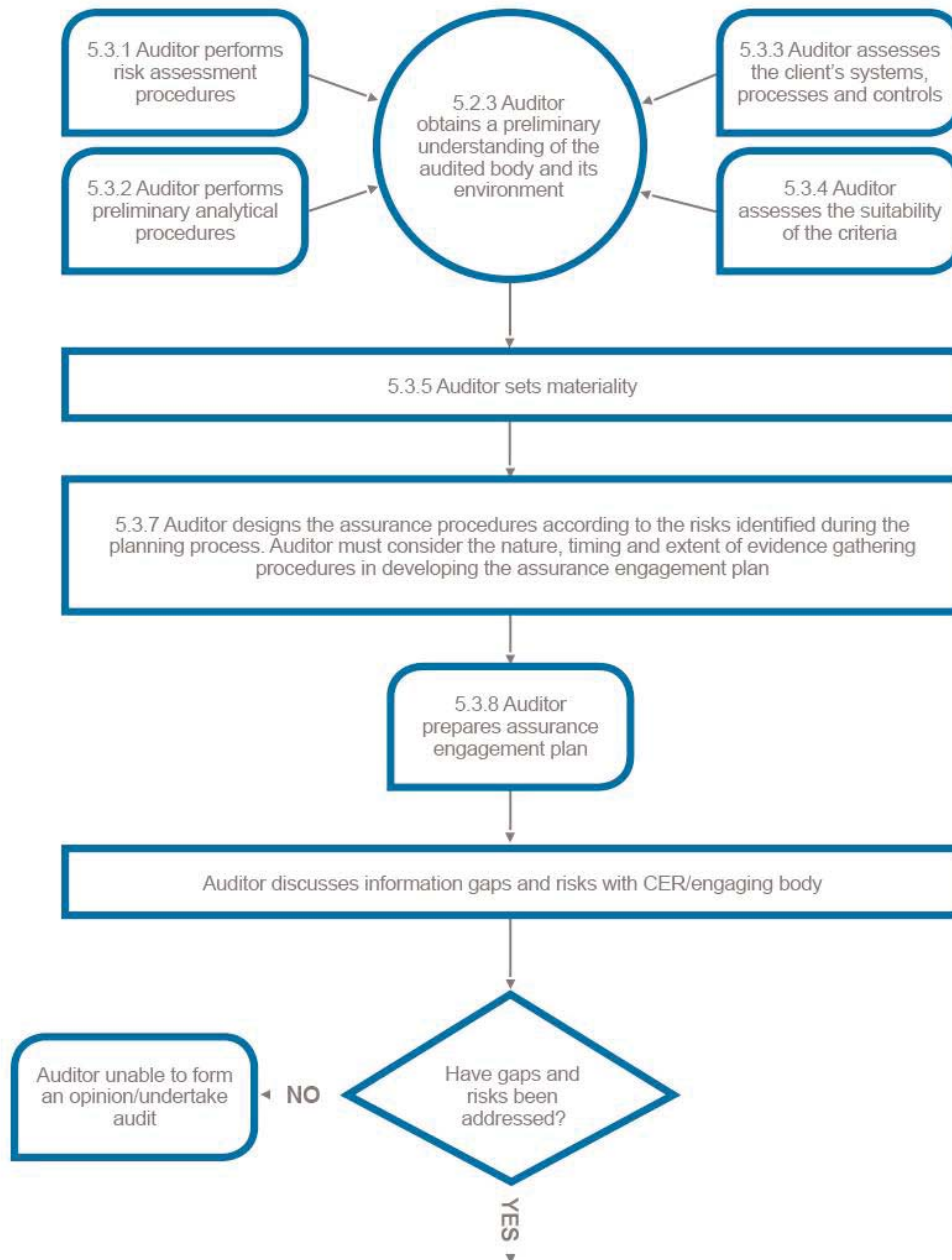


FIGURE 2—THE ASSURANCE ENGAGEMENT PROCESS

The assurance engagement process (continued)

5.3 PLANNING



The auditor assesses whether the assurance engagement is possible by evaluating what will be audited (the subject matter) and what it will be audited against (the criteria).

Thorough planning allows the auditor to develop audit procedures for the performing phase to appropriately address the assurance risks. This enables the auditor to gather sufficient appropriate evidence to support the conclusions in the assurance engagement report during the performing phase.

FIGURE 2—THE ASSURANCE ENGAGEMENT PROCESS

The assurance engagement process (continued)

5.4 PERFORMING

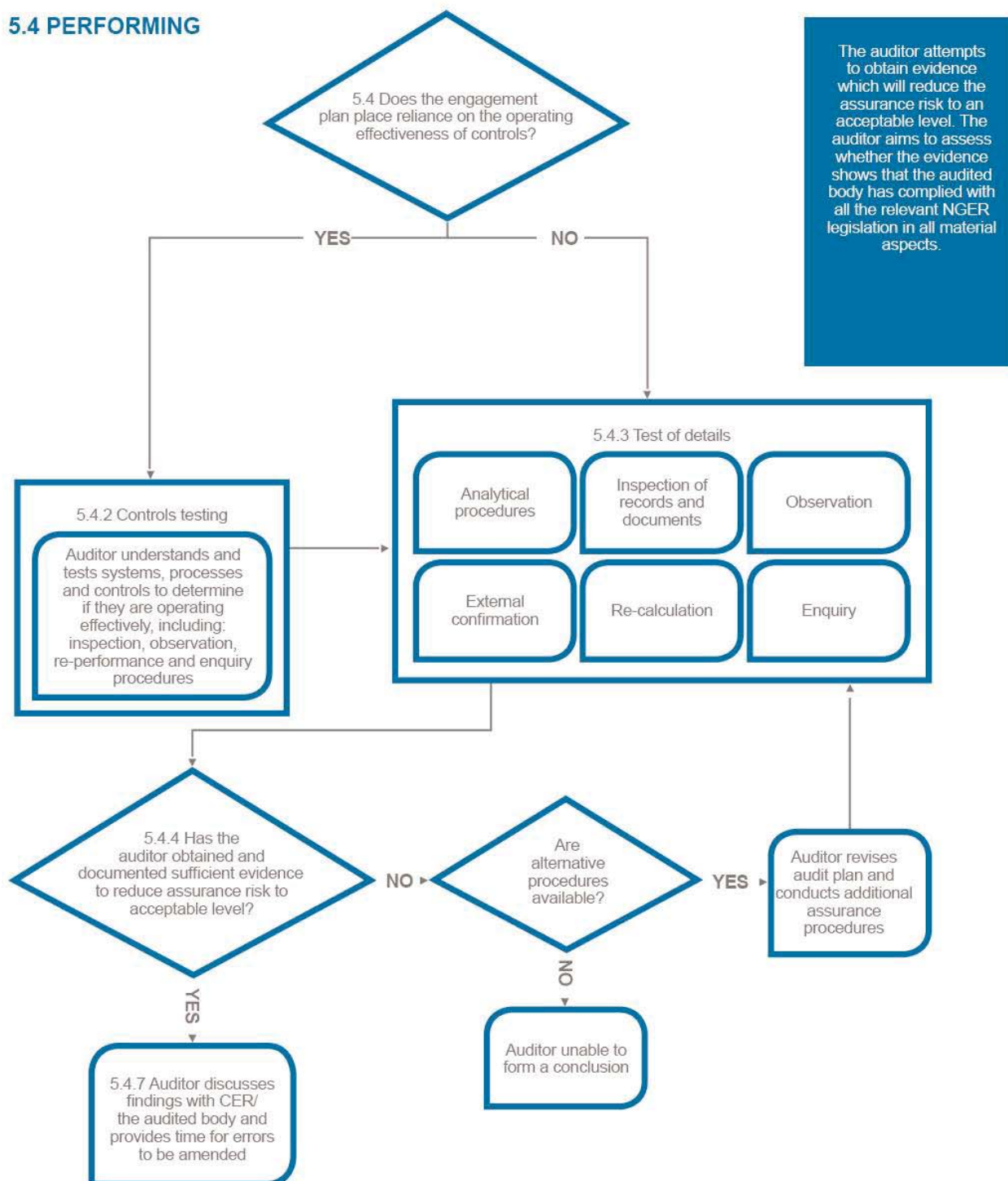
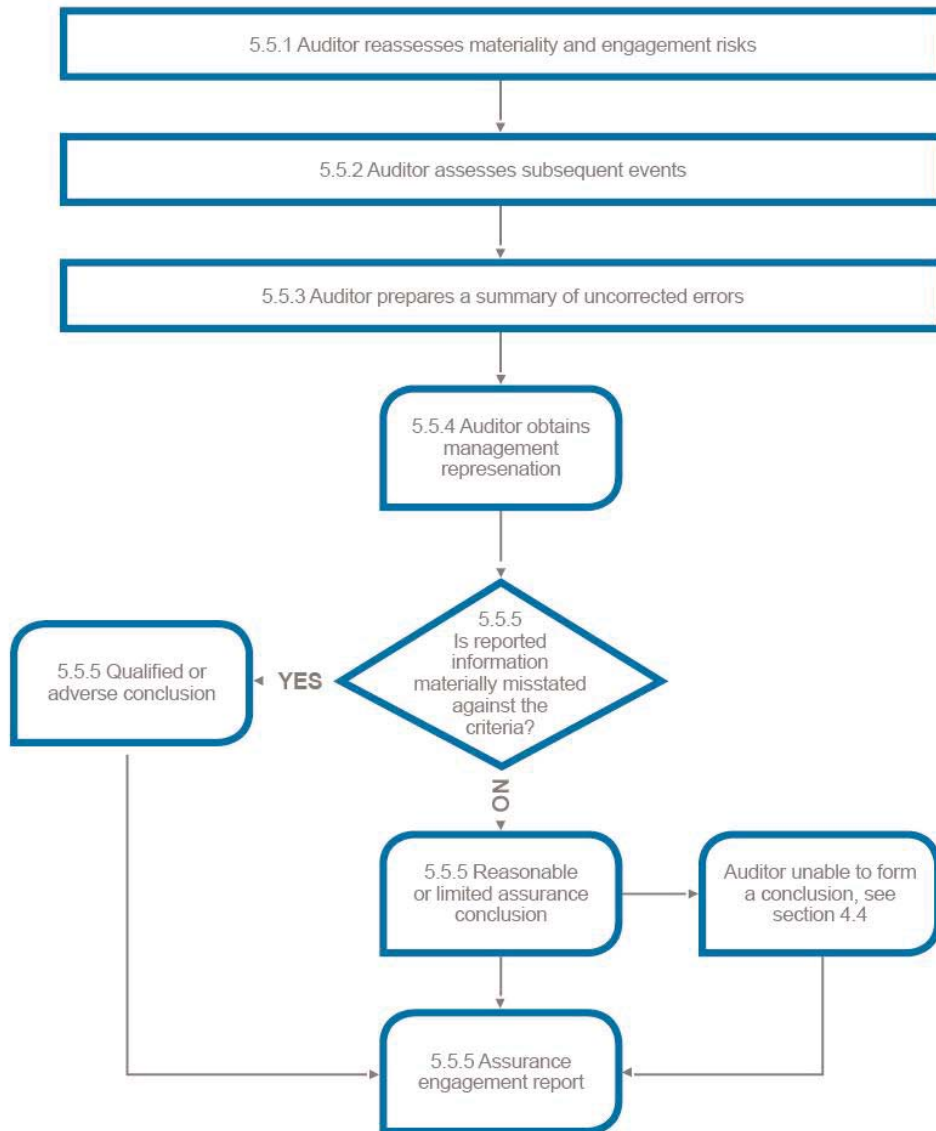


FIGURE 2—THE ASSURANCE ENGAGEMENT PROCESS

The assurance engagement process (continued)

5.5 REPORTING



The auditor obtains management's sign off on the completeness and accuracy of the reported greenhouse and energy information and the representations made by management to the auditor.

The auditor then uses the evidence gained during the audit to evaluate the final reported greenhouse and energy information (subject matter) against the legislation and methodology (the criteria).

FIGURE 2—THE ASSURANCE ENGAGEMENT PROCESS

3.2.1 Preparing

Section 2.4 of the NGER Audit Determination also requires the audit team leader to sign an independence and conduct declaration. Assurance engagement terms have prescribed items to be included (s3.3), and must be agreed in writing by the body appointing the auditor (either the Clean Energy Regulator or the audited body (s3.4)).

Section 3.6 of the NGER Audit Determination stipulates requirements for the auditor's understanding of these items to be documented in the assurance engagement plan, in addition to other items as set out in this section.

During this stage of the assurance engagement, the audit team leader completes acceptance or continuance procedures to assess the risks in accepting the engagement. Similar to quality control processes in manufacturing, the assurance engagement acceptance processes are implemented to ensure the end product is of a high standard and to protect the auditor from faulty goods claims.

The process is important as the value of the assurance engagement is derived in part from the integrity and perception of the audit team leader. A poorly performed assessment of the requirements of the commissioner of the audit (who may be either the Clean Energy Regulator or the audited body itself) and engagement risks could jeopardise both the value of the assurance engagement and the audit team leader's reputation.

The audit team leader also determines whether the assurance engagement will be possible based on the criteria and subject matter, and develops a plan to undertake an audit that is efficient, effective and in compliance with the assurance engagement terms, and the legislation governing the various schemes administered by the Clean Energy Regulator.

If the terms are not agreed to or signed, the audit team leader must notify the Clean Energy Regulator (under section 3.4(3) of the NGER Audit Determination).

Example: Conflict of interest

The audit team leader agrees to conduct an assurance engagement of a registered corporation but was an employee of the corporation six months earlier. In this case, the relationship—a relevant relationship under section 6.56 of the NGER Regulations—creates a conflict of interest situation which is prohibited under the NGER Regulations, as the audit team leader would not be capable, or a reasonable person would conclude that they are not capable, of exercising objective or impartial judgement in relation to the audit (Regulation 6.49 of the NGER Regulations).

The NGER Regulations require audit team leaders to comply with the code of conduct set out in NGER Regulation 6.46 which includes behaving with objectivity when conducting a greenhouse and energy audit.

3.2.2 Planning

The criteria for assurance engagements conducted under the various schemes administered by the Clean Energy Regulator are set by the legislation governing the schemes. For example, if an energy and emissions report under section 19 of the NGER Act is being audited, the criteria are primarily set out in the NGER Measurement Determination. For other engagements, the criteria may be compliance with a specific requirement of the legislation.

To address the audit criteria the audit team leader should obtain an understanding of, and assess:

- the operations, business objectives and business strategies of the audited body that are relevant to the matter that is subject to the assurance or verification engagement.
- the systems and processes the audited body uses to prepare the matter being audited.
- the systems and processes the audited body uses to identify and address the risks of misstatements that are material and relevant to its reporting requirements under the NGER Scheme, carbon pricing mechanism or related scheme, and
- the industry sector in which the audited body operates.

The NGER Audit Determination (s1.4) defines a misstatement: 'misstatement, in relation to a matter being audited under an assurance engagement, means an error, omission or misrepresentation in the matter relating to compliance with the NGER Act or the NGER Regulations, or the CFI legislation or associated provisions'.

As part of this process, the audit team leader should also understand and assess:

- the legislative requirements to be followed to gather and report the greenhouse emissions and energy information (the criteria)
- the scope, size and variability of the greenhouse emissions and energy information (the matter to be audited)
- the areas of the subject matter that are most significant to the business, and
- whether the matter to be audited is clearly presented so as to avoid misinterpretation.

This knowledge is then used to assess and evaluate:

- the risks that will affect the audit team leader's ability to form a conclusion on the matter to be audited (assurance risks), and
- the level at which an instance of non-compliance will affect the decisions people make (materiality).


The most efficient and effective way of conducting the assurance engagement is to develop a mix of assurance procedures tailored to address the significant risks of material misstatement identified. A summary of these procedures must be documented in the assurance engagement plan. These procedures should reflect the level of assurance being obtained. Procedures necessary for a limited versus reasonable assurance engagement may differ significantly.

If the results of the planned procedures are not as expected the audit team leader will need to reassess their understanding of the above factors and review and update the assurance engagement plan to ensure it still represents the most efficient and effective way of conducting the assurance engagement.

If the audit team leader determines that the issues identified during the planning stage restrict the ability of the audit team leader to complete the assurance engagement and amendments are not made by the audited body to address the audit team leader's concerns, they should consider proceeding to the reporting stage as it is likely they will be unable to form an opinion. Alternatively, the audit team leader could seek other means of gathering evidence or consider withdrawing from the engagement.

3.2.3 Performing

During this stage, the auditor gathers evidence to support the assurance conclusions by undertaking the procedures developed during the planning stage.



The objective of the assurance engagement is to provide an independent conclusion on whether the audited body has complied in all material respects with the relevant requirements of the legislation governing the various schemes administered by the Clean Energy Regulator.

The objective of undertaking the procedures developed during the planning stage is to provide the audit team leader with sufficient evidence to enable the audit team leader to issue the conclusion. A discussion of procedures is provided in chapter 5 but they generally include at least detailed testing to source documentation and analysis of results against expectations.

The nature, timing and extent of evidence required to support the assurance conclusion is initially assessed in the planning stage and is developed based on the audit team leader's understanding of the business and assurance risks. This assessment needs to be revised in accordance with the results of the procedures performed and how they affect the audit team leader's understanding of the business and assurance risks.

3.2.4 Reporting

The audit team leader obtains written representations from management regarding the completeness and accuracy of the information provided to the audit team leader or other matters including the audited body's compliance with the legislation of the various schemes administered by the Clean Energy Regulator, prior to issuing the assurance engagement report. The audit team leader should discuss the audit findings with the audited body to establish their factual accuracy wherever there doubts over their accuracy.

Division 3.4 of the NGER Audit Determination sets out the requirements for reporting on an assurance engagement.

Any audit report prepared in accordance with the NGER Audit Determination must include:

- a cover sheet
- Part A (audit opinion), and
- Part B (detailed findings).

The conclusion of the assurance engagement report is based on whether the audit team leader has determined that the evidence supports the finding that the reported information is materially correct and compliant with the legislation of the various schemes administered by the Clean Energy Regulator. If the reported greenhouse and energy information does contain what the audit team leader judges to be material errors, the pervasiveness of those errors will determine the nature of the conclusion provided. Examples of assurance engagement reports have been provided in the templates section at the end of this handbook.

3.3. Verification engagement process

In a verification engagement, the audit team leader performs a predetermined set of procedures agreed between the audit team leader and the Clean Energy Regulator or the audit team leader and the audited body, before the engagement starts. This verification engagement is similar to an 'agreed-upon procedures' engagement, commonly used in financial reporting and verification.

The product of a verification engagement is different from an assurance engagement, as the audit team leader provides a report of factual findings based on the specific procedures requested. No assurance conclusion is expressed. Instead, users of the report themselves assess the procedures conducted and the findings reported to draw their own conclusions.

The verification engagement process can be split into the key elements shown in the process diagram and described in the sections below.

Section 2.4 of the NGER Audit Determination also requires the audit team leader to sign an independence and conduct declaration. Verification engagement terms have prescribed items to be included (s4.2) and must be agreed in writing by the Clean Energy Regulator or the audited body, prior to carrying out the verification engagement (s4.3).

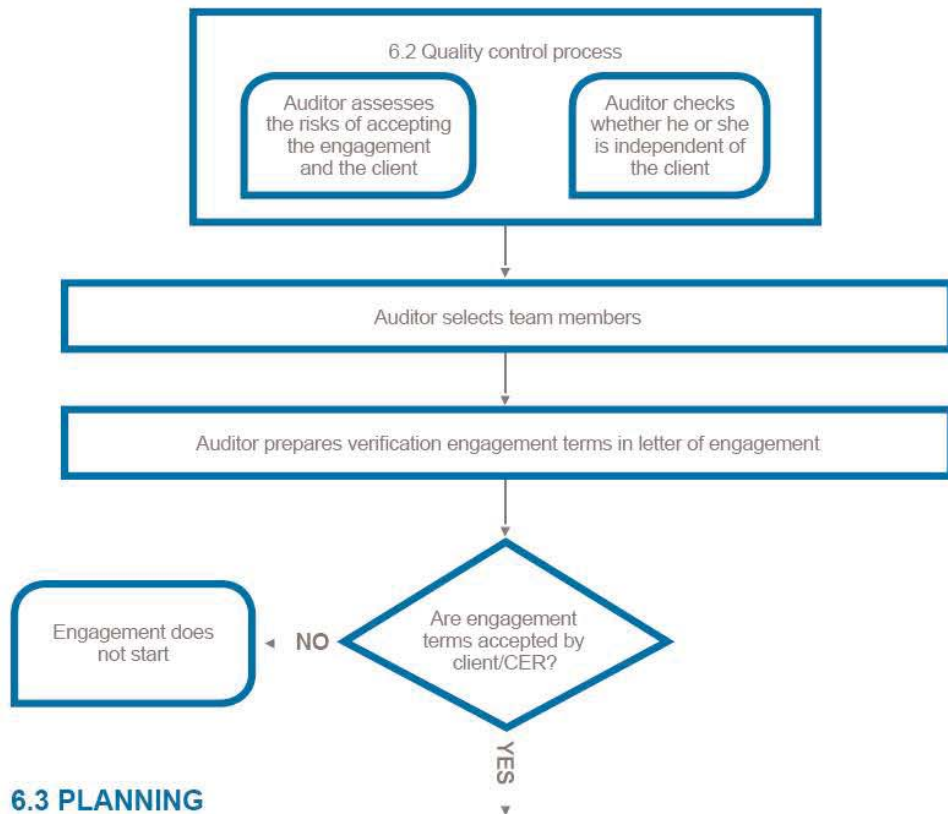
Section 4.4 of the NGER Audit Determination requires the registered greenhouse and energy auditor to prepare a verification engagement plan.

Section 4.6 of the NGER Audit Determination covers performing verification engagements.

Sections 4.7 and 4.8 of the NGER Audit Determination cover the required elements of a verification engagement report.

The verification engagement process

6.2 PREPARING



The auditor must decide whether he or she is able to accept the client and the engagement by assessing the inherent risks and the auditor's independence from the client.

This is part of the auditor's quality control process.

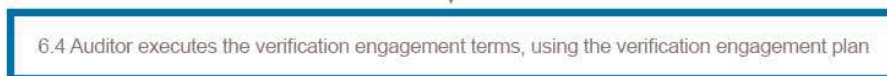
The auditor should prepare the verification engagement terms after discussion with the audited body or CER on the scope of the verification engagement.

6.3 PLANNING



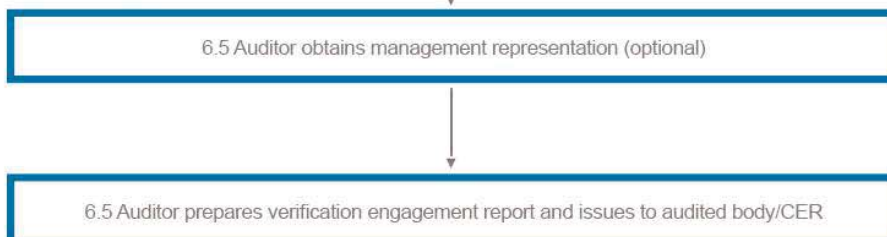
The verification engagement plan guides the efficient and effective execution of the verification engagement.

6.4 PERFORMING



The auditor performs only the agreed activities in the verification engagement terms, nothing more, nothing less.

6.4 REPORTING



The auditor may obtain management's sign-off on specific matters, but this is likely to be optional in verification engagements.

The auditor documents the results of the procedures performed in the verification engagement report

FIGURE 3—THE VERIFICATION ENGAGEMENT PROCESS

3.3.1 Preparing

During this stage of the verification engagement, the audit team leader completes the quality control steps to assess the risks in accepting the corporation to be audited and the verification engagement terms.

This step is common between assurance and verification engagements. Refer to the notes in the assurance section above for further detail.

3.3.2 Planning

The audit team leader must prepare a verification engagement plan to efficiently and effectively carry out the procedures agreed between the audit team leader and the Clean Energy Regulator or audited body in the verification engagement terms.

3.3.3 Performing

The audit team leader performs the activities outlined in the verification engagement terms as agreed in the letter of engagement—nothing more, nothing less.

This is significantly different to an assurance engagement, where the audit team leader designs a mix of assurance procedures to perform during the engagement.

3.3.4 Reporting

In the verification engagement report, the audit team leader documents the results of the verification procedures performed as per the engagement letter. This is a report of factual findings. The audit team leader should not express a conclusion in their report or include any further recommendations or comments beyond those required by the NGER Audit Determination with respect to verification engagement reports.

An example of a verification engagement report has been provided in the NGER templates section at the end of the handbook.

4. Team selection, quality control and conflict of interest

This chapter provides an overview of the audit process and the reasons why the audit team leader performs the various elements of the assurance and verification engagements.

4.1 Selection of audit team members

Selecting audit team members is an important part of the preparation stage.

The overall responsibility for the selection of team members rests with the audit team leader, but the audit team as a whole should be part of the process of evaluating the combined skills and experience of the team and whether they are appropriate to perform the engagement.

As per the requirements of Division 2.2 of the NGER Audit Determination, the audit team leader must ensure that the members of the audit team have between them the knowledge, skills and availability required to satisfactorily prepare for and carry out the audit and prepare the audit report.

In order to cover the necessary skills and expertise, audit teams are typically multidisciplinary and may include assurance practitioners, engineers, environmental scientists and financial, legal or corporate experts.

Where significant deficiencies in skills or experience are identified, and cannot be rectified through internal resourcing, the audit team may need to invite an expert from outside its organisation into the team. The expert is then part of the audit team and bound by the same requirements as the other audit team members under the NGER Audit Determination.

The audit team leader should also consider whether the team has sufficient supporting resources—such as time, equipment and access to management and key personnel—to complete the engagement.

NGER Regulation 6.50 requires that experts brought into the team are included as professional members of the audit team, and therefore bound by the same requirements as other professional members of the audit team.

4.2 Using audit team members with specialist expertise

For some engagements with complex areas, it may be necessary for the audit team leader to bring an external expert into the audit team. To determine if an expert is required, the audit team leader could consider:³

- the audit team's knowledge and experience of the matter being audited—the lower the level of knowledge and experience, the higher the likelihood that an expert may be required to be brought into the team
- the risk of material misstatement due to the nature, complexity and significance of the matter being considered—the greater the risk, the higher the likelihood that an expert may be required to be brought into the team, and/or
- the quantity and quality of other assurance evidence expected to be obtained—the lower the amount of evidence available, the higher the likelihood that an expert may be required to be brought into the team.

For example, an expert may be required in situations where the audit team needs to understand and evaluate:

- a complex direct measurement methodology developed by the audited body to measure its emissions or other information, and/or
- legal opinions obtained or prepared by the audited body concerning the interpretation of key regulatory requirements or terms such as operational control, process flow diagrams or Carbon Farming Initiative methodologies.

In the event that the auditor does plan to bring an expert into the audit team, the auditor should:

- evaluate the professional competence and objectivity of the expert
- obtain sufficient, appropriate evidence that the assurance procedures the expert will perform are appropriate and address the assurance risks identified, and
- ensure that the audit team collectively (that is, including the expert) obtains sufficient, appropriate evidence to support the conclusions made by the expert (this may be an area in which the expert requires guidance from other members of the audit team, as they may not be accustomed to performing audits).

It is important to note that while it is at the audit team leader's discretion to determine how the expert will be selected or hired, when the expert is brought into the audit team, under the NGER Regulations they are a full member of the team and are therefore subject to the same independence, quality control and conflict of interest situation requirements as the other audit team members.

³ These considerations and other requirements within this section have been developed with reference to ASA 620 *Using the Work of an Auditor's Expert*.

4.3 Quality control processes

A robust system of quality control should be in place for all auditors. Many auditors or their employers will have existing quality control frameworks in place such as ISO 9001, ASQC 1 or APES 320.⁴

While providing a robust framework, these systems may not have been designed with consideration of specific greenhouse and energy audit risks. Therefore, as part of the preparing procedures it is recommended that the audit team leader check that their quality control framework will be effective in managing the audit risk.

An effective framework for managing audit risk has the following characteristics:

- promotes an internal culture within the audit team leader's organisation that recognises the essential importance of quality in performing greenhouse and energy audits
- enables the auditor to identify and evaluate circumstances and relationships that create threats to independence and to take appropriate actions to eliminate or reduce those threats to an acceptable level. For example, detecting conflicts of interest and preventing audit team members who have a conflict of interest from participating in the assurance engagement
- enables the implementation of safeguards in the event that a conflict of interest is detected
- requires the auditor's personnel to comply with relevant ethical and professional standards requirements
- requires all staff performing greenhouse and energy audits to provide written confirmation of compliance with the organisation's policies and procedures on independence
- provides guidance to an audit team leader in determining the circumstances when a peer review is required
- ensures the auditor's personnel are sufficiently skilled, competent and capable to complete the assurance engagement in accordance with the NGER Audit Determination, and
- provides the auditor with sufficient comfort that the policies and procedures of the quality control system are:
 - » adequate and effective
 - » complied with in practice
 - » monitored regularly, and
 - » evaluated on a periodic basis.

⁴ International Standards Organisation ISO 9001:2008 *Quality Management Systems*; Auditing and Assurance Standards Board ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information*, and Other Assurance Engagements; and Accounting Professional and Ethical Standards Board APES 320 *Quality Control for Firms*.

4.3.1 Client and engagement considerations

Prior to preparing and agreeing engagement terms, the audit team leader should consider if the audit team are collectively appropriately skilled to perform the engagement, and if the engagement being proposed itself can be accepted. Client and engagement acceptance considerations must include:

- the audit team leader taking steps to ensure any conflict of interest situation is resolved. Refer to section below for additional guidance on conflicts of interest.
- the audit team leader or professional member of the audit team ceasing to be part of the audit team where a conflict of interest situation relating specifically to them is not resolved by 28 days after the audit team leader became aware of the existence of the conflict of interest situation, if no exemption under the NGER Regulations is sought or granted, and
- the audit team leader having in place a quality control system reasonably capable of bringing conflict of interest situations to the audit team leader's attention.

In addition to those requirements noted above, acceptance considerations should include:

- the integrity and approach to risk management taken by those charged with governance of the audited body
- the reasonableness of the terms and conditions of the assurance engagement (for example, is the audited body or the intended user of the assurance engagement report insisting on engagement terms which could place the audit team leader's at risk of litigation)
- the capability and expertise of the audit team and if they are suitably qualified to perform the engagement, and
- any potential or actual conflicts of interest.

Where issues arise, they should be discussed with the audited body and the audit team leader may choose not to accept the engagement.

4.3.2 Independence and conflicts of interest

Subdivision 6.6.3 and subdivision 6.6.4 of the NGER Regulations include general and specific independence requirements respectively.

Auditor independence is fundamental for objective, unbiased and reliable audits.

When conducting greenhouse and energy audits, an audit team leader is required to make assessments about the accuracy, reliability and completeness of the underlying data or matters of compliance. For these assessments to be unbiased and objective, the audit team leader needs to be free of any other conflicting interests and maintain independence from the audited body.



Key points of guidance around independence and conflicts of interest are included below.

Independence and code of conduct declaration

Under section 2.4 of the NGER Audit Determination, before agreeing to the terms of the audit, the audit team leader must sign an independence and conduct declaration and give it to the person who appoints the audit team leader to carry out the audit,

The independence and conduct declaration covers all members of the audit team. It must state whether the audit team leader will:

- comply with the Code of Conduct (regulation 6.46 of the NGER Regulations)
- be in any conflict of interest or perceived conflict of interest situations (regulation 6.49 of the NGER Regulations), including whether any exemption has been granted for the conflict of interest situation
- comply with the requirements of subdivisions 6.6.3 and 6.6.4 of the NGER Regulations (these subdivisions contain general and specific, and independence requirements, which are the subject of the comments in this section of the handbook), and
- note any breach of auditor rotation requirements (regulation 6.59 of the NGER Regulations, which states that the audit team leader must not carry out more than five consecutive greenhouse and energy audits or Carbon Farming Initiative audits in relation to an audited body). Once an auditor has served as the audit team leader for five consecutive greenhouse and energy audits, or Carbon Farming Initiative audits, for an audited body, then there must be at least two successive greenhouse and energy audits or Carbon Farming Initiative audits in relation to the audited body for which the audit team leader did not serve as the audit team leader.

For professional audit team members, the independence and conduct declaration must state whether the team members will:

- comply with subregulations 6.47(4), (6) and (7) of the NGER Regulations in relation to conflict of interest situations, and
- be in any conflict of interest situations (6.47 of the NGER Regulations), including whether any exemption has been granted for the conflict of interest situation.

In complying with these requirements auditors are stating whether they have conflicts of interest but this does not guarantee independence.

Conflict of interest situations

Regulation 6.49 of the NGER Regulations covers the meaning of conflict of interest situations.

Regulation 6.56 of the NGER Regulations lists relevant relationships which are deemed to create a conflict of interest and as such are prohibited for the team leader, professional members of the audit team and certain associated persons.

Regulation 6.47 of the NGER Regulations covers actions the audit team leader must take in the event of a conflict of interest situation.

A conflict of interest situation exists in relation to an audited body if at a particular time:

- the audit team leader or professional member of the audit team is not capable of exercising objective and impartial judgement in the conduct of the greenhouse and energy audit, or
- a reasonable person, with full knowledge of all relevant facts and circumstances, would conclude that the audit team leader or professional member of the audit team is not capable of exercising objective and impartial judgement in the conduct of the greenhouse and energy audit.

A person seeking to determine if a conflict of interest situation exists must have regard to circumstances arising from any relationship which exists, is likely to exist or has existed, between the audit team leader or professional member of the audit team and the audited body.

If the audit team leader identifies a breach of the Code of Conduct or a conflict of interest, the audit team leader must take steps to resolve the conflict of interest situation or apply for exemption from the requirements of the NGER Regulations and NGER Audit Determination.

The audit team leader should notify the person appointing the audit team leader, either the Clean Energy Regulator or the audited body, of the conflict of interest. The audit team leader should document the conflict and the NGER Actions or processes put in place to manage the conflict. Where the Clean Energy Regulator appointed the audit team leader, they will review this documentation and confirm if it is satisfied that the findings of the assurance will not be affected. If there is not acceptable management of the conflict of interest, the audit team leader will not be permitted to perform the assurance.

Regulation 6.71 of the NGER Regulations covers conditions under which exemptions to conflict of interest requirements may be granted by the Clean Energy Regulator.

In identifying conflict of interest situations under the NGER Regulations, which are not specifically prohibited by the NGER Regulations, audit team leaders may refer to APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (APESB).

A conflict of interest situation is likely where any of the following threats to independence, which are not clearly insignificant, exist:

- Self-review: An audit team member is required to review and assess work performed by them, another member of the audit team or another member of the same firm.
- Advocacy: An audit team member appears to promote or does promote the audited body's position or conclusion.
- Familiarity: An audit team member has a strong relationship with the audited body that may lead them to overly sympathise with the audited body and this places limits on the professional scepticism applied by the audit team member or, by extension, the audit team as a whole.
- Intimidation: An audit team member has been or appears to be threatened by the audited body.

Where any of these threats to independence exist, safeguards may be applied to eliminate or reduce the threat. Where appropriate safeguards are not available, either the relevant team member will need to be excluded from the engagement or the engagement must be declined.

Prior to agreeing to the engagement terms for the assurance engagement, the audit team should evaluate potential conflicts of interest applying to their team members and firm against the requirements of the NGER Audit Determination and the NGER Regulations.

Common independence issues that can be addressed

The guidance above covers the general and specific independence requirements contained within the NGER Regulations.

However, it is important also to consider that dealing with independence issues requires the audit team leader's professional judgement of the independence threat against the principles provided above, as well as the requirements of the NGER Audit Determination and the NGER Regulations. To illustrate, examples of common independence issues are provided in the table below.

Common issue	Suggested response	Outcomes
<p>The audit team leader's firm has performed other work for the audited body which impairs their independence.</p> <p>For example, implementing a system to record and aggregate greenhouse and energy information.</p>	<p>The audit team leader should consider the work performed against each of the principles provided above to build an overall picture of the extent and nature of the threat to independence. The audit team leader should consider excluding potential team members who contributed to other work such as the audited body's greenhouse and energy report. The materiality of the work is considered in the audit team leader's assessment.</p>	<p>The audit team leader should make a judgement based on their evaluation against the principles.</p> <p>The audit team leader may have to refuse the engagement (and notify the Clean Energy Regulator) if the independence threat is too great.</p> <p>The NGER Regulations do provide for exemptions in certain cases.</p> <p>It is important to remember that 'perceived' independence (would other parties perceive the audit team leader to be independent of the audited body?) should be included in this assessment.</p>
<p>Individual team members have financial or other interests or relationships with the audited body.</p> <p>For example, close relatives occupying key positions in the audited body's greenhouse and energy reporting functions.</p>	<p>The audit team leader should consider whether the team member's inclusion in the audit team would impair their independence for the assurance engagement as a whole.</p>	<p>The audit team leader should review the extent of the threat using the principles provided above.</p> <p>If the independence threat is deemed to be significant, the audit team member should be removed from the audit team and their access to all information related to the audit revoked.</p>

4.4. Dealing with fraud

In the planning phase, the audit team leader identifies and assesses the risks of material misstatement or non-compliance due to fraud and determines overall responses and the nature, timing and extent of further audit procedures to address the assessed risks. During the course of an audit, the audit team maintains professional scepticism, recognising the possibility that a material misstatement or non-compliance due to fraud may exist.

If the auditor team leader identifies non-compliance by the corporation that is reporting information to the Clean Energy Regulator, or material misstatements in the subject matter, the auditor evaluates whether it is indicative of fraud. Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

Where a fraud or suspected fraud is detected, the audit team leader evaluates the implications of the misstatement or non-compliance in relation to other aspects of the audit, for instance it may impact the reliability of other evidence. The audit team leader communicates the matter to the appropriate level of management or those charged with governance and informs the Clean Energy Regulator. *ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and *ASAE 3410 Assurance on Greenhouse Gas Statements* may also provide further guidance on how auditors may deal with identifying and reporting fraud.

All incidences of fraud or deliberate non-compliance must be immediately reported to the Clean Energy Regulator.

4.5. Application of the Criminal Code

Auditors should note that under the *Criminal Code Act 2005*, giving false or misleading information is a serious offence.

5. The assurance engagement process

This chapter summarises the assurance engagement process, including some important considerations and practical tips to address issues which may arise.

The objectives of this chapter are to:

- illustrate the importance of the preparing stage and the risk assessment processes, which are fundamental to a risk-based assurance approach
- demonstrate that the assurance engagement plan should be used at the beginning of the planning phase to determine how sufficient and appropriate assurance evidence will be captured to support the assurance conclusions
- highlight the interaction and interdependency of the key stages of the assurance process
- provide guidance on the requirements and meaning of key assurance processes and terminology
- provide guidance on how audit team leaders can overcome common issues encountered during the assurance process
- explain how the greenhouse and energy assurance is performed, by providing guidance and examples of the important parts of the performing stage, and
- explain the key parts of the reporting process.


The chapter follows the stages of the assurance process as depicted in Figure 1 in chapter 2, and provides guidance for each stage.

5.1 Levels of assurance explained

The objective of an assurance engagement is to obtain sufficient appropriate evidence to express a conclusion, providing reasonable or limited assurance, as to whether the audited body has complied with the specified requirements of the appropriate legislation (the 'criteria') in all material respects.

The higher the level of assurance provided, the greater the confidence the individual can place in the matter being assured. However, for an audit team leader to provide a higher level of assurance, they need to reduce the risk that a material misstatement exists in the matter being audited. The audit team leader achieves this by conducting a more in-depth and rigorous assessment of the matter being audited.

Absolute assurance means that there is no assurance risk. Reducing assurance risk to zero is very rarely attainable or cost beneficial; primarily because the evidence available to an audit team leader is persuasive rather than conclusive, and audit team leaders are required to use judgement in gathering and evaluating assurance evidence. As such, absolute assurance is not part of the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination).



The NGER Audit Determination definition of a reasonable assurance engagement is as follows: 'A reasonable assurance engagement means an assurance engagement in which the audit team leader gives an opinion, expressed as a reasonable assurance conclusion, if appropriate in the circumstances of the engagement.'

Because 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 in a limited assurance engagement will differ from, and are narrower in scope than those performed in a reasonable assurance engagement.

The primary differences between reasonable assurance engagements and limited assurance engagements, in terms of the way the assurance practitioner addresses the assessed risks of material misstatement and the procedures they use, are as follows:

- **The emphasis placed on the nature of various procedures:** The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example:
 - » The assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on enquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on tests of controls and obtaining evidence from external sources than would be the case for a reasonable assurance engagement.
 - » Where the entity uses continuous measuring equipment to quantify emissions flows, in a limited assurance engagement the assurance practitioner may decide to respond to an assessed risk of material misstatement by enquiring about how often the equipment is calibrated. In the same circumstances, in a reasonable assurance engagement the assurance practitioner may decide to examine the entity's records of the equipment's calibration or independently test its calibration.
 - » Where the entity burns coal, in a reasonable assurance engagement the assurance practitioner may decide to independently analyse the characteristics of the coal. In a limited assurance engagement, the assurance practitioner may decide that reviewing the entity's records of laboratory test results is an adequate response to an assessed risk of material misstatement.
- **The extent of further procedures:** Further procedures are performed to a lesser extent in a limited assurance engagement than in a reasonable assurance engagement. This may involve:
 - » reducing the number of items to be examined, for example, reducing sample sizes for tests of details
 - » performing fewer procedures (for example, performing only analytical procedures in circumstances when, in a reasonable assurance engagement, both analytical procedures and tests of detail would be performed), or
 - » performing procedures on location at fewer facilities.

- **The nature of analytical procedures:** In a reasonable assurance engagement, analytical procedures performed in response to assessed risks of material misstatement involve developing expectations of quantities or ratios that are sufficiently precise to identify material misstatements. In a limited assurance engagement, on the other hand, analytical procedures are often designed to support expectations regarding the direction of trends, relationships and ratios rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

Further, when significant fluctuations, relationships or differences are identified, appropriate evidence in a limited assurance engagement may often be obtained by making enquiries of the entity and considering responses received in the light of known engagement circumstances, without obtaining additional evidence.

In addition, when undertaking analytical procedures in a limited assurance engagement, the assurance practitioner may, for example:

- use data that is more highly aggregated; for example, data at a regional level rather than at a facility level, or monthly data rather than weekly data, or
- use data that has not been subjected to separate procedures to test its reliability to the same extent as it would have been for a reasonable assurance engagement.

5.1.1 Addressing a change in risks when issues are identified

During either a reasonable assurance or limited assurance engagement, the auditor's assessment of the risk of material misstatement in the subject matter may change during the course of the engagement. If the auditor becomes aware of a matter or matters that cause the auditor to believe that the risks of a subject matter being materially misstated has changed, the auditor shall design and perform additional procedures to obtain further evidence until the auditor is able to:

- conclude that the matter is not likely to cause the subject matter to be materially misstated, or
- determine that the matter(s) cause the subject matter to be materially misstated.

This requirement is the same for both a reasonable assurance and limited assurance engagement. ASAE 3000 and GS021 provides further guidance on how auditors may deal with changes in risks and the need for additional procedures.

The NGER Audit Determination definition of a reasonable assurance engagement is: 'an assurance engagement in which the audit team leader gives an opinion, expressed as a reasonable assurance conclusion, if appropriate in the circumstances of the engagement'.

The table below outlines the differences between the procedures for a reasonable and a limited assurance engagement⁵:

Type of engagement	Objective	Evidence gathering procedures	The assurance engagement report
Reasonable assurance engagement	A reduction in assurance engagement risk to an acceptably low level in the circumstances of the assurance engagement, as the basis for a positive form of expression of the auditor's conclusion. Reasonable assurance means a high but not absolute level of assurance.	Sufficient appropriate evidence is obtained as part of a systematic assurance engagement process that includes: <ul style="list-style-type: none"> • obtaining an understanding of the assurance engagement circumstances • assessing risks • responding to assessed risks • performing further evidence gathering procedures, and • evaluating the evidence obtained. 	Description of the assurance engagement circumstances, and a positive form of expression of the conclusion.
Limited assurance engagement	A reduction in assurance engagement risk to a level that is acceptable in the circumstances of the assurance engagement but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the auditor's conclusion.	Sufficient appropriate evidence is obtained as part of a systematic assurance engagement process that includes obtaining an understanding of the matter to be audited and other assurance engagement circumstances; but evidence gathering procedures are deliberately limited in comparison with a reasonable assurance engagement.	Description of the assurance engagement circumstances, and a negative form of expression of the conclusion.

⁵ This guidance is based on the AUASB's *Framework for Assurance Engagements* Appendix 1 (available at www.auasb.gov.au).

5.2 Preparing

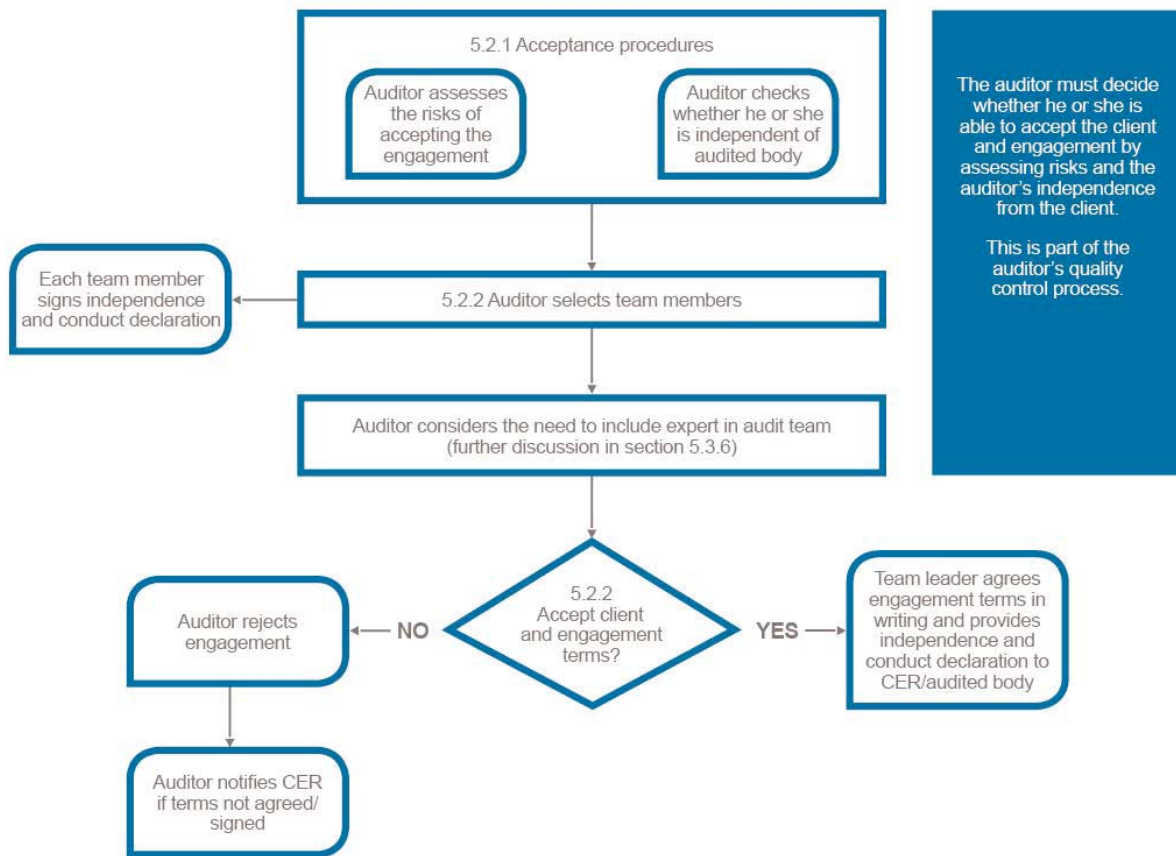


FIGURE 4—PREPARING FOR AN ASSURANCE ENGAGEMENT

See Divisions 3.2 and 3.3 of the NGER Audit Determination for the specific legislative requirements in relation to preparing for, planning and performing an assurance engagement.

The preparing stage is crucial in setting up a thorough, risk-based assurance process, aligned to the requirements of the NGER Audit Determination. Key elements that must be considered when preparing for an assurance engagement include:

- quality control processes
- selection of team members, and
- engagement terms.

Guidance on these key elements is provided below.

5.2.1 Quality control processes

Refer to section 4.3 of this handbook for detailed guidance on performing quality control processes. These processes are required for both assurance and verification engagements.

5.2.2 Selection of team members

Refer to section 4.1 of this handbook for detailed guidance on selection of team members, including any technical experts that may be required. Selection of team members is an important consideration for both assurance and verification engagements.

5.2.3 Engagement terms

Subsection 3.3(2) of the NGER Audit Determination stipulates the minimum requirements for the assurance engagement terms.

Subsection 3.4(4) of the NGER Audit Determination requires any amendments to the engagement terms during the assurance engagement to be agreed and signed by the parties to the terms.

For the engagement to begin, the engagement terms must be agreed in writing by the audit team leader and the person appointing the audit team leader, which may be the Clean Energy Regulator or the audited body. The engagement terms can form a legally binding contract. The purpose of the engagement terms is to document and confirm:

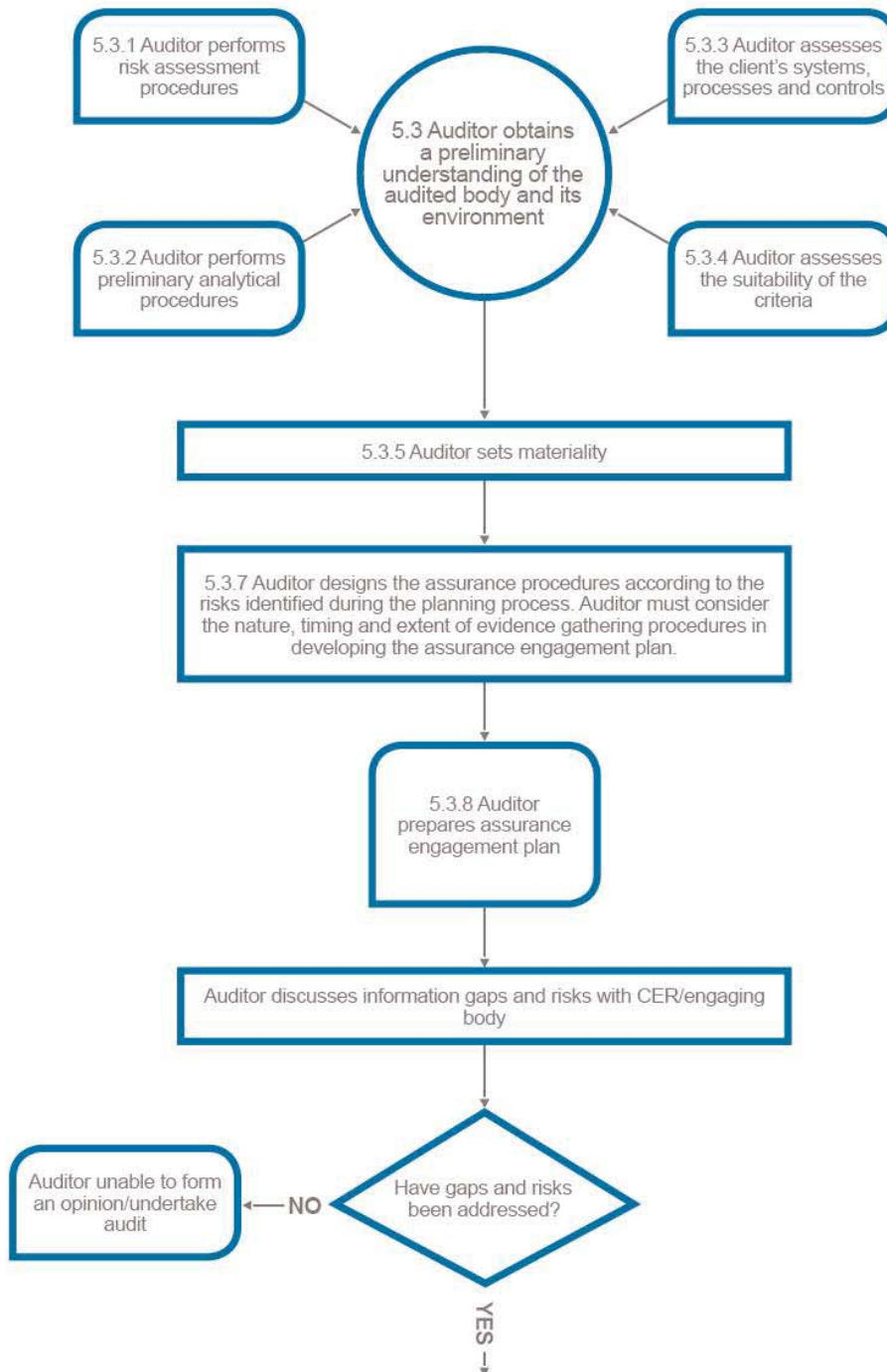
- the audit team leader's appointment
- the objective and scope of the assurance engagement
- the criteria against which the subject matter will be assessed, and
- the roles and responsibilities of the members of the three party relationship.

Assurance engagements under the various schemes administered by the Clean Energy Regulator can be complex in terms of the planning process, particularly assessing the suitability of the criteria and the appropriateness of the subject matter (refer to section 5.3.4 of this handbook for a detailed discussion).

Templates for letters of engagement, including the engagement terms, are included in the templates at the end of this handbook.

It is recommended that the auditor include an information request as an appendix to the engagement terms. The information request outlines the key documents and information required by the audit team leader, when they should be provided and who is responsible for providing them. This assists the audit team leader and the audited body manage the flow of information and assurance evidence during the assurance engagement.


5.3 Planning



The auditor assesses whether the assurance engagement is possible by evaluating what will be audited (the subject matter) and what it will be audited against (the criteria).

Thorough planning allows the auditor to develop audit procedures for the performing phase to appropriately address the assurance risks. This enables the auditor to gather sufficient, appropriate evidence to support the conclusions in the assurance engagement report during the performing phase.

FIGURE 5—PLANNING THE ASSURANCE ENGAGEMENT



During the planning stage, the audit team leader assesses whether the emissions, energy, offsets or production information or compliance matters can be audited and what the most efficient and effective way of conducting the assurance engagement will be.

Thorough planning allows the audit team leader to develop tailored assurance procedures to address the assurance risks identified. These procedures form the basis of the assurance engagement plan, which assists the audit team leader to gather sufficient appropriate evidence to support the conclusion in the assurance engagement report.

5.3.1 The risk assessment—a summary

Having conducted the preparing procedures and agreed the assurance engagement terms, the audit team leader now conducts a risk assessment to understand and evaluate the risks inherent in what is to be audited—the audited body's emissions, energy, offsets, production or other information or other compliance requirement—and its related underlying systems, processes and controls.

The purpose of the risk assessment is to determine which areas of the assurance engagement are likely to involve higher levels of risk of material non-compliance or misstatement. The audit team leader uses this information to design assurance procedures that reduce the risks to an acceptable level and form the basis of the assurance conclusion.


The risks identified and procedures developed should be documented in the assurance engagement plan on the audit file. The 'audit file' is the electronic or hard copy file maintained by the auditor containing the documentation of the audit procedures. Additional guidance on what an assurance engagement plan should contain is included in section 5.3.9 of this handbook.

The risk assessment is required to be performed by the audit team leader, so that the auditor specifically develops an understanding of the audit risk, inherent risk, detection risk and control risk associated with the audited body's compliance with the relevant legislation and its related systems, processes and controls. The specific risks are explained as follows.

Audit risk

Audit risk is simply the risk that the audit team leader will issue the wrong assurance conclusion. For example, the risk that an adverse conclusion is not reached because the audit team leader fails to detect material misstatement(s) in the audited body's reported emissions, energy, offsets, production or process flow diagrams or detect material non-compliance with requirements or activity descriptions, which are being assured. Audit risk is therefore the risk to the audit team leader's firm of signing off on an incorrect assurance conclusion.

For example, the audit team leader may issue an unqualified assurance conclusion when a qualified or an adverse assurance conclusion should have been issued. This might occur where a material misstatement exists in the reported information or a material non-compliance with requirements exists, but remains undetected. This may be due to



inadequate planning, resulting in insufficient procedures being performed to gather sufficient appropriate evidence.

Audit risk is unavoidable in practice, as it is not possible for an audit team leader to obtain absolute assurance that all material misstatements or non-compliance have been detected. However, it can be mitigated through effective and thorough preparing, planning, performing and reporting procedures, as outlined in this handbook.

Inherent risk

Inherent risk can be expressed as the inherent likelihood of there being material misstatements in the emissions, energy, offsets, production or other information reported, or there being non-compliance with relevant requirements, despite the impact of any mitigating controls implemented by the audited body.

Inherent risk is dependent on a combination of wide-ranging factors, from those that affect the audited body as a whole (for example, the scope and complexity of the operations) to those that affect single measurements or calculations (for example, the reliability of electricity meters or emissions estimates).

Detection risk

Detection risk is the risk that the audit team leader will not detect a misstatement or non-compliance that exists that could be material, either individually or when aggregated with other misstatements or non-compliance. Detection risk increases if assurance procedures are performed in an ineffective manner, or if procedures are designed poorly.

For example, an audit team leader is reviewing the accuracy of an emissions calculation, but has not reviewed or tested the source data supporting the calculation. In this instance, detection risk would increase as the calculation may be performed accurately, but if the underlying data is unreliable (for example, due to transcription errors in supporting spreadsheets or unreliable estimates made in preparing the input data), the audit team leader could miss a material misstatement in the reported emissions and energy information.

Control risk

Control risk is the risk that a misstatement or non-compliance could occur and that it could be material and will not be detected and corrected or prevented by the audited body's internal control systems.

For example, a transcription error during manual data entry from a spreadsheet into a reporting tool such as the Emissions and Energy Reporting System (EERS), which has not been picked up by the manual review of the EERS submission performed by management.

Common issues

It is highly likely that through this process the audit team leader will identify either significant risks, or areas of the assurance engagement where there are likely to be significant risks.

Rather than seek to address these risks now, the audit team leader should use the risk assessment process to design the mix of assurance procedures necessary to address the identified risks during the performing stage. These assurance procedures are then documented in the assurance engagement plan. See section 5.3.9 of this handbook for further guidance on the assurance engagement plan.

Case study 1: undertaking a risk assessment

Company X, a solid waste disposal company operating landfill facilities, has prepared a statement of its greenhouse and energy information for the year ended 30 June 2012. The statement has been prepared in accordance with management's greenhouse gas manual which is their interpretation of the NGER Measurement Determination. Company X has requested that the audit team leader provide assurance over the 2011–12 greenhouse and energy statement.

This case study focuses on the process the audit team leader might take in observing Company X's systems, processes and controls (see section 3.10(c) of the NGER Audit Determination): one of the elements of performing the risk assessment.

The audit team leader observed the controls surrounding Company X's systems and processes for calculating greenhouse gas emissions resulting from landfill facilities.

Specifically, the audit team leader observed that management's calculation of greenhouse gas emissions relied heavily on management estimates and assumptions made using tonnage information. This approach was necessary due to operational limitations that made directly measuring greenhouse gas emissions impractical.

The audit team leader made enquiries into whether the weighbridges used to measure the waste tonnage and equipment used in compositional testing had been calibrated.

It was noted that the weighbridges and equipment used by Company X to measure tonnes and composition of waste respectively were not regularly calibrated. The audit team leader assessed these as significant control weaknesses, which significantly increased the risk of misstatement in the reported greenhouse gas emissions from the landfill facilities.

The audit team leader documented the findings of the risk assessment on the assurance engagement file and planned to perform additional evidence gathering during the performing stage, due to the control weaknesses identified.

5.3.2 Preliminary analytical procedures—a risk assessment tool

Preliminary analytical procedures are an example of an important tool the audit team leader can use in the risk assessment. They are used to develop the audit team leader's understanding of the risks inherent in the reported emissions, energy, offsets, production, other information or compliance matter to be assured.

The results of the preliminary analytical procedures performed should allow the audit team leader to develop a preliminary assessment of the likely areas where there are risks of material misstatement of the reported emissions, energy, offsets, production or other information or non-compliance with the relevant legislation. This information is then incorporated into the development of assurance procedures and the assurance engagement plan.

Preliminary analytical procedures are not only concerned with the accuracy and quantity of emissions, energy, offsets, production or other information to be assured, but also with the complexity of calculations, the accuracy of underlying data and the completeness of emissions, energy, offsets or production sources.

Typical preliminary analytical procedures may include:

- comparing current information that is the subject of the engagement to historical information
- conducting trend analysis for time series or project life cycle-based emissions, energy, offsets or production information
- comparing emissions, energy, offsets, production or process flow diagram information to industry standards or to those from similar businesses, and
- identifying the major sources of emissions, energy production, energy consumption or offsets, and comparing these with the audit team leader's independently developed expectation.

Refer to section 5.4.3 of this handbook for further guidance on analytical procedures.

5.3.3 Assessing systems, processes and controls

Section 3.11 of the NGER Audit Determination lists the requirements for assessing systems and processes.

The audit team leader must assess the audited body's systems and processes. This assessment should be accompanied by an assessment of the controls the audited body has in place to mitigate the risk of material misstatement in the subject matter or of material non-compliance.

The purpose of assessing the systems, processes and controls is to better understand which areas of the assurance engagement are likely to involve higher levels of risk, due to insufficient or poor internal controls over the accuracy and completeness of the reported information or the audited body's compliance with the relevant requirements.

The audit team leader can then design assurance procedures to tackle these risks. This process is important for the audit team leader to be able to perform the assurance engagement effectively by investing more time looking at areas which are more likely to contain errors, misstatements or non-compliance.

The initial risk assessment could include:

- making enquiries of those charged with governance and management
- understanding the audited body's emissions, energy consumption, energy production, offsets or production measurement and reporting processes and activities
- understanding the audited body's operations that give rise to emissions, energy consumption, energy production or carbon offsets, or
- holding discussions within the audit team regarding the susceptibility of the subject matter to material misstatements or non-compliance following preliminary enquiries and observations.

Depending on the scope and complexity of the assurance engagement, there may be a need for further targeted risk assessment procedures. The audit team leader needs to apply professional judgement to determine if additional procedures are required.

Tests of audited body's controls

The audited body's systems and processes are designed to provide assurance to management, and those charged with governance, of the achievement of the audited body's risk management objectives. These systems and processes can be grouped and termed the audited body's 'internal control system'.

The internal control system is typically designed to address business risks that threaten the achievement of the audited body's objectives; including the objective of complying with the relevant legislation and regulations.

Section 3.9 of the NGER Audit Determination outlines the requirements for risk assessment.

The audit team leader tests the operating effectiveness of the audited body's controls used to prevent, detect or correct non-compliance or misstatements in the subject matter, if the audit team leader seeks to rely on those controls to reduce direct testing (tests of detail) of the subject matter.

Guidance is given below on the procedures that could be performed to assess the internal control system as part of the risk assessment. Refer to section 5.4.2 of this handbook for guidance on tests of controls.

An assessment of the internal control system would include an evaluation of each of the following components of the internal control system:

- the overall control environment—for example, the overall attitude towards and the process of risk management at the top level of the audited body
- the audited body's risk assessment process—for example, risk registers or risk management functions including internal audit
- the information system—how the audited body collects and reports relevant information, and how such information is monitored for inaccurate reporting
- control activities—for example, sign-offs performed over reported information at a facility or corporate group level, or reconciliations between primary data sources (for example, internal meters) with secondary data sources (for example, supplier invoices), and
- monitoring of controls—how the audited body monitors the ongoing efficiency of controls (for example, internal audit or governance framework).

Common issues and how to address them


Common issues	Suggested responses	Outcomes
The audit team leader finds that there are no effective internal systems, processes and controls and so cannot place any reliance on them.	<p>This does not mean that the assurance engagement is not possible, but it will mean that additional tests of detail (checking source documentation such as invoices) will be required to gain the comfort necessary to support the assurance engagement report.</p> <p>Refer to the performing stage for guidance on substantive tests of details (section 5.4.5 of this handbook).</p>	The audit team leader is able to design a suitable mix of assurance procedures to perform the assurance engagement; the knowledge gained of the audited body's reporting process will be useful in evaluating the results of the assurance procedures.
The audit team leader finds the performance of the manual controls applied in the reporting process are not documented.	<p>The audit team leader should evaluate whether there is sufficient evidence to be able to place reliance on the effective operation of the manual control.</p> <p>This issue is common where there are manual reviews of information or reports which are not subsequently marked as reviewed or signed off.</p>	The audit team leader may not be able to place reliance on the operation of a control where there is no documentation to support its operation. This could be raised with the audited body's management separately from the auditor's report as a process improvement recommendation.

5.3.4 Assessing the suitability of the criteria and the appropriateness of the subject matter

During the planning stage the audit team leader should confirm their initial assessment of the audited body's criteria and subject matter. It is vital for the audit team leader to recognise the wide ranging effect of this assessment. Initially it has the potential to affect the terms of the engagement and during the planning stage the criteria and subject matter need to be considered in developing the assurance procedures and documenting the assurance engagement plan.

Assessing the suitability of the criteria

The criteria for the purposes of assurance engagements conducted under the NGER Audit Determination is the relevant legislation and subordinate legislation, particularly the NGER



Measurement Determination and the Carbon Farming Initiative methodologies (see section 1.4 in this handbook for further information regarding criteria for audits under the different schemes administered by the Clean Energy Regulator). Without the frame of reference provided by suitable criteria, any conclusion reached by the audit team leader is open to individual interpretation and misunderstanding.

The audited body should document its interpretation and application of the criteria and the audit team leader should assess whether the audited body's criteria is consistent with the requirements of the relevant legislation.

The audit team leader should document their assessment of the audited body's interpretation and application of the criteria during the risk assessment.

In the event that the auditor's assessment indicates the audited body's interpretation and application of the criteria is not suitable, the auditor should discuss the impact of the required changes to the criteria with the audited body.

If the criteria are not altered, the auditor should consider whether they are able to reach an assurance engagement conclusion and if not the auditor may need to proceed to the reporting stage or consider withdrawing from the engagement.

Assessing the appropriateness of the subject matter

The term 'subject matter' mentioned in this guidance is equivalent to 'matters to be audited' as stated in the NGER Audit Determination.

The subject matter is the information prepared by the audited body under the appropriate legislation or the audited body's compliance with other requirements of the legislation (see section 1.4 of this handbook for further information regarding the subject matter for audits under the different schemes administered by the Clean Energy Regulator).

The manner in which the subject matter is agreed differs between engagements and will be one of the following:

- The subject matter is specified by the Clean Energy Regulator in a notice to the audited body for audits carried out under section 73, 73A, 74, 74A, 74AA, 74B or 74C of the NGER Act, or section 214 or 215 of the CFI Act.
- The subject matter is agreed between the auditor and the Clean Energy Regulator in an audit carried out under section 74 of the NGER Act.
- The subject matter for Jobs and Competitiveness Program, LNG and partial exemption certificate audits is contained in relevant legislation.
- The subject matter is agreed between the audited body and the auditor in a voluntary audit.


The assurance conclusion is the audit team leader's independent assessment of the matter to be audited against the criteria. Thus the auditor should assess whether the subject matter is appropriate. At a minimum, where the matter to be audited is emissions and energy information reported by the audited body to the Clean Energy Regulator, this assessment would include:

- assessing whether the audited body has submitted all of the required information (for example, the relevant measurement methodology) to the Emissions and Energy Reporting System (EERS), and
- assessing if the submitted information is able to be subject to assurance procedures. In other words, does evidence (for example, invoices or meter readings) exist to support the reported information?

In the event that the assurance engagement is being performed prior to submission of information to EERS, the auditor should perform a more thorough assessment of the subject matter against the characteristics shown in the table below.

Characteristics of appropriate subject matter	What should the auditor be looking for?
Identifiable, and capable of consistent evaluation or measurement against the identified criteria.	<p>The subject matter should be sufficiently clear and unambiguous to be evaluated against the audited body's criteria consistently by different parties.</p> <p>For example, greenhouse gas emissions information from the consumption of natural gas prepared using the audited body's Criterion A (invoices) and measured using default emission factors could be considered to be identifiable and capable of consistent evaluation, due to the specificity of the NGER Activity data and emissions factors used.</p>
The information about the subject matter can be subjected to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.	<p>The auditor should be able to seek reliable information to support their assurance of the subject matter.</p> <p>For instance, this may be third party supplier invoices, or readings taken from regularly calibrated internal metering systems.</p>

Audit team leaders should assess and document their findings on the appropriateness of the audited body's subject matter using the characteristics above as part of the risk assessment.



If the auditor concludes that the subject matter is not appropriate, they should discuss the inadequacies with management and only proceed with the engagement if the inadequacies can be addressed to the audit team leader's satisfaction. If this is not the case, the auditor may be required to report that they are unable to form a conclusion or withdraw from the engagement.

5.3.5 Setting materiality

Materiality is a concept used by auditors in determining the nature, timing and extent of procedures required, and to assess the relative significance of identified misstatements or non-compliance in the context of the overall reported information or compliance requirements. Information is material if its misstatement or non-compliance could influence the decisions of users of the greenhouse and energy information.

'Misstatement' is defined in the NGER Audit Determination as follows: 'Misstatement, in relation to a matter being audited under an assurance engagement, means an error, omission or misrepresentation in the matter relating to compliance with the NGER Act or the NGER Regulations, or the CFI legislation or associated provisions.'


An evaluation of whether a misstatement or non-compliance is material is based on the audit team leader's assessment of:

- the size, significance and pervasiveness of the matter in the particular circumstances of its misstatement or non-compliance, and
- the effect it has on the reported greenhouse and energy information or on the audited body's compliance as a whole.

The materiality of misstatements or non-compliance must be considered individually and in aggregate with all other qualitative and quantitative misstatements or non-compliance.

Quantitative materiality is used to define a level or threshold of misstatements or non-compliance which may affect the decisions of a user of the greenhouse and energy information, and therefore be material. The NGER Audit Determination does not set a quantitative materiality threshold and audit team leaders should use professional judgement in setting the level of materiality.

As a starting point for determining materiality, a percentage may be applied to a chosen benchmark. The benchmark that is appropriate for determining materiality for the report or application as a whole or for the compliance matter will depend on the circumstances and subject matter of the engagement. In the absence of other circumstances, the benchmark chosen is in the context of the assurance being sought: if the subject matter of the engagement is at a group level, the materiality will be based on benchmarks for the group and 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:

- scope 1 emissions in an emissions report for a liable entity under the carbon pricing mechanism
- separate benchmarks for total emissions (scope 1 and 2), energy consumption and energy production in a greenhouse and energy report
- specific amount, volume or compliance matter subject to assurance, where the subject matter of the engagement is not the entire report or application, and
- each main disclosure (emissions, assumptions in the process flow diagram and production) in an application for assistance under the Jobs and Competitiveness Program, resulting in multiple benchmarks; or total offsets in an offsets report, which may cover a period of one to five years, for an eligible offsets project.

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.

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.

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


Qualitative materiality is used to define a level of misstatement or non-compliance that does not relate to a magnitude of greenhouse gases or energy. In determining qualitative materiality, an auditor needs to consider the misstatement in the context of information that is relevant to users of the greenhouse and energy information and regulatory reporting.

An assessment of qualitative materiality should include an assessment of whether the misstatement or non-compliance is significant to the particular audited body, whether it is pervasive, and the effect it has on the information or the audited body's compliance as a whole. In combination these considerations should determine whether the misstatement or non-compliance may affect the decisions of a user of the information.

Examples of qualitative factors are:

- matters which significantly impact the integrity of the information, such as failing to include all key emissions sources
- matters which indicate a serious weakness in the audited body's systems, processes and controls, and/or
- matters which indicate fraudulent reporting of information.

Materiality needs to be considered during the risk assessment phase and revised during the course of the assurance engagement so that the extent and type of procedures conducted



adequately reflect the risk of material misstatements in the reported information or non-compliance.

Auditors should document materiality for the subject matter as a whole and for specific matters (such as particular emissions or compliance requirements) if appropriate, as well as any subsequent revision to materiality during the audit.

Any misstatements or non-compliance identified that are considered immaterial individually or in combination with other misstatements or non-compliance should be summarised and discussed with management and reported in Part B of the audit report. See section 5.5.3 of this handbook for further guidance on the summary of uncorrected errors.

Materiality and the concept of uncertainty

An audit team leader's assessment of materiality and the audited body's assessment of uncertainty are separate concepts.

Materiality in the context of assurance engagements conducted under the various schemes administered by the Clean Energy Regulator refers to the audit team leader's assessment of the significance of a misstatement or non-compliance in the context of the reported greenhouse and energy information or the compliance requirements. Information is judged as material if its omission, misstatement or non-compliance could influence the decisions of users of the greenhouse and energy information such as the Clean Energy Regulator.

Uncertainty refers to the audited body's assessment of the potential level of inaccuracy in their reported greenhouse and energy information. The audited body should be following the guidance on the calculation of statistical uncertainty contained in the NGER Measurement Determination.

The two concepts can be confused as they are often both expressed in percentage terms. This is most commonly found in a situation where the audited body's assessment of uncertainty in percentage terms is greater than the audit team leader assessment of materiality.

In such situations, the auditor should first understand and analyse how the audited body has gone about calculating its statistical uncertainty threshold. The auditor should consider whether the calculated uncertainty is sufficiently large to cause a misstatement in the reported greenhouse and energy information that is material to the reported greenhouse and energy information as a whole.


The auditor should then consider the impact of this misstatement for the assurance engagement report.

Common issues and how to address them

Common issues	Suggested responses	Outcomes
The auditor finds lots of small errors, but no individually material errors. How does this impact the assurance engagement report?	<p>The auditor should maintain a summary of uncorrected errors throughout the assurance engagement.</p> <p>The cumulative and individual value of the errors should be considered during the completion phase. For a reasonable or limited assurance conclusion to be issued, sufficient adjustments should be made by the audited body to the final reported information such that the sum of errors noted is immaterial and no individually material errors remain.</p>	<p>The final reported information does not contain errors noted which are either individually, or in aggregate, material to the reported information as a whole.</p> <p>If the relevant information has already been submitted to the Clean Energy Regulator, the auditor and audited body should consider whether any adjustments are required. Where there are no material misstatements, either individually or in aggregate, adjustments may not be required to be made.</p>
The auditor developed the judgement of materiality at the planning stage, but the final information is different from that available at the planning phase, or the circumstances have changed which impacts on the audit team leader risk assessment and assurance engagement plan.	<p>Materiality is a judgement call based on the available data and circumstances. When either of those factors changes, the audit team leader's assessment of materiality should change accordingly.</p> <p>The auditor should revisit the materiality assessment throughout the engagement and at least at the reporting stage prior to the assurance engagement report being signed to determine if additional work is required.</p>	<p>The audit team leader final conclusions expressed in the assurance engagement report are based on judgements made using the final materiality set using final data.</p>

5.3.6 How the risk assessment affects the assurance engagement plan

The results of the risk assessment phase are used to determine and document in the assurance engagement plan the assurance procedures to be performed. In particular the level of assurance risk determined in each area of the reported greenhouse and energy information, the materiality assessment and the results of the assessment of the audited body's systems, processes and controls.



The greater the level of assurance risk, the more detailed the assurance procedures required. The procedures need to be robust enough to ensure sufficient appropriate evidence is obtained to reduce the level of assurance risk to an acceptable level to support the assurance conclusion.

The following factors contribute to lower assurance risk:

- a strong internal control system
- a simple and straight forward subject matter, and
- low levels of management assessment or ambiguity in the measurement process.

Once the assurance risk has been established the auditor needs to determine if reliance can be placed on the internal controls. The extent to which the auditor can rely on internal controls will determine the mix of assurance procedures to be performed. Typically:

- a high level of reliance on controls will allow the auditor to perform reduced detailed testing and more analytical and enquiry style procedures, and
- a low level of reliance on controls will require the auditor to perform more detailed testing to source documentation to gain sufficient comfort on the accuracy and completeness of reported information.

As shown in the assurance engagement process flow chart (Figure 2), the performing stage of the assurance engagement can include tests of details and controls testing. Tests of details are focused on analytical procedures, inspecting supporting records and documentation, observation, external confirmation, re-performing calculations and enquiry.

5.3.7 How much testing and review is enough?

Paragraphs 56 and 57 of ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information contain additional guidance on sufficiency and appropriateness of audit evidence.

The audit team leader should ultimately determine the nature, timing and extent of the testing and review performed based on his or her professional judgement. The audit team leader could also use the principles contained within the assurance standards. The audit team leader should be consulted on all key decisions made; they should be comfortable with the level of work performed and be prepared to support this if the assurance engagement file is subject to review by internal or external parties.

Additional guidance regarding sufficiency and appropriateness of evidence is provided by ASAE 3000 and 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 (AUASB).

This guidance is summarised below:

- the auditor should obtain sufficient appropriate evidence on which to base their assurance conclusions
- the auditor should consider the cost / benefit of the time taken to gather information against its usefulness to support the assurance conclusion
- however, the issue of difficulty is not in itself a valid basis for omitting or not performing evidence gathering procedures for which there is no alternative, and
- the audit team leader uses professional judgement and exercises professional scepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance engagement report.

To reduce inefficiency, it is recommended that an attitude of consultation is adopted within the audit teams during the performance of the engagement.

Guidance is given in the following sections of this handbook on the two key types of evidence gathering procedures: substantive analytical procedures (see section 5.4.3) and tests of details (see section 5.4.5).

5.3.8 Peer review

Subsection 3.7(1) of the NGER Audit Determination requires the audit team leader to ensure that his or her judgements are reviewed.


Subsection 3.7(2) details the requirements of the peer review.

The NGER Audit Determination requires that the judgements made by the audit team leader in preparing and carrying out the assurance engagement are peer reviewed by an impartial, objective and sufficiently qualified person.

As the peer review is required to include the proposed independent assurance engagement report and documentation prepared in developing the assurance engagement report, it is recommended that the peer reviewer be involved in at least the planning and reporting stages of the engagement.

The peer review required by the NGER Audit Determination applies only to the judgements made by the audit team leader. However, where judgements made by the audit team relate to material misstatements or non-compliance it is recommended that they be included in the peer review.

A peer reviewer should be a peer of equivalent or higher authority, within, or external to the audit firm, who is not part of the engagement team. They must have sufficient and appropriate experience and authority, particularly in relation to assurance, to objectively



evaluate the significant judgements the audit team leader has made and the conclusions they reached in formulating their opinion.

The appointment of a peer reviewer should not limit or preclude the audit team leader from utilising other expertise from outside the audit team to review or assist with particular technical elements of the engagement.

5.3.9 The assurance engagement plan

See section 3.6 of the NGER Audit Determination for requirements of the assurance engagement plan. Requirements include:

- *the assurance engagement terms*
- *items that require particular attention during the audit*
- *timeframes*
- *audit team role of each member, and*
- *a summary of audit procedures to be undertaken.*

The assurance engagement plan provides for the audit team leader's assurance approach and how they intend to gather sufficient and appropriate evidence to support the assurance conclusion. The previous stages of the assurance engagement are brought together and discussed among the audit team and with management. The culmination of this process is the assurance engagement plan.


The auditor should include in the assurance engagement plan any recommended actions the audited body should take before the performing stage of the assurance engagement.

If such changes are required, they should be discussed and agreed with management prior to execution of the plan.

The assurance engagement plan is also a handy tool to use in organising the logistical requirements of the assurance engagement, particularly if it is used to communicate:

- the timing of any site and corporate level work to be performed and who in the audit team will perform the work
- a detailed key information request list with allocated responsibilities in the audited body for preparing the information, and responsibilities for performing and reviewing sections of work within the audit team.

To help auditors compile a key information request list, a suggested template is included in the templates at the end of this handbook. A key information request list is a list of information and supporting documentation required by the auditor to complete the



engagement. Preparing in advance of the audit allows the audited body to prepare the necessary information ahead of site visits to its offices to improve the efficiency of the audit.

The NGER Audit Determination provides a list of specific requirements that must be documented in the assurance engagement plan. This list includes matters relating to management of the engagement, the audit team leader's understanding of the audited body and the subject matter, and the procedures that are expected to be performed.

Section 3.8 of the NGER Audit Determination requires the assurance engagement plan to be reviewed by the audit team leader and amended if the assurance procedures change.

It is important to note that the contents of the assurance engagement plan are not fixed and unchangeable. In particular, the assurance procedures are expected to change throughout the engagement depending on the results of procedures that are completed.

Please refer to the audit templates at the end of the handbook for an assurance engagement plan template.

Case study 2: Performing an assurance engagement plan

The auditor of Company A, a large petro-chemical production company, has completed the preparing and planning procedures and is documenting the outcomes of those procedures and the proposed assurance approach in the assurance engagement plan. The audit team leader's key findings from the preparing and planning stages were:

- Company A uses a complex direct measurement system to measure greenhouse gas emissions, energy use and energy production; using flow meters, gas chromatographs and compositional testing of gases in its onsite laboratory. Accordingly the engagement team will need to include audit team members with appropriate engineering or scientific expertise (ie a chemical engineer).
- The measurement of refinery gases produced is particularly complex and only a small number of Company A staff prepare this data. It is assessed as an area of high risk of material misstatement.
- Company A has not fully documented the methodologies it uses to prepare the greenhouse and energy information in its greenhouse gas manual. For example, neither summary nor detailed explanations of how the direct measurement systems are used to prepare the reported information in line with the NGER Measurement Determination are included.

- There is a strong system of manual controls in the form of review and approval of calculated and reported information.
- During August 2009 there was a technical problem with the direct measurement system which prevented it from exporting the data required to calculate energy produced, consumed and greenhouse gas emissions. Management manually collected meter and gas chromatograph readings and performed the necessary calculations to report the information. The system fault was corrected prior to September 2009.

The audit team leader used the assurance engagement plan to base the judgement of the risks identified during the risk assessment and the procedures which would be used to address those risks. As well as including the required components of the assurance engagement plan (see the NGER audit templates at the end of the handbook), the auditor placed particular emphasis on:

- the chemical engineering expertise of the auditors included in the engagement team and the audit team leader
- the detailed testing and re-performance procedures which would be used to provide assurance over the completeness and accuracy of reported refinery gases
- the controls testing which would be performed on the manual sign off and review process, the planned comfort to be taken from that controls testing and the impact this would have on the substantive testing to be performed
- a table containing the recommended changes or updates to Company A's subject matter or interpretation and application of the criteria, with supporting explanations for why the auditor believes the changes are required, prior to the start of the performing stage of the assurance engagement, and
- the specific substantive testing which will be performed over the data reported for August 2009, including for example the re-performance of management's manual calculations and the tracking back to meter readings taken on meter reading sheets for the period when the direct measurement system was down.

By emphasising the items above in addition to the required components of the assurance engagement plan, the auditor communicated to management their assessment of risks of material misstatements and how they would address those risks in the most efficient and effective manner possible.

5.4 Performing

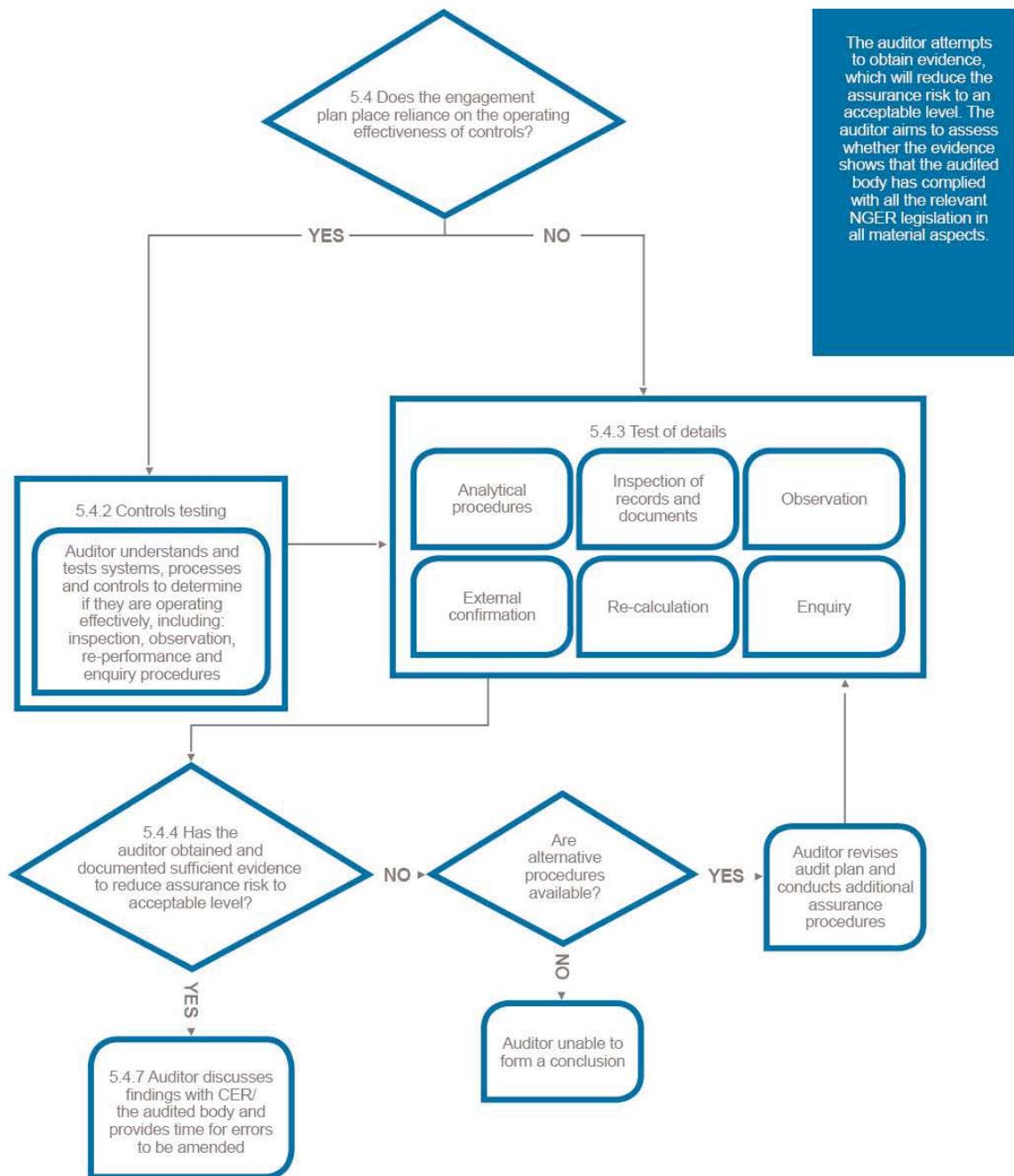


FIGURE 6—PERFORMANCE STAGE OF THE ASSURANCE ENGAGEMENT

By this point, key decisions on the approach and procedures to be performed during the engagement should have been made, documented and communicated to the audited body. The success of this stage of the assurance engagement depends on the audit team's ability to perform the planned procedures, document their work and assess the results of work performed on the assurance engagement as a whole.

5.4.1 Documentation

Assurance documentation is a key component of undertaking an assurance engagement. It enables effective review and evaluation of the assurance evidence obtained and conclusions reached before the audit team leader assurance engagement report is finalised.⁶

The assurance engagement documentation must provide:

- a sufficient appropriate record of the basis for the audit team leader report, and
- evidence that the assurance engagement was performed in accordance with the NGER Audit Determination.

Refer to section 3.9 onwards of the NGER Audit Determination, which relates to performing an assurance engagement.

See section 3.22 and 3.23 of the NGER Audit Determination for the full list of required contents of the assurance engagement report.

In addition, documentation should provide evidence of how the work performed has followed any other guidance which the auditor has decided to use (for example, ASAE 3000 or ISO 14064:3).

The assurance engagement documentation should be prepared in such a way which would enable an experienced auditor, having no previous connection with the assurance engagement to understand:

- the nature, timing, and extent of the assurance procedures performed to comply with the NGER Audit Determination—details should include who performed and reviewed the assurance work and when
- the results of the assurance procedures and assurance evidence obtained, and
- significant matters arising during the assurance engagement and the conclusions reached.

The contents which must be included in the assurance engagement report are listed in the NGER Audit Determination and include components, such as the objective of the assurance engagement, the matters being audited and the type of greenhouse and energy assurance engagement carried out.

Relevant assurance engagement documentation must be kept for five years after the date the assurance engagement report is signed.

⁶ Auditing Standard ASA 230 *Audit Documentation* issued by the AUASB, available at www.auasb.gov.au.

5.4.2 Tests of controls

Section 5.3.3 of this handbook covers the assessment of systems, processes and controls during the risk assessment.

Internal controls are a significant part of management's comfort over the accuracy and completeness of the reported greenhouse and energy information.

For the auditor to rely on these internal controls several things should be considered:

- Can management's controls be related to the assurance risks which the auditor has identified and assessed during the risk assessment (that is, are they relevant to the assurance engagement)?
- Can the auditor obtain documented evidence to support the operation of the control during the period being audited?
- What further evidence will the auditor need in order to draw independent assurance conclusions for each relevant risk identified during the risk assessment phase.

Testing can then be performed for the auditor to check that the controls are operating effectively.

Figure 7 below provides some examples of the types of procedures performed in validating controls.



FIGURE 7—DIFFERENT TYPES OF CONTROL TESTING

Case study 3: How systems, processes and controls are tested and the flow-on considerations for the assurance engagement

The auditor performed a greenhouse and energy assurance engagement for Company B, a food manufacturer with an abattoir facility. The key greenhouse gas emissions sources are electricity consumption (scope 2 emissions) and gas consumption (scope 1 emissions) for the processing and abattoir facility and boilers respectively.

Due to the high levels of consumption and cost of the utilities, Company B uses its own direct metering system to check the utility providers' invoices.

Through enquiry and observation, the auditor assessed that the key controls in the greenhouse gas emissions information collection process are the monthly manual reconciliation of Company B's meters to those of the utility providers, as stated on the utility invoices, and the monthly manual sign-off of the data entered, following the monthly reconciliations by the department supervisors.

The auditor first sought to examine evidence (completed reconciliations and manual sign-offs of printouts of entered data) that the controls had been performed for a sample of three months during the reporting year. Through enquiry, the auditor found that the reconciliations had been performed in each month but that no sign-offs of entered data had occurred in the months selected for testing or any other months during the reporting year.

The auditor then sought to re-perform the reconciliations using the source data (extracts from Company B's metering system and utility providers' meter data as shown on utility invoices). The auditor found that there had been a minor manual transposition error in one of the three months re-performed, resulting in a two per cent misstatement in greenhouse gas emissions for this month. The auditor re-performed the test for another two months and noted no further errors. Re-performance may include recalculating a reconciliation or calculation, or re-performing a control such as testing that a password protection control is operating effectively.

In documenting the results of the testing on the assurance engagement file, the auditor included a table summarising the procedures performed, comfort obtained and the flow-on considerations for the assurance engagement. The auditor concluded that the reconciliation control had been operating effectively but that the manual sign-off control had not.

The auditor judged that the reconciliation control was the key control in the process, and that reliance would be placed on the effective operation of this control; therefore, the extent of substantive testing to electricity and gas invoices received from the utility providers would be reduced. However, the substantive testing would not be reduced by as much as originally planned, due to the lack of effective controls over the checking of data inputted following the completion of the monthly reconciliations.

Common issues and how to address them

Common issues	Suggested responses	Outcomes
How many instances of a control should be tested?	<p>The size of the sample selected for testing should vary according to the frequency of the control being applied.</p> <p>Where a control is performed daily, or multiple times per day, the sample size would be much greater than for a control that is performed monthly.</p> <p>Similarly, if a control is performed quarterly or annually, the sample size would be less than for a control performed monthly.</p>	<p>The auditor is able to determine the sample size required for controls testing.</p> <p>It should be noted that this is an area of judgement for the audit team leader in terms of how many samples is deemed sufficient. Where the auditor does not have a pre-defined methodology for such sample sizes, it is recommended that the audit team leader is consulted with regard to the selection of the sample size.</p>
Insufficient evidence is available to support the effective operation of the control.	<p>Where insufficient evidence exists the auditor should consider the impact on the planned mix of assurance procedures.</p> <p>Typically the auditor would perform additional substantive analytical procedures and tests of details to gain the additional comfort required.</p>	<p>The lack of evidence should not prevent the auditor from completing the assurance engagement, but it will necessitate a change in the mix of assurance procedures performed.</p>

5.4.3 Analytical procedures

Analytical procedures consist of evaluations of information made by a study of plausible relationships between various data sets⁷ (that is, greenhouse gas emissions and units of production).

They also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information, established expectations, or deviate significantly from predicted amounts.⁸

⁷ *Auditing and Assurance Handbook 2008, ASA 520 Analytical procedures*

⁸ Ibid

As one of the purposes of the assurance engagement plan is an efficient and effective assurance engagement, analytical procedures are often used as one of the key substantive tests (that is, in preference to inspection of records and documents) where appropriate.

This implies several key concepts:

- Analytical procedures are used to understand and test relationships between reported greenhouse and energy information and other factors (for example, greenhouse gas emissions and production levels).
- Effective analytical procedures involve a comparison of reported information with expectations made independently by the audit team—that is, for an analytical procedure to be valuable, the audit team must first have their own independent expectation of the value of the reported information.
- Both financial and non-financial information can be useful in understanding relevant relationships (for example, financial cost of natural gas use year on year and gigajoule of natural gas consumed) and therefore in forming the audit team's expectations.
- The relationship between the data used to develop an expectation and the recorded amount needs to be independent, yet plausible (that is, sensible and logical). Data used to develop the expectation should not be derived from the recorded amounts themselves.

Common issues	
1. Preliminary analytical procedures—risk assessment	The purpose of these analytical procedures is to obtain an understanding of the audited body and its environment. These procedures assist with the assessment of the risk of material misstatement in order to determine the nature, timing and extent of further assurance procedures.
2. Substantive analytical procedures	The purpose of these procedures is to obtain evidence to support the assurance conclusions. Their use can be more effective or efficient than tests of details in reducing the risk of material misstatements to an acceptably low level.
3. Final analytical procedures	The purpose of these procedures is to provide an overall review of the greenhouse and energy information at the end of the assurance engagement. This helps assess whether the information is consistent with the audit team leader's understanding of the audited body.

Performing analytical procedures can be done in five steps, as noted in the diagram below:



FIGURE 8 - THE 5 STEP ANALYTICAL PROCEDURES PROCESS

It is important to note that the five step process is designed to standardise the performance of analytical procedures to improve their quality. The auditor should go through the process as outlined above; further guidance is given on each step in the table below.

Analytical procedure step	What should the auditor do in this step?
Step 1: Assess the reliability of the data	The data on which the analytical procedure is based needs to be reliable in order for the auditor to develop a robust expectation. The auditor should consider the source of the data, its comparability, the nature and relevance of the data and any controls that existed over its preparation.
Step 2: Develop an independent expectation	Before analysing the data subject to the analytical procedure, develop an independent expectation—for example, by using available data such as greenhouse or energy information previously published by the audited body, and through enquiries with management.
Step 3: Define a significant difference or threshold	With consideration to materiality, define the level at which the auditor will investigate differences between expectations and the actual results. The rationale for the selection of the particular threshold should be documented.
Step 4: Compute difference	Compute the difference between the expectation and the actual data.
Step 5: Investigate significant differences and draw conclusions	Investigate the reasons for the differences between the expected results and the actual results. Assess the reasonableness of the explanations provided by management and corroborate these explanations. Where there appears to be additional risk, perform additional review or testing as appropriate.

5.4.4 Evidence gathering techniques

It is expected that inspection of the audited body's records and documents will be required, at least to some extent, in most assurance engagements performed under the NGER Audit Determination. Such inspections form part of 'tests of details' as shown in the assurance engagement process flow diagram (Figure 2). These procedures typically involve testing reported information back to its source documentation.

Sections 3.13 to 3.15 of the NGER Audit Determination address evidence gathering, types of evidence and methods for gathering evidence.

An expert may be brought into the audit team to review significant or complex areas of greenhouse gas emissions measurement, as part of the audit team's assurance procedures. It is important to note that the expert does so as part of the audit team (refer to comments in section 5.4.2 of this handbook).

Examples of evidence gathering techniques are given in the table below:

Procedure	Definition	Example of procedure
External confirmation	Obtaining confirmation from a third party.	Checking reported information with a third party.
Inspection	Examining records and documents and physical examination.	Examining and reconciling internal metering systems to check that they exist and are functioning appropriately.
Observation	Looking at a process or procedure being performed by the participant. Generally, this is conducted when the particular process ordinarily leaves no audit trail of documents.	Touring facilities or observing the collection and reporting of data.
Enquiry	Asking audited body personnel to explain the bases for their judgements.	Discussing the judgements and the rationale for those judgements, made in performing key calculations.
Re-calculation	Conducting independent calculations to confirm the audited body's calculations. Checking the arithmetical accuracy of completeness of source documents and records.	Re-computing the audited body's greenhouse gas emissions calculations. Verifying the accuracy or completeness of a report used in the data aggregation process.

5.4.5 Testing methodology

It is usually impractical to perform tests of details on all of the items making up a population. Therefore, in order to gain the required level of assurance, the auditor needs to determine the appropriate means of selecting items for testing. Determining the appropriate selection method depends on the test objectives, including the assertions being tested, and the characteristics of the population to be tested.

An assertion is a representation by the audited body, explicit or otherwise, that is embodied in the reported greenhouse and energy information, as used by the audit team leader to consider the different types of potential misstatement that may occur.

The methods of selecting items for testing include:

- selecting specific items, and
- sampling the population.


The auditor should first consider if selecting specific items will result in the auditor efficiently collecting evidence for the assertion being tested. By selecting specific items the auditor is focusing the procedure on items that they consider are at higher risk of misstatement but is forgoing the ability to extrapolate results across the untested population. Characteristics commonly considered higher risk include:

- high value items
- items that are unusual or suspicious
- items that are of a type that are historically prone to error
- items relating to specific matters, and
- items relating to control activities.

In the event the auditor needs to obtain further evidence they will need to perform sample based testing. Such testing requires the selection of a sample that is representative of the population, so that the results of the testing can be extrapolated across the untested items. In order to achieve this the auditor may consider:

- breaking the population into smaller groups that have common characteristics and conducting sampling over each of these groups
- using computerised random number generation to assist with selecting the sample
- selecting the sample without following a structured technique and without reference to external considerations, and
- using a sampling interval and selecting an item for testing every set number of items.

The size of the sample needs to be large enough to ensure that the sample is representative of the population. The sample size selection methodology should be



reviewed by the audit team leader and be included in the internal quality control review system for the audit.

This is an area for the audit team leader to exercise professional judgement as to how much testing is sufficient. Refer also to the guidance given in section 5.4.1 above.

For engagements to provide assurance over a report or data within a report issued by the audited body under sections 19 or 22A of the NGER Act, or by a project proponent for an offsets report under the CFI legislation, the audit team leader conducts procedures to test the aggregation process underlying that report. These procedures include:

- agreeing and reconciling an energy and emissions report (under section 19 of the NGER Act) or a liable entity report (under section 22A of the NGER Act), or an offsets report under the CFI legislation, with the underlying records, and
- examining material adjustments made during the course of preparing the energy and emissions report or liable entity report or offsets report.

5.4.6 Providing assurance over estimates

During an assurance engagement over greenhouse and energy information it is expected that an auditor will need to assess the reasonableness of management's estimates and assumptions. The auditor should assess management's estimates against available evidence (ideally data external to the audited body, for example supplier data).

To assess the reasonableness of management's estimates the auditor can consider⁹:

- reviewing and testing the process used by management to develop the estimate
- using an independent estimate for comparison with that prepared by management
- review of subsequent events which provide assurance evidence of the reasonableness of the estimate made or estimate methodology used. Refer to section 5.5.2 of this handbook for guidance on subsequent events
- consider if the estimates are consistent with expectations based on an audit team leader understanding of the audited body and its reporting environment and other assurance evidence already obtained, or
- seek written representations from management regarding the reasonableness of significant assumptions used in estimating greenhouse and energy consumption and production information when little other evidence is available to support the estimate (see section 5.5.4 of this handbook).

In such situations the audit team leader should use their professional judgement to weigh up whether the available evidence as well as the management representation is sufficient to support the assurance conclusion as expressed in the assurance engagement report.

⁹ This guidance is based on ASA 540 *Audit of Accounting Estimates* issued by the AUASB, available at www.auasb.gov.au.

Case study 4: Techniques used in performing the assurance engagement

The auditor is performing an assurance engagement over the reported 2009–10 NGER information for Company C, a large electricity generation company with a portfolio of coal and gas fired power stations.

The auditor is currently looking at the reported greenhouse gas emissions from one of Company C's gas fired power stations. The greenhouse gas emissions are calculated using activity data (gigajoules or cubic metres of gas) and the power station's own energy content and emissions factors calculated in accordance with Method 2 per the NGER Measurement Determination.

The auditor used a variety of techniques to gain the necessary assurance over the reported greenhouse gas emissions, including:

- Performing analytical procedures (see section 5.4.3 of this handbook) over the reported greenhouse gas emissions using historical site emissions intensity data to form the expectation. The analytical procedures showed a variance in emissions intensity for the first quarter of 2009–10 which management were unable to explain, therefore the auditor assessed that further testing was required on this quarter.
- Obtaining comfort on the NGER Activity data through substantive testing to source data (gas invoices and onsite metering). Selective testing was performed to obtain coverage over enough items to ensure the untested balance was immaterial. The testing focused on quarter 1 which contained the unexplained variance noted in the analytical procedures performed. It was found that July and August 2009 activity data had been incorrectly entered into the greenhouse gas emissions calculations, producing an error of 10 and 12 percent respectively for these months. The errors were noted on the summary of uncorrected errors (see section 5.5.3 of this handbook). Additionally the auditor considered whether errors noted were pervasive to the data for the remainder of the year. It was found that the errors related to July and August only and therefore no further testing was required.
- Obtaining comfort about the site's energy content and emissions factor calculations through substantive testing of the source data (to site measurement systems, gas composition results from external laboratories and testing whether the equipment used had been calibrated by examining calibration certificates) and re-performance of the calculations themselves. No errors were found during the testing to source data; however, a calculation error was noted in the energy content factor calculation which was present through all months of the year, resulting in an error of 15 per cent for the reported greenhouse gas emissions for the year. The error was noted on the summary of uncorrected errors.

- Assessing how substantive testing can be reduced in line with the comfort obtained from the results of controls testing (see section 5.4.3 of this handbook).

The auditor used a table to document a summary of the procedures performed and the evidence obtained on the assurance engagement file, to support the overall conclusions reached for the greenhouse gas emissions of the power station.

The errors noted in the summary of uncorrected errors were material individually as well as in aggregate. Accordingly the auditor communicated to management that the errors included in the summary of uncorrected errors should be remediated prior to the signing of the assurance engagement report. Refer to the guidance given below on discussing findings with management.

5.4.7 Discuss findings with management

Before commencing the reporting stage it is highly recommended that the auditor discusses the findings arising from the procedures performed during the performing stage with management.

The amount and basis for any errors and non-compliance with the relevant legislation should be noted and explained by the auditor to management. A meeting to discuss a summary of uncorrected errors (refer to section 5.5.3 below) prepared by the auditor is often the most efficient method to do so.

For section 73 to 74A audits under the NGER legislation, in discussing findings with management, where misstatements and non-compliance are identified, the Clean Energy Regulator will discuss implications and potential changes or resubmission with the audited body, once the audit has been completed.

5.5 Reporting

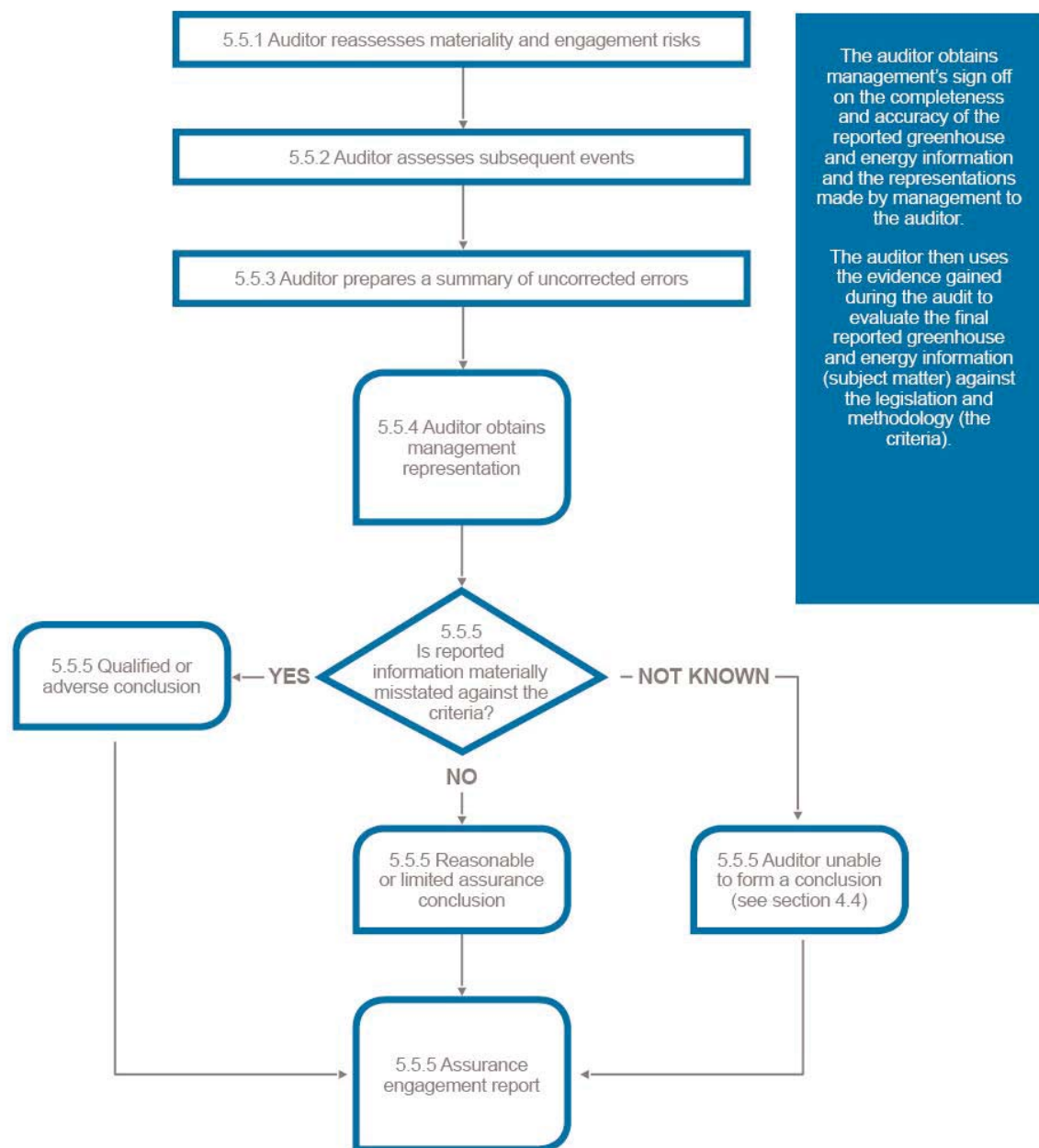


FIGURE 9—REPORTING STAGE OF THE ASSURANCE ENGAGEMENT

Once the auditor has performed the various assurance procedures as outlined in the assurance engagement plan, it is time to assess the evidence gathered from the testing performed.

Guidance is given on each of the key elements of the performing stage below.

Sections 3.17 to 3.23 of the NGER Audit Determination address the requirements for reporting on an assurance engagement.

5.5.1 Reassess materiality and engagement risks

The auditor should assess and document whether the materiality and assessment of engagement risks made in the planning stage are still appropriate in light of the evidence gathered during the performing stage.

Where new risks, or modifications to the assessment of identified risks, are identified the auditor should consider how this impacts the level of work performed—where the risk of misstatement is assessed as having increased, the auditor should consider whether the procedures performed are sufficient, and if not perform additional procedures.

The audit team leader should use their professional judgement to assess whether the procedures performed and evidence obtained is sufficient to support the assurance conclusion to be expressed in the assurance engagement report.

If the audit team leader assessment of materiality is reassessed and the threshold is lowered, the auditor should then consider the impact on the level of work performed—a lower level of materiality may require the auditor to perform additional procedures to support the assurance conclusion.


Section 3.16 of the NGER Audit Determination addresses the consideration the audit team leader must give to the materiality of a misstatement.

5.5.2 Assess subsequent events

Subsequent events are events which occur between the date of issue of the reported data and the date of the auditor issuing the assurance engagement report.

For the avoidance of doubt, the term ‘subsequent events’ in this guidance applies only to the period until the assurance engagement report is issued.

For the avoidance of doubt, the term ‘subsequent events’ in this guidance applies only to the period until the assurance engagement report is issued.



The auditor should consider subsequent events prior to finalising the assurance engagement report, to check that:

- The assurance engagement report covers the latest information authorised by the audited body. If the audit is occurring before the greenhouse and energy information has been submitted to the Clean Energy Regulator, there may be differences between the first greenhouse and energy information given to the auditor and the final greenhouse and energy information.
- Compliance with the relevant legislation is achieved during the reporting period.
- No events have occurred between the balance date and the date of issue of the assurance engagement report which could cause a material misstatement in the reported information.

By performing subsequent events procedures, the auditor is therefore making sure that they are providing their assurance engagement report on the final greenhouse and energy information and that they are apprised of all relevant information, events and circumstances which could impact their assurance engagement report.

Subsequent events procedures typically consist of performing enquiries with senior management of the audited body to determine whether there have been any changes or updates since the time of completing the assurance procedures. The results of enquiries performed should be corroborated, for example by obtaining the final authorised greenhouse and energy information and enquiries with site level staff to verify the information received from management.

Subsequent events can be grouped into two types of events:

- events that provide evidence of conditions that existed at the date of issue of the reported data. For example, obtaining new information on a decision by the Clean Energy Regulator regarding the audited body's method of emissions calculation, which would impact the method of preparing the reported information. If this information leads to a revision in the reported greenhouse and energy information, the final greenhouse and energy report should be adjusted accordingly, and
- events indicative of conditions that arose after the date of issue of the reported data. For example, new information which came to light about missing or incorrect data after the time of issuing the reported data, which would cause changes to the reported data. This would not ordinarily become an adjustment to the reported greenhouse and energy information, unless the changes required would be material to the reported data.

In each case, the extent of the audit team leader consideration of the subsequent events is dependent on the potential for such events to affect the subject matter and the appropriateness of the audit team leader conclusions as expressed in the assurance engagement report.

Materiality is a key concern for the auditor in making this assessment. If the auditor deems that a subsequent event is likely to be material, adjustments should be made to the final greenhouse and energy report prior to the assurance engagement report being signed.

5.5.3 Prepare a summary of uncorrected errors

The auditor should prepare a summary of errors noted during the assurance engagement which have not been corrected in the final greenhouse and energy report—this is the summary of uncorrected errors.

Refer to section 5.3.5 of this handbook for further guidance on how the auditor should set and communicate to management the level of error above which items are included in the summary of uncorrected errors.

Where material uncorrected findings exist (either individually, or in aggregate), the auditor should require the audited body to process adjustments to the final greenhouse and energy report, or consider whether it is appropriate to issue a qualified or adverse conclusion. The auditor should then compare the impact of the aggregate uncorrected findings with the defined materiality, and consider the impact for the assurance engagement report.

5.5.4 Obtain management representation

Prior to finalising the assurance engagement report, the auditor should seek written representation from the audited body. This representation holds management responsible for the information they have provided, the implementation of adequate internal controls and any information they haven't provided that is relevant to the assurance engagement.

It forms part of the audit team leader assurance evidence. In addition to the management representation requirements of the NGER Audit Determination the audited body's representation should include:

- acknowledgement of responsibility for preparing the matter to be audited in accordance with their own defined criteria
- confirming that all supporting documentation and information with respect to the assurance engagement has been made available to the auditor, and
- additional specific representations as appropriate (for example on key areas of management judgement in preparing the subject matter).

A template for the management representation letter is included in the templates at the end of this handbook.

Subsection 3.14(2) of the NGER Audit Determination details the representations which the audit team leader must obtain from the audited body.

5.5.5 Prepare assurance engagement report

The purpose of the assurance engagement report is to provide a context and conclusion for the assurance engagement. In addition to meeting the requirements of the NGER Audit Determination the assurance engagement report should document whether sufficient appropriate evidence has been obtained to support the conclusion expressed in the assurance engagement report.

The mandatory content of the assurance report is detailed in sections 3.21 to 2.23 of the NGER Audit Determination. Final authorised subject matter and key excerpts (or the full text) of the criteria must be appended to the assurance engagement report so that the basis of the audit and what the assurance engagement report covers is clear to the reader.

Division 3.4 of the NGER Audit Determination list the specific requirements of the assurance engagement report. These requirements include:

- *the assurance engagement conclusion*
- *a summary of engagement procedures performed*
- *issues that required particular attention during the audit*
- *details of any matter that the auditor believes amounts to a contravention of the NGER Act, and*
- *the details of the outcome of the peer review.*

Under paragraph 3.23(1)(c) of the NGER Audit Determination, the audit team leader must outline details of any matter related to the matter being audited that amounts to a contravention of the NGER Act in the audit report.

In preparing the report, the auditor may choose to include details of any standards, in addition to the NGER Audit Determination, that were used in undertaking the audit.

The type of the assurance engagement conclusion will depend on the level of assurance provided. For a reasonable assurance engagement the conclusion will need to be provided in a positive form and for a limited assurance engagement the conclusion is provided in a negative form. Conclusions permitted by the NGER Audit Determination include:

- reasonable assurance conclusion
- qualified reasonable assurance conclusion
- limited assurance conclusion
- qualified limited assurance conclusion
- adverse conclusion, and
- a conclusion that the auditor is unable to reach a conclusion as to whether or not to give limited or reasonable assurance.

Example: Assurance conclusions

The following examples are taken from sections 3.17 and 3.18 of the NGER Audit Determination.

Reasonable assurance conclusion

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

Reasonable assurance qualified conclusion

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

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

Limited assurance conclusion

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

Limited assurance qualified conclusion

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

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

Conclusion that the auditor is unable to reach a conclusion about the matter being audited (for both reasonable and limited assurance engagements)

'Because of the significance of the circumstances described in the preceding paragraph, we are unable to obtain sufficient appropriate evidence to provide a basis for a reasonable/limited assurance conclusion. Accordingly, I do not express a reasonable/limited assurance conclusion as to whether the greenhouse gas emissions, energy production and energy consumption are prepared in accordance with the NGER legislation.'

Adverse conclusion (for both reasonable and limited assurance engagements)

'In our opinion, because of the effects of the matter discussed in the preceding paragraph, the reported greenhouse gas emissions, energy production and energy consumption is not presented in accordance with the NGER legislation.'

Basis for [qualified/adverse/disclaimer] conclusion

All modified conclusions, whether qualified, adverse or an inability to form a conclusion (disclaimer), are preceded by an explanation of the basis for the modification.

When considering which conclusion is appropriate, if any of the following circumstances exist and the auditor considers the effect of the matter may be material, the auditor should consider issuing a different assurance conclusion.¹⁰

- There are circumstances that prevent the auditor from obtaining sufficient appropriate evidence required to reduce the assurance risk to an acceptably low level for an unqualified conclusion.
- Restrictions are placed on the auditor by other members of the three party relationship that prevent the auditor from obtaining sufficient appropriate evidence required to reduce the assurance risk to an acceptably low level.
- The assurance conclusion is worded in terms of the audited body's assertion and that assertion is not fairly stated.
- The assurance conclusion is worded in terms of the criteria and subject matter and the subject matter is materially misstated or is likely to mislead the intended users.

Sections 3.17 to 3.19 of the NGER Audit Determination stipulate the requirements relating to the provision of reasonable and limited assurance conclusions.

A qualified conclusion should be issued when the effect of a matter is not so material or pervasive as to require adverse conclusion or an inability to reach a conclusion, but either misstatements are present or there is a lack of evidence which prevent the audit team leader from issuing a reasonable assurance conclusion or a limited assurance conclusion.

A conclusion that the auditor is unable to form an opinion about the matter being audited shall be issued when the effect of a limitation on scope or significant circumstance is so material and pervasive that the auditor has not been able to obtain sufficient appropriate assurance evidence, and therefore is unable to express a conclusion on the reported information.

An adverse conclusion should be issued when the effect of a misstatement is so material and pervasive to the matter to be audited that a qualification of the assurance conclusion is not sufficient to disclose the misleading or incomplete nature of the information.¹¹

The assurance engagement report should be signed and dated on the same day as the audited body signs the management representation letter, as a control to make sure that the management representation letter and assurance engagement report cover the same criteria and subject matter.

Template assurance engagement reports for each audits under each scheme have been included in the audit templates.

¹⁰ These circumstances are derived from ASAE 3000 *Assurance engagements other than audits or review of historical financial information*, issued by the AUASB, available at www.auasb.gov.au.

¹¹ ASA 701 *Modifications to the auditor's report* (April 2006), issued by the AUASB, available at www.auasb.gov.au.

Example: Drafting the assurance engagement report

The auditor has finished its reasonable assurance engagement of Company D's 2009–10 greenhouse and energy information. Company D, a logistics company operating a number of truck and van delivery businesses, has:

- addressed the recommendations raised by the auditor over its final greenhouse gas manual
- corrected the errors noted in the summary of uncorrected findings in the final reported greenhouse and energy information, and
- provided written management representations on the specific matters requested by the auditor.

However, during testing it was noted that for two of Company D's five operating divisions, a significant amount of estimated fuel consumption, Company D's largest emissions source, had not been included due to missing fuel activity data (invoices from the fuel supplier). The reported greenhouse gas emissions and energy consumption for the two divisions are material.

The missing source data was discussed between the auditor and management at the time of performing the testing. In the intervening time prior to the audit team leader sign off deadline imposed by the Clean Energy Regulator, management has not been able to obtain the missing data from the fuel suppliers or provide other alternative evidence. In this case the auditor should express a conclusion that they are unable to form an opinion as to whether or not to give limited or reasonable assurance due to the materiality of the missing data.

6. The verification engagement process

This chapter summarises some important considerations and practical tips to address issues which may arise during greenhouse and energy verification engagements.

The objectives of this chapter are to provide guidance for audit team leaders undertaking verification engagements by:

- explaining what a verification engagement is, and just as importantly, what it is not, and
- illustrating the fundamental importance of agreeing clear, unambiguous procedures, then performing and reporting factual findings only on those procedures.

6.1 What is a verification engagement?

The purpose of a verification engagement is to conduct agreed-upon procedures and report factual findings arising from those procedures. The Clean Energy Regulator or other person engaging the audit team leader, uses the factual findings combined with any other information they have obtained to draw their own conclusions on the subject matter.

Successful and efficient verification engagements depend upon the audit team leader and the engaging party having the same understanding about what the verification engagement will involve, how its outcomes will be reported and what is not included in the terms of the verification engagement. It is important that scope exclusions (that is, what is not included) from the verification engagement are discussed and agreed at the outset, so that the audited body, the Clean Energy Regulator and the audit team leader share the same understanding of what the verification engagement does not include. The key scope exclusion will be that the verification engagement is not an assurance engagement and therefore that the audit team leader will not issue either a limited or reasonable assurance engagement conclusion.

This requires:

- clear procedures which are agreed upon upfront by both parties
- amendments to those procedures being discussed and agreed prior to any variation in procedures being performed, and
- reporting factual findings only.

To illustrate this further, a summary of what a verification engagement includes and does not include is provided below. The term 'verification provider' is used to describe the greenhouse and energy audit team, led by the audit team leader, performing the greenhouse and energy verification engagement.

A verification engagement includes	A verification engagement does not include
The verification provider performing specific procedures over the greenhouse and energy information.	<p>The verification provider making judgements on the extent and nature of the verification procedures during the engagement.</p> <p>For example, the verification provider performs only those verification procedures agreed in the verification engagement terms and would not perform additional procedures, even if they found misstatements or compliance breaches, they would only report the matter to the engaging party.</p>
The verification provider agreeing to the procedures upfront with the audited body in the verification engagement terms.	<p>The verification provider performing any procedures outside of the agreed upon procedures, unless the amendments to the agreed upon procedures are agreed in a written addendum to the original letter of engagement.</p>
The verification provider providing a report of factual findings on the verification procedures performed.	<p>The verification provider expressing any form of conclusion, evaluation, or assessment on the completeness, validity or accuracy of the reported information based on the verification procedures performed.</p> <p>This is explained further in the reporting section 5.5 below.</p>

The chapter is organised in the order of the stages of a verification engagement process as shown in the diagram in section 3.3 of this handbook.

6.2 Preparing

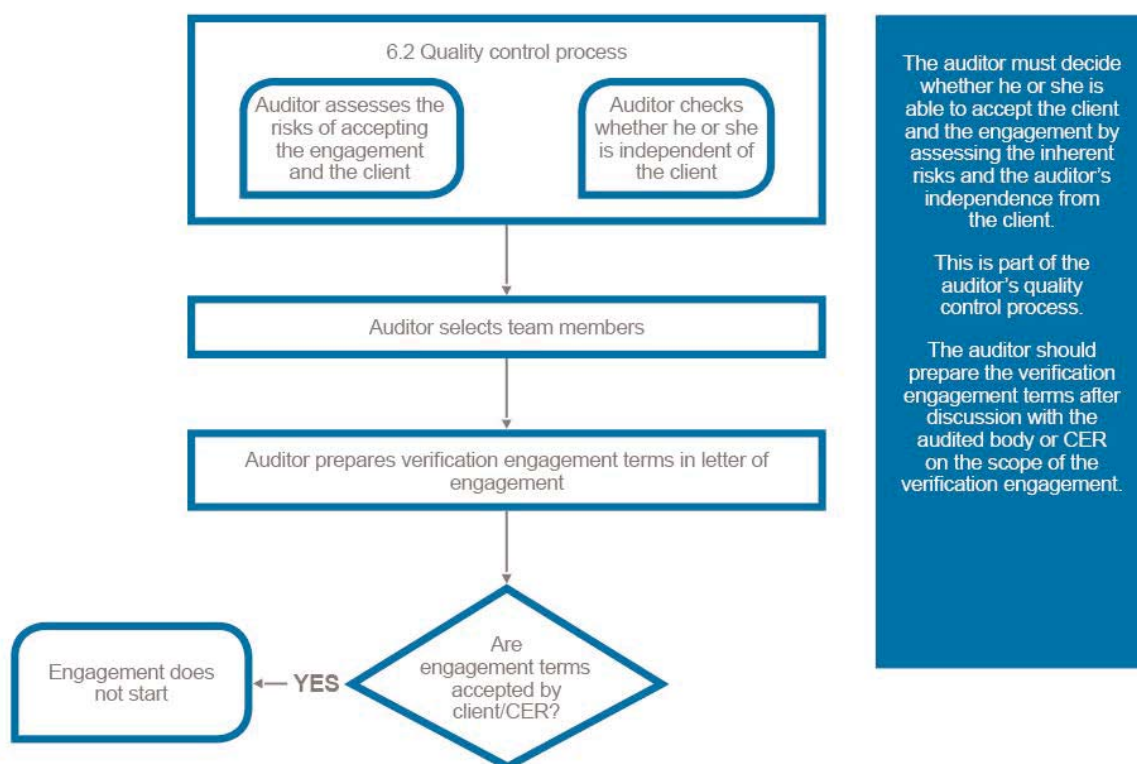


FIGURE 10—PREPARING STAGE OF THE VERIFICATION ENGAGEMENT

The quality control process prior to commencing a verification engagement is common to that of an assurance engagement. Refer to section 4.3 of this handbook for further details.

Before commencing any work, the audit team leader and the audited body need to agree in writing the verification procedures to be performed. It is essential that the verification procedures:

- do not require the audit team leader to express any kind of value judgement or evaluation, and
- are agreed in a written letter of engagement signed by the audit team leader, and the audited body or the Clean Energy Regulator (as appropriate).

The audit team leader must also ensure all of the required inclusions for the verification engagement terms are present before signing the verification engagement terms.

A template letter of engagement for verification engagements is included in the audit templates.

Section 4.3 of the NGER Audit Determination requires the verification engagement terms to be agreed with the appointing body (either the audited body or the Clean Energy Regulator) prior to the commencement of the engagement.

Section 4.2 of the NGER Audit Determination includes required inclusions for verification engagement terms.

6.3 Planning the verification

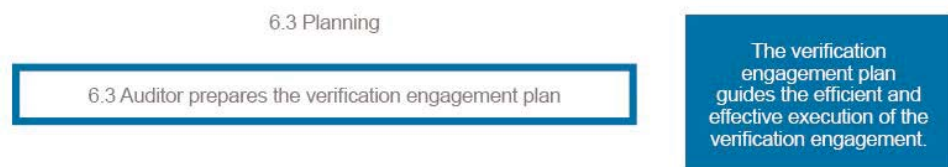


FIGURE 11—PLANNING THE VERIFICATION

As the verification engagement consists of previously agreed procedures there is no need for the audit team leader to design the procedures to be conducted based on the risks identified.

However, the audit team leader must still develop a verification engagement plan and amend that plan during the verification engagement to ensure the engagement is carried out efficiently and effectively.

For example, this plan would likely include practical details such as timing of completion of the verification procedures, responsible team members for the completion and review of the verification procedures and information required from the audited body to complete the verification procedures.

Subsection 4.42 of the NGER Audit Determination requires the verification engagement terms to be included in the verification plan.

6.4 Performing the verification



FIGURE 12—PERFORMING THE VERIFICATION

The audit team leader should now perform the verification procedures agreed in the verification engagement terms.

Key points of guidance for the execution of verification engagements include the following:

- The audit team leader should perform only the verification procedures. The outcome of this engagement will be a report of factual findings against only the verification procedures.
- During the verification it may become necessary to amend the verification procedures; for instance if they are found to be insufficient by the audited body or the Clean Energy Regulator or where applying them in practice results in some ambiguity as to their meaning. Any amendments must:
 - » be discussed between the audit team leader and the audited body or the Clean Energy Regulator (as appropriate)
 - » be mutually agreed between the audit team leader and the audited body or the Clean Energy Regulator (as appropriate) in a written addendum to the original engagement terms, and
 - » be made and documented in accordance with subsection 4.3(4) of the NGER Audit Determination.

6.5 Reporting

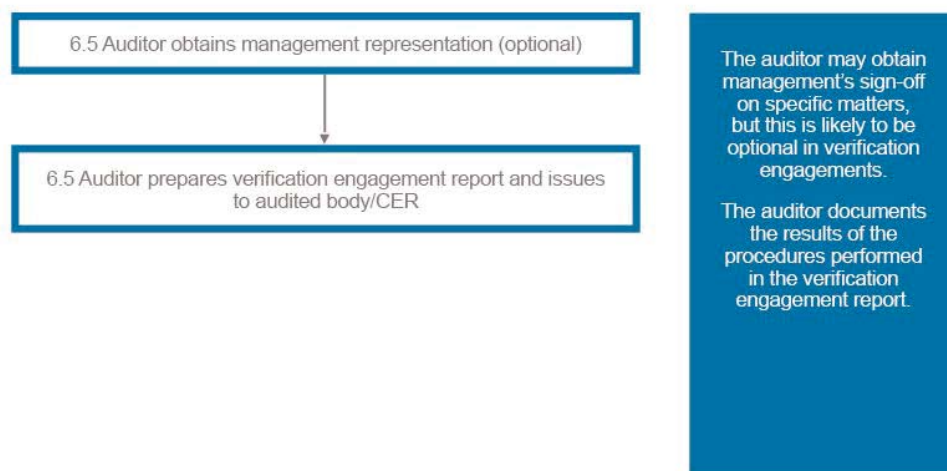


FIGURE 13—REPORTING STAGE OF THE VERIFICATION ENGAGEMENT

Reporting on the verification is performed in a report of factual findings. The report should be simple statements of fact regarding the results of the procedures performed. The report should not include any comments on procedures not agreed in the verification engagement terms, nor any evaluations, judgements or conclusions.

To illustrate this further a template verification engagement report of factual findings is included in the audit templates.

Under section 4.8 of the NGER Audit Determination the audit team leader must outline details of any matter related to the matter being audited that amounts to a contravention of the NGER Act in the audit report.

NGER auditors must include the required elements of the verification engagement report.

Prior to issuing the report, the audit team leader may obtain written management representations to them on specific matters, if the verification procedures have relied on management estimations, opinions or assumptions. This is an optional requirement and is left to the discretion of the audit team leader.

Section 4.8 of the NGER Audit Determination details the specific requirements to be included in the verification engagement report. These requirements include:

- *details of the audit findings*
- *issues that required particular attention during the audit, and*
- *details of any matter that the auditor believes amounts to a contravention of the NGER Act.*

Glossary

Assurance engagement	<p>A greenhouse and energy assurance engagement by a registered greenhouse and energy auditor, the purpose of which is to provide an independent conclusion as to the reliability, accuracy and completeness of the matters being audited. There are two types of assurance engagement: limited and reasonable.</p> <p>These are defined below.</p>
Assurance engagement plan	An assurance engagement plan documents the audit team leaders approach to the performance of the assurance engagement and how they intend to gather sufficient and appropriate evidence to support the assurance conclusion.
Audit	A limited assurance, reasonable assurance or verification (agreed-upon procedures) engagement undertaken in accordance with the <i>National Greenhouse and Energy Reporting (Audit) Determination 2009</i> .
The NGER Audit Determination	The <i>National Greenhouse and Energy Reporting (Audit) Determination 2009</i> .
Audited body	A registered corporation, or person referred to in section 20 of the NGER Act, in respect of whose compliance with the NGER Act or the regulations a greenhouse and energy audit is to be carried out.
Audit team leader	A registered greenhouse and energy auditor appointed to carry out a greenhouse and energy audit.
Carbon Farming Initiative	Carbon Farming Initiative—the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> (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.
Clean Energy Act	The <i>Clean Energy Act 2011</i> (Cth) (CE Act)
Clean Energy Regulations	The <i>Clean Energy Regulations 2011</i> and subsequent Amendment Regulations.
CFI Act	The <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i>

CFI audit	An audit under section 214 or 215 of the CFI Act; or an audit carried out for the purposes of paragraph 13(1)(e) or 23(1)(d) or 76(4)(c) of the CFI Act.
Greenhouse gas	Greenhouse gases as defined in section 7 of the NGER Act.
Greenhouse and energy audit	An audit under any of sections 73 to 74A of the NGER Act.
JCP audit	An audit of a Jobs and Competitiveness Program application under section 149 of the CE Act.
Jobs and Competitiveness Program (JCP)	The Clean Energy Regulations provide for approval of activities as emissions-intensive trade-exposed (EITE) as the basis for assistance through the allocation of free carbon units.
Liable entity report audit	An audit under section 74AA of the NGER Act of a liable entity report submitted under s22A of the NGER Act.
Limited assurance	A reduction in assurance engagement risk to an acceptable level, but where the level of risk accepted is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the audit team leader's conclusion.
Materiality	<p>Material information is that information which if omitted, misstated or not disclosed has the potential to adversely affect the decisions of the users of the information.</p> <p>A material misstatement or material non-compliance is an error, omission, misrepresentation or noncompliance with the NGER Act that is significant, pervasive and affects the matters being audited as a whole.</p>
Misstatement	An error, omission or misrepresentation in the matter relating to compliance with the NGER Act, the NGER Regulations, the CFI legislation or associated provisions.
NGER Act	The <i>National Greenhouse and Energy Reporting Act 2007</i> (Cth).
NGER Measurement Determination	The <i>National Greenhouse and Energy Reporting (Measurement) Determination 2008</i> .

NGER Regulations	The <i>National Greenhouse and Energy Reporting Regulations 2008</i> and subsequent Amendment Regulations
NGER Scheme	The National Greenhouse and Energy Reporting Scheme which incorporates the NGER Act, its subordinate legislation and legislative instruments.
Partial exemption certificate audits	Audits carried out as part of applications for partial exemption certificates (PECs) under the Renewable Energy Target, under paragraph 46A(2)(bb) of the RET Act. PECs allow for a relief from the renewable energy shortfall charge for emissions-intensive trade-exposed (EITE) activities.
Reasonable assurance	A reduction in assurance engagement risk to an acceptably low level, as the basis for expressing a positive conclusion. Reasonable assurance means a high, but not absolute, level of assurance.
Renewable Energy Target (RET)	A renewable energy target for electricity generation and renewable energy shortfall charge, set up under the RET Act and the RET Regulations.
RET Act	<i>Renewable Energy (Electricity) Act 2000.</i>
RET Regulations	<i>Renewable Energy (Electricity) Regulations 2001</i> and subsequent Amendment Regulations.
Verification engagement	An engagement where the audit team leader is engaged to carry out specific procedures agreed between the audit team leader, audited body and the Clean Energy Regulator. No conclusion is expressed by the audit team leader in a verification engagement, only a report of factual findings following the completion of the procedures. Sometimes referred to as an Agreed-Upon Procedures engagement.
Verification engagement plan	A verification engagement plan documents how the audit team leader plans to conduct the verification engagement.



Australian Government
Clean Energy Regulator

National Greenhouse and Energy Reporting Scheme

National Greenhouse
and Energy Reporting
audit templates

National Greenhouse and Energy Reporting audit templates

These templates illustrate how the Clean Energy Regulator expects an audit report for an NGER reasonable or limited assurance engagement on an energy and emissions report or part of a report prepared under section 19 of the NGER Act and for a verification engagement, respectively, to be structured. The template for reasonable and limited assurance engagements can be adapted for engagements to report on other compliance matters. It is not mandatory to follow this template but it is recommended.

Some parts of the template are optional and the auditor should exercise their own discretion as to whether to use them. These parts are marked with brackets: **[Optional]**.

The audit must be conducted in accordance with the relevant requirements for assurance engagements under:

- the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination), and
- relevant national and international audit standards, including:
 - » ASAE 3000 *Assurance Engagements Other than Audits of Reviews of Historical Financial Information*
 - » ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, and
 - » ASAE 3100 *Compliance Engagements*.

Refer to Division 3.4 of the NGER Audit Determination for further information on the legislative requirements for reporting an assurance engagement.

National Greenhouse and Energy Reporting audit report (reasonable or limited assurance) of energy and emissions report

Audit report coversheet

Audited body

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

Reporting requirements

[Complete as appropriate dependent on scope of audit]

Total scope 1 emissions for audited body	
Total scope 2 emissions for audited body	
Total energy consumption for audited body	
Total energy production for audited body	

Audit description

Kind of audit	Reasonable assurance/Limited assurance under sections 73 / 73A / 74 / 74A of the NGER Act.
Objective of the assurance engagement	Assurance on [scope 1 emissions/scope 2 emissions/energy production/energy consumption in] [audited body]'s energy and emissions report under s19 of the NGER Act.
Time period audited	
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	

Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team.

These may include:

- **conflict of interest and details of the procedures for managing conflict of interest**
- **relevant relationships, and**
- **exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.**

Part A—Auditor's report

To: *[Directors/Clean Energy Regulator]*

We have conducted a *[reasonable/limited]* assurance engagement, being an audit pursuant to section *[73, 73A, 74 or 74A]* of the *National Greenhouse and Energy Reporting Act 2008* (NGER Act), of *[audited body]*'s energy and emissions report for the period *[date]* to *[date]*, prepared in accordance with section 19 of the NGER Act.

The *[amounts within the]* energy and emissions report being audited, consists of the following:

[Complete as appropriate dependent on scope of audit]

- scope 1 greenhouse gas emissions *[reported amount in tonnes of CO₂-e]*
- scope 2 greenhouse gas emissions *[reported amount in tonnes of CO₂-e]*
- energy production *[reported amount in GJ]*
- energy consumption *[reported amount in GJ]*, and/or
- other subject matter that is the subject of the audit.

Responsibility of *[audited body]*'s management

Management of *[audited body]* are responsible for preparation and presentation of the energy and emissions report in accordance with section 19 of the NGER Act, in all material respects. This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the energy and emissions report that is free from material misstatement, whether due to fraud or error.

Management of *[audited body]* is responsible for the interpretation and application of the requirements of the NGER Act and the NGER Measurement Determination in determining operational control and quantifying emissions and energy, which are reflected in a *[Carbon Manual/Basis of Preparation]* which will be provided to us.

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

Our independence and quality control

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, due care, confidentiality and professional behaviour. These include all of the requirements defined in the *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations) regarding the Code of Conduct, independence and quality control.

[The following is optional] Furthermore, *[name of assurance practitioner's firm]* maintains:

- In accordance with Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- In accordance with ISO 14065 *Greenhouse Gases—Requirements for Greenhouse Gas Validation and Verification Bodies for Use in Accreditation or Other Forms of Recognition* and the NGER Regulations, a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express an *[opinion/conclusion]* on *[audited body]*'s *[scope 1 emissions/scope 2 emissions/energy production/energy consumption in the]* energy and emissions report, based on the procedures we have performed and the evidence we have obtained.

We have conducted our *[reasonable/limited]* assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and relevant national and international standards, as listed below. The procedures selected depended on our judgement, including an assessment of the risks of material *[misstatement]* of the matter being audited.

The NGER Audit Determination and relevant national and international standards require that we plan and perform this engagement to obtain *[reasonable/limited]* assurance about whether the energy and emissions report is free from material misstatement.

[List any relevant audit standard used in undertaking the assurance engagement. These standards could include:

- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*
- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, and
- Australian standard AS ISO 14064.3 *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions]*.

A *[reasonable/limited]* assurance engagement in accordance with the NGER Audit Determination and relevant national and international standards involves performing procedures to obtain evidence about the application of operational control requirements and the quantification of *[emissions and energy/scope 1 emissions/scope 2 emissions/energy production/energy consumption]* in the energy and emissions report in accordance with the requirements of the NGER Act. 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 making those risk assessments, we considered internal control relevant to *[audited body]*'s preparation of the energy and emissions report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Summary of procedures undertaken

The procedures we conducted in our *[reasonable/limited]* assurance engagement included:

[Insert a summary of procedures undertaken. These can include such procedures as:

- *interviews conducted to gather evidence*
- *analysing procedures that the audited body used to gather data*
- *testing of calculations that the audited body performed, and*
- *identifying and testing assumptions supporting the calculations.]*

[More detailed procedures can be included in Part B of the audit report.]


Use of our *[limited/reasonable]* assurance engagement report

This report has been prepared for the use of *[audited body]*, the Clean Energy Regulator *[and intended users identified in the terms of the engagement]* for the sole purpose of reporting on *[audited body]*'s energy and emissions report and their compliance with NGER Act. Accordingly, I/we expressly disclaim and do not accept any responsibility or liability to any party other than the Clean Energy Regulator, *[audited body]* and *[names of intended users]* for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing assurance—for example, assurance engagements are based on selective testing of the information being examined—and because of this, it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all misstatements, as an assurance engagement is not performed continuously throughout the period that is the subject of the engagement and the procedures performed on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. We specifically note that *[audited body]* has used estimates or extrapolated underlying information to calculate certain amounts included within the greenhouse and energy information.



[If limited assurance] The procedures performed in a limited assurance engagement vary in nature from, and are narrower in scope than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than that in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether *[audited body]*'s energy and emissions report has been prepared, in all material respects, in accordance with section 19 of the NGER Act.

[If conclusion is modified] Basis for *[qualified/adverse/disclaimer]* conclusion

[Insert basis for modification to the auditor's report.]

Our conclusion

[Insert conclusion as appropriate, referring to section 3.17 of the NGER Audit Determination.]

[If reasonable assurance] In our opinion the energy and emissions report of *[audited body]* for the period *[date]* to *[date]* is prepared in accordance with section 19 of the NGER Act, in all material respects.

[If limited assurance] Nothing has come to our attention that causes us to believe that the energy and emissions report of *[audited body]* for the period *[date]* to *[date]* is not prepared in accordance with section 19 of the NGER Act, in all material respects.]

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

Part B—Detailed findings

As required under section 3.23 of the NGER Audit Determination, audit team leaders must outline the following:

[If no entry is needed under a subheading, indicate that it is not applicable]

Issues requiring particular attention

[Provide details of the items or issues related to the matter audited that required particular attention during the assurance engagement. This may include a summary of key risks identified prior to or during the audit engagement.]

Aspects impacting on assurance engagement

[Include details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement. This may include issues such as weather, key resources, access to facilities, maintenance schedules, etc.]

Contraventions of NGER legislation

[Provide details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes may lead to a contravention of the NGER Act or the NGER Regulations or applicable determinations. This should include a statement about the auditor's judgement on materiality of these issues, both individually and in aggregate.]

Other matters

[Include any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance engagement report.]

Audit findings and conclusions table

[Note: Any contraventions of the NGER legislation, or suspected contraventions, should be listed under the above heading 'Contraventions of NGER legislation'. Completing this table is optional, however any issues identified must also be listed above.]

The results that are provided in the table below should not be construed as providing an opinion or conclusion on the matter being audited as a whole; instead, they should be read as providing evidence to support the conclusion.

These findings, conclusions and recommendations are designed to inform the audited body and the Clean Energy Regulator of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Issue/risk area investigated <i>[as outlined in the audit plan]</i>	Testing conducted	Findings	Conclusion
Issue A	<i>[Provide a brief description of the audit procedures carried out to audit this item of the scope]</i>	<i>[Provide a brief description of the audit finding. The auditor may include a summary of the process/figures audited and whether any material misstatements were identified]</i>	<i>[Insert conclusions against the issue/risk area]</i>
Issue B			
Issue C			

Peer reviewer conclusion

Name of the peer reviewer	
Peer reviewer's credentials	
Peer reviewer contact details	
Outcome of the evaluation undertaken by the peer reviewer	

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

National Greenhouse and Energy Reporting audit report (verification engagement)

Audit report coversheet

Audited body

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

Reporting requirements

[Complete as appropriate dependent on scope of audit]


Total scope 1 emissions for audited body	
Total scope 2 emissions for audited body	
Total energy consumption for audited body	
Total energy production for audited body	

Audit description

Kind of audit	Verification Section 73 / 73A / 74 / 74A
Objective of the assurance engagement	
Time period audited	
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	



<p>Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team.</p>	
--	--

These may include:

- **conflict of interest and details of the procedures for managing conflict of interest**
- **relevant relationships, and**
- **exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.**

NGER verification engagement report

To *[Directors / The Clean Energy Regulator]*

Report on *[brief description of engagement]*

We have performed the procedures agreed with you, detailed in the written instructions of *[date]* and described below, with respect to *[brief description of assignment and reference to any attachments]*.

[Directors/The Clean Energy Regulator]'s responsibility for the procedures agreed

The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of the *[Directors / Clean Energy Regulator]*. You *[and other intended users]* are responsible for determining whether the factual findings provided by us, 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.

Our responsibility

Our responsibility is to report factual findings obtained from conducting the agreed procedures. Our verification engagement was undertaken in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and our signed letter of engagement, dated *[date]*. We have complied with ethical requirements *[specify]*.

Because the agreed procedures do not constitute either a reasonable or limited assurance engagement in accordance with the NGER Audit Determination and relevant national and international standards, we do not express any conclusion and provide no assurance on the *[subject matter]*. Had we performed additional procedures or had we performed a reasonable or limited assurance engagement, other matters might have come to our attention that would have been reported to you.

Factual findings

The procedures were performed solely to assist you meeting the requirements as outlined in our signed letter of engagement for verification engagement, dated *[date]*. The procedures performed and factual findings obtained are as follows:

[Provide a listing of the specific procedures performed or reference to the terms and procedures of the engagement contained in another document such as an engagement letter, and the factual findings including any errors or exceptions identified.]

Findings

The procedures were performed solely to assist you in *[insert details of objective of verification engagement]*.

The procedures performed and the factual findings obtained are as follows:

Procedures performed	Factual findings	Errors, exceptions or contraventions identified
1. <i>[Insert procedure]</i>	<i>[Insert findings]</i>	<i>[None/detail the exceptions]</i>
2. <i>[Insert procedure]</i>	<i>[Insert findings]</i>	<i>[None/detail the exceptions]</i>

Other matters to be reported

As required under section 4.8 of the NGER Audit Determination, we report the following matters:

[If no entry is needed under a subheading, indicate that it is not applicable]

Aspects impacting on verification engagement

[Insert any details of aspects of the matter being audited that particularly impacted on the carrying out of the verification engagement.]

Other matters

[Insert any details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the verification engagement that he or she believes amount to a contravention of the National Greenhouse and Energy Reporting Act 2007 (the NGER Act), the National Greenhouse and Energy Reporting Regulations 2008 (the NGER Regulations) or associated provisions.]

Restriction on use of report

This report is intended solely for the use of *[the Clean Energy Regulator/audited body/intended users]* for the purpose set forth in the first paragraph of this report. 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. Use of this report is restricted to those parties that have agreed on 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, we expressly disclaim and do not accept any responsibility or liability to any party other than *[the Clean Energy Regulator, the audited body and other intended users]* for any consequences of reliance on this report for any purpose.

[Insert more information on the use of this report if it will be going further than the audited body or the Clean Energy Regulator]

Yours faithfully

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]



Australian Government
Clean Energy Regulator

Carbon Pricing Mechanism

Liable entity report audit templates

Liabe entity report audit template

This template shows how the Clean Energy Regulator expects a reasonable assurance engagement report, for a liable entity report submitted under section 22A of the *National Greenhouse and Energy Reporting Act 2007*, to be structured. It is not mandatory to follow this template but it is recommended.

Some parts of the template are optional and the auditor should exercise their own discretion as to whether to use them. These parts are marked in brackets as **[Optional]**.

The audit must be conducted in accordance with the relevant requirements for assurance engagements under:

- the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination)
- ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* for s22A liable entity report, and
- ASAE 3100 *Compliance Engagements* for s22B record keeping requirements.

Refer to Division 3.4 of the NGER Audit Determination for further information on the legislative requirements for reporting an assurance engagement.

Liabe entity report audit report

Audit report coversheet

Audited body

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

Covered scope 1 emissions

Level of covered scope 1 emissions of the liable entity	
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Audit description

Kind of audit	Reasonable assurance Section 74AA NGER Act
Objective of the assurance engagement	Conclude on s22A liable entity report and s22B record keeping requirements.
Time period audited	
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	
Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team. These may include: <ul style="list-style-type: none">• conflict of interest and details of the procedures for managing conflict of interest• relevant relationships, and• exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.	

Part A—Auditor’s report

To *[Directors]*

We have conducted a reasonable assurance engagement, being an audit pursuant to section 74AA of the *National Greenhouse and Energy Reporting Act* (NGER Act), for the period *[date]* to *[date]* of:

- *[audited body]*’s report prepared in accordance with section 22A of the NGER Act, (the liable entity report), and
- compliance with record-keeping requirements under section 22B of the NGER Act.

The liable entity report consists of the following:

- total scope 1 greenhouse gas emissions *[reported amount in tonnes of CO₂-e]*.

Responsibility of *[audited body]*’s management

The management of *[audited body]* is responsible for the preparation and fair presentation of the liable entity report in accordance with section 22A of the NGER Act and division 4.6A of the *National Greenhouse and Energy Reporting Regulations 2008* (NGER Regulations), in all material respects. This responsibility includes:

- design, implementation and maintenance of internal controls relevant to the preparation and presentation of the liable entity report that is free from material misstatement, whether due to fraud or error
- selecting and applying measurement methodologies in accordance with the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (NGER Measurement Determination), and
- making estimates that are reasonable in the circumstances.

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.

The management of *[audited body]* is also responsible for keeping and retaining records in accordance with section 22B of the NGER Act and regulation 4.34 of the NGER Regulations. This responsibility includes the design, implementation and maintenance of internal control relevant to the creation, retention and maintenance of records to allow accurate reporting under section 22A of the NGER Act and to enable the Clean Energy Regulator to ascertain whether *[audited body]* has complied with the reporting obligations of section 22A, in a form that is easily and quickly accessible for inspection and audit.

Our independence and quality control

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, due care, confidentiality and professional behaviour. This includes all of the requirements defined in the NGER Regulations regarding the Code of Conduct, independence and quality control.

[The following is optional] Furthermore, *[name of assurance practitioner's firm]* maintains:

- In accordance with Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- In accordance with ISO 14065 *Greenhouse Gases—Requirements for Greenhouse Gas Validation and Verification Bodies for Use in Accreditation or Other Forms of Recognition* and the NGER Regulations a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express an opinion on *[audited body]*'s liable entity report and its compliance with section 22B record-keeping requirements, based on the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2008* (NGER Audit Determination), ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, and relevant national and international standards, as listed below. The NGER Audit Determination and ASAE 3410 require that we plan and perform this engagement to obtain reasonable assurance about whether *[audited body]*'s liable entity report has been prepared in accordance with section 22A of the NGER Act and whether *[audited body]*'s records have been kept in compliance with section 22B of the NGER Act, in all material respects.

[List any relevant audit standard used in undertaking the assurance engagement. These standards could include:

- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*
- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, and
- Australian standard AS ISO 14064.3 *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*].

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 liable entity report, and

- the adequacy of record-keeping to allow accurate reporting of emissions, including accessibility and retention of those records.

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 liable entity report and the risk of material non-compliance with record-keeping requirements. In making those risk assessments, we considered internal control relevant to *[audited body]*'s preparation of the liable entity report and record keeping. A reasonable assurance engagement with respect to the liable entity report also includes:

- assessing the suitability, in the circumstances, of *[audited body]*'s selection of measurement methods and criteria provided in the NGER Measurement Determination as the basis for the preparation of the liable entity report
- evaluating the appropriateness of quantification methods and reporting policies used, and the reasonableness of estimates made by the *[audited body]*
- evaluating the application of the activity definitions in determining facility boundaries, and operational control in determining controlling corporation boundaries, and
- evaluating the overall presentation of the liable entity report.

Summary of procedures undertaken

The procedures conducted in our reasonable assurance engagement included:

[Insert a summary of procedures undertaken. These can include such procedures as:

- *interviews conducted to gather evidence*
- *analysing procedures that the audited body used to gather data*
- *testing of calculations that the audited body performed, and*
- *identifying and testing assumptions supporting the calculations.]*

[More detailed procedures can be included in Part B of the audit report.]

Use of our reasonable assurance engagement report

This report has been prepared for the use of *[audited body]*, the Clean Energy Regulator *[and intended users identified in the terms of the engagement]* for the sole purpose of reporting on *[audited body's]* liable entity report and compliance with section 22B of the NGER Act. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Clean Energy Regulator, *[audited body]* and *[names of other intended users]* for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing assurance—for example, assurance engagements are based on selective testing of the information being examined—and it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance with sections 22A and 22B of the NGER Act, because such an engagement is not performed continuously throughout the period being examined, and because the procedures performed in respect of compliance with sections 22A and 22B of the NGER Act are undertaken on a test basis. The opinion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. *[We specifically note that [audited body] has used estimates [or extrapolated underlying information] to calculate certain amounts included within the emissions reported.]*

[Include if conclusion is modified] Basis for [qualified/adverse/disclaimer] conclusion

[Insert basis for modification to the auditor's report.]

Our conclusion

In our opinion, for the period *[date]* to *[date]*, *[audited body]* has:

- prepared its liable entity report in accordance with section 22A of the NGER Act, in all material respects, and
- complied with record-keeping requirements under section 22B of the NGER Act, in all material respects.

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

Part B—Detailed findings

As required under section 3.23 of the NGER Audit Determination, audit team leaders must outline the following:

[If no entry is needed under a subheading, indicate that it is not applicable]

Issues requiring particular attention

[Provide details of the items or issues related to the matter audited that required particular attention during the assurance engagement. This may include a summary of key risks identified prior to or during the audit engagement.]

Aspects impacting on assurance engagement

[Include details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement. This may include issues such as weather, key resources, access to facilities, maintenance schedules, etc.]

Contraventions of NGER legislation

[Provide details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes may lead to a contravention of the NGER Act or the NGER Regulations or applicable determinations. This should include a statement about the auditor's judgement on materiality of these issues, both individually and in aggregate.]

Other matters

[Include any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance report.]

Audit findings and conclusions table

[Note: Any contraventions of the NGER legislation, or suspected contraventions, should be listed under the above heading 'Contraventions of NGER legislation'. Completing this table is optional, however any issues identified must also be listed above.]

The results that are provided in the table below should not be construed as providing an opinion on the matter being audited as a whole; instead, they should be read as providing evidence to support the conclusion. These findings, conclusions and recommendations are designed to inform the audited body and the Clean Energy Regulator of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Issue/risk area investigated [as outlined in the audit plan]	Testing conducted	Findings	Conclusion
Issue A	<i>[Provide a brief description of the audit procedures carried out to audit this item of the scope]</i>	<i>[Provide a brief description of the audit finding. The auditor may include a summary of the process/figures audited and whether any material misstatements were identified]</i>	<i>[Insert conclusions against the issue/risk area]</i>
Issue B			
Issue C			

Peer reviewer conclusion

Name of the peer reviewer	
Peer reviewer's credentials	
Peer reviewer contact details	
Outcome of the evaluation undertaken by the peer reviewer	

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]



Australian Government
Clean Energy Regulator

Carbon Pricing Mechanism

Jobs and Competitiveness Program audit templates

Jobs and Competitiveness Program audit template

This template shows how the Clean Energy Regulator expects an assurance engagement report for a Jobs and Competitiveness Program audit to be structured. It is not mandatory to follow this template but it is recommended.

Some parts of the template are optional and the auditor should exercise their own discretion as to whether to use them. These parts are marked in brackets as [Optional].

The audit must be conducted in accordance with the relevant requirements for assurance engagements under:

- if reporting on emissions and energy consumption—the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination), and
- if reporting on production or expected production—ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and any other relevant standards issued by the Australian Auditing and Assurance Standards Board (AUASB).

Jobs and Competitiveness Program audit report

Audit report coversheet

Audited body *[the applicant]*

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

EITE activity

Emissions-intensive trade-exposed activity that is the subject of the application	
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Audit description

Kind of audit	Reasonable assurance/Limited assurance Clause 604 of Schedule 1 of the Clean Energy Regulations for Jobs and Competitiveness applications for emissions-intensive trade-exposed assistance/LNG supplementary allocation.
Objective of the assurance engagement	
Time period audited	
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	
Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team. These may include: <ul style="list-style-type: none">• conflict of interest and details of the procedures for managing conflict of interest• relevant relationships, and• exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.	

Part A—Auditor's report

To: *[Directors]*

We have conducted a reasonable assurance engagement, being an audit pursuant to clause 604 of Schedule 1 of the *Clean Energy Regulations 2011* (Clean Energy Regulations), on *[audited body]*'s Jobs and Competitiveness Program application for the emissions-intensive trade-exposed (EITE) activity of *[EITE activity subject of application]*, to conclude whether:

- The activity set out in the application that is claimed to be an EITE activity complies, in all material respects, with each of the requirements in the description of the activity set out in Part 3 of Schedule 1 of the Clean Energy Regulations.
- The application presents fairly, in all material respects, the amount or volume of the relevant product produced in the period *[date]* to *[date]* in accordance with:
 - » the requirements for that amount or volume set out in Part 3 of Schedule 1 of the Clean Energy Regulations, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

Facility	Relevant product	Amount or volume
<i>[insert facility name]</i>	<i>[insert relevant product]</i>	<i>[insert amount or volume]</i>
<i>[insert facility name]</i>	<i>[insert relevant product]</i>	<i>[insert amount or volume]</i>

[New facility: Include the following for an application to which clause 911 of Schedule 1 of the *Clean Energy Regulations* applies]

- The application presents fairly, in all material respects, the amount that is worked out under subclause 911(2) in accordance with:
 - » the requirements set out in clause 911 of Schedule 1 of the Clean Energy Regulations, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

[LNG supplementary allocation application: Include the following for an application to which clause 710 of Schedule 1 of the *Clean Energy Regulations* applies]

- The application presents fairly, in all material respects, the provisional liquefied natural gas (LNG) emissions number produced in the period *[date]* to *[date]* that is relevant to the application in accordance with:
 - » the requirements for that number set out in the LNG supplementary allocation rules, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

- Any process flow diagram used to estimate the provisional LNG emissions number presents fairly, in all material respects, the flow of inputs and outputs of liquefied natural gas and saleable by-products through the LNG project in the period *[date]* to *[date]* that is relevant to the application.

[LNG supplementary allocation application for facility under 500,000 tonnes: Include the following for an application to which paragraph 710(2)(f) of Schedule 1 of the Clean Energy Regulations applies]

- The application presents fairly, in all material respects, the average gigajoules per tonne of liquefied natural gas (LNG) production for the previous financial year in accordance with:
 - » the criteria set out in Division 36 of Part 3 of Schedule 1 of the Clean Energy Regulations, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

[Non-continuous or expanding facilities: Include the following for an application to which clause 705 or 706 of Schedule 1 of the Clean Energy Regulations applies]

We have conducted a limited assurance engagement, being an audit pursuant to subclause 604(8) of Schedule 1 of the Clean Energy Regulations, on the Jobs and Competitiveness Program application to conclude whether:

- *[audited body]*'s assumptions provide a reasonable basis for the preparation of the expected quantity of *[the relevant product]*
- the expected production of *[the relevant product]* is properly prepared, in all material respects, on the basis of the assumptions described in the application, and
- the expected production of *[the relevant product]* is presented fairly, in all material respects, in accordance with the measurement policies adopted and disclosed by the applicant in the application.

Responsibility of *[audited body]*'s management

The management of *[audited body]* is responsible for the preparation and fair presentation of the application in accordance with the application form and guidelines, and *[audited body]*'s compliance with the Clean Energy Act and Regulations. This responsibility includes:

- design, implementation and maintenance of internal controls relevant to the recording and reporting of production for activities which meet the EITE activity definition, that is free from material misstatement, whether due to fraud or error
- selecting and applying measurement methodologies used to prepare and present the data, and
- making estimates that are reasonable in the circumstances.

Our independence and quality control

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, due care, confidentiality and professional behavior. This includes all of the requirements defined in the *National Greenhouse and Energy Reporting Regulations 2008* (the NGER Regulations) regarding the Code of Conduct, independence and quality control.

[The following is optional] Furthermore, we have complied with either of the following:

- In accordance with Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, *[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.
- In accordance with ISO 14065 *Greenhouse Gases—Requirements for Greenhouse Gas Validation and Verification Bodies for Use in Accreditation or Other Forms of Recognition* and the NGER Regulations, *[name of auditor]* 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.

Our responsibility

Our responsibility is to express a conclusion on whether the audited elements of the application (as described above) have been prepared, in all material respects, in compliance with the requirements of the Clean Energy Regulations and measurement policies adopted and disclosed in the application.

We conducted our assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and/or

relevant national and international standards, as listed below. The NGER Audit Determination and/or relevant Auditing and Assurance Standards Board standards require that we comply with relevant ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance as to whether the subject matter is free from material misstatement.

[List any relevant audit standard used in undertaking the assurance engagement. These standards could include:

- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*
- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, and
- Australian standard AS ISO 14064.3 *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*].

Our procedures were designed to obtain a reasonable level of assurance on which to base our conclusion. An assurance engagement involves performing procedures to obtain assurance evidence about the matter being audited. The procedures selected depend on the audit team leader's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to *[audited body]*'s determination of the amounts and disclosures in the matter being audited in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of *[audited body]*'s internal controls. An assurance engagement includes evaluating the reasonableness of production estimates made by management of the company as well as evaluating the overall presentation of the application by management of the company.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Summary of procedures undertaken

Our procedures included the following:

[Insert a summary of procedures undertaken. These can include such procedures as:

- *interviews conducted to gather evidence*
- *analysing procedures that the audited body used to gather data*
- *testing of calculations that the audited body performed, and*
- *identifying and testing assumptions supporting the calculations.]*

[More detailed procedures can be included in Part B of the audit report.]

Use of our reasonable *[and limited]* assurance engagement report

This report has been prepared for the use of *[audited body]*, the Clean Energy Regulator *[and intended users identified in the terms of the engagement]* for the sole purpose of reporting on *[audited body]*'s Jobs and Competitiveness Program application. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Clean Energy Regulator, *[audited body]* and *[names of intended users]* for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing assurance—for example, assurance engagements are based on selective testing of the information being examined. Because of this, it is possible that fraud, error or non-compliance might occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance with the Clean Energy Act and Clean Energy Regulations, because such an engagement is not performed continuously throughout the period being examined, and because the procedures performed in respect of compliance with the Clean Energy Act and Clean Energy Regulations are undertaken on a test basis. The conclusion expressed in this report has been formed on the above basis.

Basis for *[qualified/adverse/disclaimer]* conclusion *[Include if conclusion is modified]*

[Insert basis for modification to the auditor's report.]

Our conclusion

[Insert conclusion as appropriate, referring to section 3.17 of the NGER Audit Determination.]

Reasonable assurance opinion

In our opinion:

- The activity set out in *[audited body]*'s Jobs and Competitiveness Program application for the *[EITE activity that is the subject of application]* that is claimed to be an emissions-intensive trade-exposed activity complies, in all material respects, with each of the requirements in the description of the activity set out in Part 3, Schedule 1 of the Clean Energy Regulations.
- *[Audited body]*'s Jobs and Competitiveness Program application for the *[EITE activity subject of application]* presents fairly, in all material respects, the amount or volume of the relevant product produced in the period *[date]* to *[date]* in accordance with:
 - » the requirements for that amount or volume set out in Part 3, Schedule 1 of the Clean Energy Regulations, and

the measurement policies adopted and disclosed by *[audited body]* in the application.

[New facility: Include the following for an application for a new facility to which clause 911 of Schedule 1 of the CE Regulations applies.]

- *[Audited body]*'s Jobs and Competitiveness Program application for the *[EITE activity subject of application]* presents fairly, in all material respects, the amount that is worked out under subclause 911(2) of Schedule 1 of the Clean Energy Regulations in accordance with:
 - » the requirements set out in clause 911 of Schedule 1 of the Clean Energy Regulations, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

[LNG supplementary allocation application: Include the following for an application to which clause 710 of Schedule 1 of the Clean Energy Regulations applies.]

- *[audited body]*'s Jobs and Competitiveness Program application for the *[EITE activity subject of application]* presents fairly, in all material respects, the provisional liquefied natural gas (LNG) emissions number produced in the period *[date]* to *[date]* that is relevant to the application in accordance with:
 - » the requirements for that number set out in the LNG supplementary allocation rules, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.
- Any process flow diagram used to estimate the provisional LNG emissions number presents fairly, in all material respects, the flow of inputs and outputs of liquefied natural gas and saleable by-products through the LNG project in the period *[date]* to *[date]*.

[LNG supplementary allocation application for facility under 500,000 tonnes: Include the following for an application to which paragraph 710(2)(f) of Schedule 1 of the Clean Energy Regulations applies.]

- *[audited body]*'s Jobs and Competitiveness Program application for the *[EITE activity subject of application]* presents fairly, in all material respects, the average gigajoules per tonne of liquefied natural gas (LNG) production for the *[previous financial year/period]* *[date]* to *[date]* in accordance with:
 - » the criteria set out in Division 36 of Part 3 of Schedule 1 of the Clean Energy Regulations, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

[Non-continuous or expanding facilities: Include the following for an application for a newly operating facility or significantly expanded facility to which clause 705 or 706 of Schedule 1 of the Clean Energy Regulations applies.]

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that, in all material respects:

- *[audited body]*'s assumptions disclosed in the application do not provide a reasonable basis for the preparation of the expected quantity of *[the relevant product]*
- the expected production of *[the relevant product]* is not properly prepared on the basis of the assumptions described in the application, and
- the expected production of *[the relevant product]* is not presented fairly in accordance with the measurement policies adopted and disclosed by the applicant.

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

Part B—Detailed findings

[This section contains the detailed findings of the audit, including any matters that may constitute non-compliance, and the opinion of the peer reviewer.]

As required under section 3.23 of the NGER Audit Determination, audit team leaders must outline the following:

[If no entry is needed under a subheading, indicate that it is not applicable]

Issues requiring particular attention

[Provide details of the items or issues related to the matter audited that required particular attention during the assurance engagement. This may include a summary of key risks identified prior to or during the audit engagement.]

Aspects impacting on assurance engagement

[Include details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement. This may include issues such as weather, key resources, access to facilities, maintenance schedules, etc.]

Contraventions of the Clean Energy legislation

[Provide details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes may lead to a contravention of the Clean Energy Act or the Clean Energy Regulations or associated provisions. This should include a statement about the auditor's judgement on the materiality of these issues, both individually and in aggregate.]

Other matters

[Include any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance engagement report.]

Audit findings and conclusions table

[Note: Any contraventions of the Clean Energy legislation, or suspected contraventions, should be listed under the above heading 'Contraventions of the Clean Energy legislation'. Completing this table is optional, however any issues identified must also be listed above.]

The results that are provided in the table below should not be construed as providing an opinion on the matter being audited as a whole; instead, they should be read as providing evidence to support the conclusion. These findings, conclusions and recommendations are designed to inform the audited body and the Clean Energy Regulator of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Issue/risk area investigated <i>[as outlined in the audit plan]</i>	Testing conducted	Findings	Conclusion
Issue A	<i>[Provide a brief description of the audit procedures carried out to audit this item of the scope]</i>	<i>[Provide a brief description of the audit finding. This may include a summary of the process/figures audited and whether any material misstatements were identified]</i>	<i>[Insert conclusions against the issue/risk area]</i>
Issue B			
Issue C			

Peer reviewer conclusion

Name of the peer reviewer:	
Peer reviewer's credentials:	
Peer reviewer contact details:	
Outcome of the evaluation undertaken by the peer reviewer:	

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]



Australian Government
Clean Energy Regulator

**Renewable
Energy
Target**

Partial exemption certificate audit templates

Partial exemption certificate audit template

This template shows how the Clean Energy Regulator expects an assurance engagement report for a partial exemption certificate (PEC) audit to be structured. It is not mandatory to follow this template but it is recommended.

Some parts of the template are optional and the auditor should exercise their own discretion as to whether to use them. These parts are marked in brackets as [Optional].

A PEC application will not need to be accompanied by an audit report if:

- an audit report has already been given to the Clean Energy Regulator under the Jobs and Competitiveness Program, and
- other criteria of subregulation 22UA(3) or subregulation 22UA(4) of the *Renewable Energy (Electricity) Regulations 2001* are met.

An audit report is also not required if the amount of partial exemption (in MWh) applied for is equal to or less than 15 000 MWh for the application year.

The audit must be conducted in accordance with the relevant requirements for assurance engagements under:

- the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination), or
- if a registered company auditor or authorised audit company is not a registered greenhouse and energy auditor, and does not wish to use the requirements in the NGER Audit Determination—*ASAE 3000 Assurance Engagements Other than Audits of Reviews of Historical Financial Information* and any other relevant standards issued by the Australian Auditing and Assurance Standards Board (AUASB).

Partial exemption certificate audit report

Audit report coversheet

Audited body *[the applicant]*

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

EITE activity

Emissions-intensive trade-exposed activity that is the subject of the application	
---	--

Audit description

Kind of audit	Reasonable Assurance/Limited Assurance engagement under section 46A(2)(bb) of the RET Act and regulation 22UB of the RET Regulations.
Objective of the assurance engagement	
Time period audited	
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	
Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team. These may include: <ul style="list-style-type: none">• conflict of interest and details of the procedures for managing conflict of interest• relevant relationships, and• exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.	

Part A—Auditor's report

To *[Directors]*

We have conducted a reasonable assurance engagement, being an audit pursuant to regulation 22UB of the *Renewable Energy (Electricity) Regulations 2001* (the RET Regulations), of *[audited body]*'s partial exemption certificate (PEC) application for the emissions-intensive trade-exposed (EITE) activity of *[EITE activity subject of application]*, to conclude whether:

- the activity set out in the application that is claimed to be an EITE activity complies, in all material respects, with each of the requirements in the description of the activity set out in Schedule 6 of the RET Regulations, and
- the application presents fairly, in all material respects, the amount or volume of the relevant product produced in the period *[date]* to *[date]* that is relevant to the application in accordance with:
 - » the requirements for that amount or volume set out in Schedule 6 of the RET Regulations
 - » the requirements of subregulation 22A(7) of the RET Regulations for the relevant product to be referable to the site mentioned in the application, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

Site	Relevant product	Amount or volume
<i>[insert site name]</i>	<i>[insert relevant product]</i>	<i>[insert amount or volume]</i>

[Include the following for an application to which subregulation 22ZD(3) or 22ZD(4) of the RET Regulations applies]

We have conducted a limited assurance engagement, being an audit pursuant to regulation 22UB of the RET Regulations, on the application, to conclude whether:

- *[audited body]*'s assumptions provide a reasonable basis for the preparation of the expected production amount or volume of *[the relevant product]*
- the expected production of *[the relevant product]* is properly prepared, in all material respects, on the basis of the assumptions described in the application, and
- the expected production of *[the relevant product]* is presented fairly, in all material respects, in accordance with the measurement policies adopted and disclosed by *[audited body]* in the application.

Responsibility of *[audited body's]* management

The management of *[audited body]* is responsible for the preparation and fair presentation of the application in accordance with the RET Regulations and the application form and guidelines and *[audited body]*'s compliance with the RET Act and Regulations.

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and presentation of the application to ensure that it is free from material misstatement, whether due to fraud or error
- selecting and applying measurement methodologies to prepare and present the data, and
- making estimates that are reasonable in the circumstances.

Our independence and quality control


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, due care, confidentiality and professional behavior. This includes all of the requirements defined in the *National Greenhouse and Energy Reporting Regulations 2008* (the NGER Regulations) regarding the Code of Conduct, independence and quality control.

[The following is optional] Furthermore, we have complied with either of the following:

- In accordance with Australian Standard on *Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, *[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.
- In accordance with ISO 14065 *Greenhouse Gases—Requirements for Greenhouse Gas Validation and Verification Bodies for Use in Accreditation or Other Forms of Recognition* and the NGER Regulations, *[name of auditor]* 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.

Our responsibility

Our responsibility is to express a conclusion on whether the audited elements of the application (as described above) have been prepared, in all material aspects, in compliance with the requirements of the RET Regulations and measurement policies adopted and disclosed in the application.



We conducted our assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and/or relevant national and international standards, as listed below. The NGER Audit Determination and/or relevant Auditing and Assurance Standards Board standards require that we comply with relevant ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance as to whether the subject matter is free from material misstatement.

[List any relevant audit standard used in undertaking the assurance engagement. These standards could include:

- Standard on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*
- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, and
- Australian standard AS ISO 14064.3 *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*].

Our procedures were designed to obtain a reasonable [and, for expected production, limited] level of assurance on which to base our conclusion. An assurance engagement involves performing procedures to obtain evidence about the matter being audited.

The procedures selected depend on the audit team leader's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to *[audited body]*'s determination of the amounts and disclosures in the matter being audited in order to design assurance procedures that are appropriate in the circumstances; but not for the purpose of expressing an opinion on the effectiveness of *[audited body]*'s internal controls.

An assurance engagement also includes evaluating the reasonableness of production estimates made by management of the company, and evaluating the overall presentation of the application by management of the company.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusion.

Summary of procedures undertaken

Our procedures included the following:

[Insert a summary of procedures undertaken. These can include such procedures as:

- *interviews conducted to gather evidence*
- *analysis of procedures that the audited body used to gather data.*

- *testing of calculations that the audited body performed, and*
- *identifying and testing assumptions supporting the calculations.*

More detailed procedures can be included in Part B of the audit report.]

Use of our *[limited/reasonable]* assurance engagement report

This report has been prepared for the use of *[audited body]*, the Clean Energy Regulator *[and intended users identified in the terms of the engagement]* for the sole purpose of reporting on *[audited body's]* partial exemption certificate application. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than *[audited body]*, the Clean Energy Regulator and *[names of intended users]* for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing assurance—for example, assurance engagements are based on selective testing of the information being examined. Because of this, it is possible that fraud, error or non-compliance might occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance with the RET Act and RET Regulations, because such an engagement is not performed continuously throughout the period being examined, and because the procedures performed in respect of compliance with the RET Act and RET Regulations are undertaken on a test basis. The conclusion expressed in this report has been formed on the above basis.

[Include if conclusion is modified] Basis for *[qualified/adverse/disclaimer]* conclusion

[Insert basis for modification to the auditor's report.]

Our conclusion

[Insert conclusion as appropriate, referring to section 3.17 of the NGER Audit Determination]

Reasonable assurance opinion

In our opinion:

- The activity set out in *[audited body's]* partial exemption certificate application for the *[EITE activity that is the subject of the application]* that is claimed to be an emissions-intensive trade-exposed activity complies, in all material respects, with each of the requirements in the description of the activity set out in Schedule 6 of the RET Regulations.

- *[Audited body]*'s partial exemption certificate application for the *[EITE activity subject of application]* presents fairly, in all material respects, the amount or volume of the relevant product produced in the period *[date]* to *[date]* in accordance with:
 - » the requirements for that amount or volume set out in Schedule 6 of the RET Regulations
 - » the requirements of subregulation 22A(7) of the RET Regulations for the relevant product to be referable to the site mentioned in the application, and
 - » the measurement policies adopted and disclosed by *[audited body]* in the application.

[Include the following if the application concerns a new entrant site or significant expansion at a site, as per RET Regulation 22ZD.]

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that, in all material respects:

- *[audited body]*'s assumptions disclosed in the application do not provide a reasonable basis for the preparation of the expected quantity of *[the relevant product]*
- the expected production of *[the relevant product]* is not properly prepared on the basis of the assumptions described in the application, and
- the expected production of *[the relevant product]* is not presented fairly in accordance with the measurement policies adopted and disclosed by *[audited body]* in the application.

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

Part B—Detailed findings

[This section contains the detailed findings of the audit including any matters that may constitute non-compliance, and the opinion of the peer reviewer.]

As required under section 3.23 of the NGER Audit Determination, we report the following key findings:

[If no entry is needed under a subheading, indicate that it is not applicable]

Issues requiring particular attention

[Provide details of the items or issues related to the matter audited that required particular attention during the assurance engagement. This may include a summary of key risks identified prior to or during the audit engagement.]

Aspects impacting on assurance engagement

[Include details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement. This may include issues such as weather, key resources, access to facilities, maintenance schedules, etc.]

Contraventions of the RET legislation

[Provide details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes may lead to a contravention of the RET Act or the RET Regulations or associated provisions. This should include a statement about the auditor's judgement on materiality of these issues, both individually and in aggregate.]

Other matters

[Include any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance engagement report.]

Audit findings and conclusions table

[Note: Any contraventions of the RET legislation, or suspected contraventions, should be listed under the above heading 'Contraventions of the RET legislation'. Completing this table is optional, however any issues identified must also be listed above.]

The results that are provided in the table below should not be construed as providing an opinion on the matter being audited as a whole; instead, they should be read as providing evidence to support the conclusion. These findings, conclusions and recommendations are designed to inform the audited body and the Clean Energy Regulator of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Issue/risk area investigated <i>[as outlined in the audit plan]</i>	Testing conducted	Findings	Conclusion
Issue A	<i>[Provide a brief description of the audit procedures carried out to audit this item of the scope]</i>	<i>[Provide a brief description of the audit finding. The auditor may include a summary of the process/figures audited and whether any material misstatement were identified]</i>	<i>[Insert conclusions against the issue/risk area]</i>
Issue B			
Issue C			

Peer reviewer conclusion

Name of the peer reviewer	
Peer reviewer's credentials	
Peer reviewer contact details	
Outcome of the evaluation undertaken by the peer reviewer	

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]



Australian Government

Clean Energy Regulator

**Carbon
Farming
Initiative**

Carbon Farming Initiative audit templates

Carbon Farming Initiative audit template

This template shows how the Clean Energy Regulator expects a reasonable assurance engagement report for a Carbon Farming Initiative audit to be structured. It is not mandatory to follow this template but it is recommended.

Some parts of the template are optional. It is up to the auditor to exercise their own discretion as to whether to use these parts, which are marked in brackets as [Optional].

The audit must be conducted in accordance with the relevant requirements for assurance engagements under:

- the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination), and
- relevant national and international audit standards, including:
 - » *ASAE 3000 Assurance Engagements Other than Audits of Reviews of Historical Financial Information*, and
 - » *ASAE 3100 Compliance Engagements*.

Refer to Division 3.4 of the NGER Audit Determination for further information on the legislative requirements for reporting an assurance engagement.

Carbon Farming Initiative audit report

Offsets project audit report coversheet

Audited body *[the project proponent]*

Name of audited body	
Name of contact person for audited body	
Contact person phone number	
Contact person email address	

Offsets project

Name of offsets project	
Unique project identifier	
Reporting period	
Net abatement during reporting period (in t CO ₂ -e)	
Location of project	
Methodology that the determination project operates under	

Audit description

Kind of audit	Reasonable assurance
Objective of the assurance engagement	
Time period audited	<i>[start date] to [end date]</i>
Date terms of engagement signed	
Date audit report signed	

Auditor details

Name of audit team leader	
GEA registration number	
Organisation	
Phone number	
Address	
Names and contact details of other audit team members	

Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team. These may include:

- **conflict of interest and details of the procedures for managing conflict of interest**
- **relevant relationships, and**
- **exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body.**

Part A—Auditor's report

To *[project proponent's name]*

We have conducted a reasonable assurance engagement, being an audit pursuant to section 13 and 76 of the *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act), for the reporting period *[date]* to *[date]*. The audit has assessed that:

- the project proponent meets the requirements of the *[name of applicable methodology determination]* (the Methodology)
- the offsets report for *[identify eligible offsets project by unique project identifier, abatement activity and location]* Carbon Farming Initiative offsets project (the project) has been prepared in accordance with section 76 of the CFI Act, and
- the project was undertaken in accordance with:
 - » the section 27 declaration that is in operation for the project
 - » the Methodology, and
 - » the requirements of the CFI Act

The offsets report consists of the following:

- a total net abatement during the reporting period of *[insert total in tCO₂-e]*.

Responsibility of *[project proponent]'s* management

The management of *[project proponent]* is responsible for:

- the preparation and presentation of the offsets report in accordance with section 76 of the CFI Act
- preparation of the certificate of entitlement application in accordance with the *Carbon Credits (Carbon Farming Initiative) Regulations 2011* (CFI Regulations)
- the project's compliance with the requirements of the CFI Act, the CFI Regulations and the *[methodology determination applicable to the project]* (together referred to as the 'CFI legislation'), and
- *[project proponent]'s* compliance with the *[methodology determination applicable to the project]*, in all material respects.

This responsibility includes design, implementation and maintenance of internal controls relevant to the preparation and presentation of the offsets report that is free from material misstatement, whether due to fraud or error, the offsets project's compliance with the CFI legislation and *[project proponent]'s* compliance with the *[methodology determination applicable to the project]*.

Our independence and quality control

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, due care, confidentiality and professional behaviour. This includes all of the requirements defined in the *National Greenhouse and Energy Reporting Regulations 2008* (the NGER Regulations) regarding the Code of Conduct, independence and quality control.

[The following is optional] Furthermore, we have complied with the following:

- In accordance with Australian Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, [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.
- In accordance with ISO 14065 *Greenhouse Gases—Requirements for Greenhouse Gas Validation and Verification Bodies for Use in Accreditation or Other Forms of Recognition* and the NGER Regulations, [name of auditor] 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.

Our responsibility

Our responsibility is to express an opinion on the offsets report, as to whether the project was undertaken in accordance with the CFI legislation and whether [project proponent] meets the requirements in the methodology determination, based on the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and relevant national and international standards, as listed below. The NGER Audit Determination and relevant standards require that we plan and perform this engagement to obtain reasonable assurance about whether the offsets report was free from material misstatement, and whether the project and [project proponent] meet the requirements of the CFI legislation, in all material respects.

[List any relevant audit standards used in undertaking the assurance engagement. These standards could include:

- Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, and
- Australian standard AS ISO 14064.3 *Greenhouse gases Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.*]

A reasonable assurance engagement, in accordance with the NGER Audit Determination, ASAE 3000 and/or ASAE 3100, involves performing procedures to obtain evidence about the quantification of abatement and related information in the offsets report, and about whether the project and *[project proponent]* meet the requirements in the CFI legislation. The nature, timing and extent of procedures selected depend on the audit team leader's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error.

In making those risk assessments, we consider internal controls relevant to *[project proponent]*'s offsets report and offsets project in order to design assurance procedures that are appropriate in the circumstances; but not for the purpose of expressing an opinion on the effectiveness of *[project proponent]*'s internal control.

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

Summary of procedures undertaken

The procedures conducted in our reasonable assurance engagement included:

[Insert a summary of procedures undertaken. These can include such procedures as:

- *interviews conducted to gather evidence*
- *analysing procedures that the audited body used to gather data*
- *testing of calculations that the audited body performed, and*
- *identifying and testing assumptions supporting the calculations.*

More detailed procedures can be included in Part B of the audit report.]

Use of our reasonable assurance engagement report

This report has been prepared for the use of *[project proponent]*, the Clean Energy Regulator *[and intended users identified in the terms of the engagement]* for the sole purpose of reporting on *[project proponent]*'s offsets report and offsets project.

Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Clean Energy Regulator, *[project proponent]* and *[names of intended users]* for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing reasonable assurance engagements. For example, reasonable assurance engagements are based on selective testing of the information being examined, and it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the CFI legislation, because such an engagement is

not performed continuously throughout the reporting period being examined, and because the procedures performed in respect of compliance with the CFI legislation are undertaken on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. **[If applicable]** We specifically note that *[project proponent]* has used estimates or extrapolated underlying information to calculate certain amounts included within the offsets report.

[Include if conclusion is modified] Basis for *[qualified/adverse/disclaimer]* opinion

[Insert basis for modification to the auditor's report.]

Our conclusion

In our opinion, for the reporting period *[date]* to *[date]*:

- *[Project proponent]* meets the requirements of the *[name of applicable methodology determination]* (the Methodology), in all material respects
- the Offsets Report for *[identify eligible offsets project by unique project identifier, abatement activity and location]* Carbon Farming Initiative offsets project (the Project) was prepared in accordance with section 76 of the CFI Act, in all material respects, and
- the project was undertaken, in all material respects, in accordance with:
 - » the section 27 declaration that is in operation for the project
 - » the Methodology, and
 - » the requirements of the CFI Act.

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]

Part B—Detailed findings

As required under section 3.23 of the NGER Audit Determination, audit team leaders must outline the following:

[If no entry is needed under a subheading, indicate that it is not applicable]

Issues requiring particular attention

[Provide details of the items or issues related to the matter audited that required particular attention during the assurance engagement. This may include a summary of key risks identified prior to or during the audit engagement.]

Aspects impacting on assurance engagement

[Include details of aspects of the matter audited that particularly impacted on the carrying out of the assurance engagement. This may include issues such as the weather, key resources, access to facilities, maintenance schedules, etc.]

Contraventions of CFI legislation

[Provide details of any matter, related to the matter being audited, that the audit team leader has found during the carrying out of the assurance engagement that he or she believes may lead to a contravention of the CFI Act, the CFI Regulations or applicable Determinations. This should include a statement about the auditor's judgement on materiality of these issues, both individually and in aggregate.]

Other matters

[Include any other matter, related to the matter audited, that the audit team leader believes should be mentioned in the assurance engagement report.]

Audit findings and conclusions table

[Note: Any contraventions of the CFI legislation, or suspected contraventions, should be listed under the above heading 'Contraventions of CFI legislation'. Completing this table is optional, however any issues identified must also be listed above.]

The results that are provided in the table below should not be construed as providing an opinion on the matter being audited as a whole, instead they should be read in the context of providing evidence to support the conclusion. These findings, conclusions and recommendations are designed to inform the project proponent and the Clean Energy Regulator of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Issue/risk area investigated <i>[as outlined in the audit plan]</i>	Testing conducted	Findings	Conclusion
Issue A	<i>[Provide a brief description of the audit procedures carried out to audit this item of the scope]</i>	<i>[Provide a brief description of the audit finding. Auditor may include a summary of the process/figures audited and whether any material misstatement was identified]</i>	<i>[Insert conclusions against issue/risk area]</i>
Issue B			
Issue C			

Peer reviewer conclusion

Name of the peer reviewer	
Peer reviewer's credentials	
Peer reviewer contact details	
Outcome of the evaluation undertaken by the peer reviewer	

[Signature—of audit team leader]

[Name—of audit team leader]

[Firm]

[Location]

[Date]



Australian Government
Clean Energy Regulator

**Clean
Energy
Regulator**

Letters of engagement and engagement plan templates

Letter of engagement template—Assurance engagement

[Refer to Division 3.2 of the NGER Audit Determination for further information on initiating an assurance engagement.]

The Directors or the Clean Energy Regulator *[address to those who appointed the audit team leader]*

Dear Directors *[and/or]* the Clean Energy Regulator

Letter of engagement for *[insert description of service to be performed]* for *[insert name of appointing body]*

This engagement letter including the assurance engagement terms in Appendix 1, confirms the terms of this engagement and the scope of the services I will provide to *[insert name—the 'audited body' or 'the Clean Energy Regulator', as appropriate dependent on who appointed the audit team leader]*.

Background

[Detail relevant background to the assignment and understanding of the audit requirements]

Scope of work

[Insert description of scope of work. Information to be included is:

- *type of assurance to be provided (reasonable or limited assurance)*
- *the audit objective*
- *matter(s) to be audited*
- *criteria used to evaluate or measure the matter to be audited*
- *period covered (state date range or year ended), and*

- *how any issues noted during the preparing or planning stages will be resolved in order to allow the performing stage to commence.]*

[Describe the nature, timing, and extent of the procedures to be performed, including specific reference where applicable to what documents and records will be read. Also describe the individuals to be contacted and parties from whom confirmations will be obtained.]

On completion of our work, we will issue our assurance engagement report stating our conclusion as to whether *[insert name]* complied with *[insert requirement of the relevant legislation]* in all material respects *[insert a description of what we are providing an assurance conclusion on]* for *[state period covered]* in accordance with *[the criteria]*.

Our report is solely for your information.

Our responsibilities

We will conduct our work in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and *[insert other relevant standards]* and accordingly will perform such tests and procedures as we consider necessary in the circumstances in order to address *[the matter to be audited]*.

Inherent limitations

There is an unavoidable risk that work planned and executed in accordance with the NGER Audit Determination may not detect a fraud, error or non-compliance with laws and regulations, particularly where there has been concealment through collusion, forgery or other illegal acts. However, we will communicate to *[insert name]*, as appropriate, any such matters that come to our attention.

Audited body's *[or other responsible party's]* responsibilities

[Name of audited body] is responsible for *[matter to be audited]*.

[Name of audited body] is also responsible for making available to us, in a timely manner, all information necessary for performing our examination and tests and company personnel to whom we may direct enquiries. As required by the NGER Audit Determination, we will make specific enquiries of management of the audited body about matters *[or substitute 'matters' with subject we are reporting on]* within the scope of our work and may request written representation from management on such matters. The results of our tests, inspections and observations, the responses to our enquiries and the written representations from management comprise the evidential matter we intend to rely upon in forming our opinion on *[insert a description of what we are providing assurance on]*.



Deliverables

Our deliverables will be an assurance engagement report.

Management representation letter

We will seek written confirmation from the directors and/or senior management of the audited body in respect of representations made to us in connection with the engagement.

Our team

[Include names of professional members of the audit team and a brief description of their role in the engagement.]

Timing and fees

[Insert timetable for completion of the engagement].

[Insert fees and basis on which fees are charged—eg per hour or fixed fee].

The basis of our fee arrangements are set out in the attached Terms of Business.

Acknowledgment of terms

Please acknowledge your agreement to the scope and terms of our engagement as set out in this engagement letter and the attached assurance engagement terms by signing the copy of the engagement letter in the space provided and returning it to us.

Yours faithfully

[Name]

[Title]

Appointing body acceptance

Signed for and on behalf of *[name of audited body / the Clean Energy Regulator]* as confirmation of its agreement with the terms of this engagement letter.

Name of company official	
Title	
Signature	
Date	

The signatory warrants that he/she has the authority to sign for and on behalf of *[name of audited body / the Clean Energy Regulator]*.

Letter of engagement template—Verification engagement

[Refer to Division 4.2 of the NGER Audit Determination for further information on initiating a verification engagement.]

The Directors or the Clean Energy Regulator *[address to those who appointed the audit team leader]*

Dear Directors or the Clean Energy Regulator

Letter of engagement for *[insert description of service to be performed]* for *[insert name of appointing body]*

This engagement letter and the verification engagement terms in Appendix 1 outline the terms and objectives of this engagement and the nature and limitations of the services I will provide to *[insert name—the 'audited body' or 'the Clean Energy Regulator', as appropriate dependent on who appointed the audit team leader]*.

Background

[Detail relevant background to the assignment and understanding of the audit requirements.]

Scope of work

[Insert description of scope of work. Information to be included in this is:

- *the audit objective*
- *matter(s) to be audited*
- *criteria used to evaluate or measure the matter to be audited*
- *period covered (date range or year ended), and*

- *how any issues noted during the preparing or planning stages will be resolved in order to allow the performing stage to commence.*

This verification engagement will be conducted in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination) and I will indicate so in the verification report.

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

[Describe the nature, timing and extent of the procedures to be performed, including specific reference where applicable to what documents and records will be read, which individuals will be contacted and what parties will provide confirmations. The description of the procedures should be as specific as possible and wording such as 'high level review', 'we will ensure', 'material differences' and other phrases suggesting assurance is provided should be avoided.]

The responsibility for determining the adequacy or inadequacy of the procedures agreed to be performed by us is that of the directors and/or the Clean Energy Regulator. The procedures we will perform are solely to assist you in *[state purpose]*. Our report of factual findings is not to be used for any other purpose and is solely for your information.

Our responsibilities

We will conduct our work in accordance with the NGER Audit Determination and, accordingly, will perform such tests and procedures as we consider necessary in the circumstances in order to satisfy the audit objective.


Inherent limitations

There is an unavoidable risk that work planned and executed in accordance with the NGER Audit Determination may not detect a fraud, error or non-compliance with laws and regulations, particularly where there has been concealment through collusion, forgery or other illegal acts.

There are inherent limitations in performing such work—for example, work is based on selective testing of the information being examined—and therefore errors and irregularities may not be detected. However, we will communicate to *[insert name]*, as appropriate, any errors that come to our attention.

Audited body's *[or other responsible party's]* responsibilities

[Name of audited body] is responsible for *[the matter to be audited]*.



[Name of audited body] is also responsible for making available to us, in a timely manner, all information necessary for performing our examination and tests and company personnel to whom we may direct enquiries. As required by the NGER Audit Determination, we will make specific enquiries of management of the audited body about matters *[or substitute 'matters' with the subject we are reporting on]* within the scope of our work and may request written representation from management on such matters. The results of our tests, inspections and observations, the responses to our enquiries and the written representations from management comprise the evidential matter we intend to rely upon in reporting our findings on *[insert a description of what we are providing verification on]*.

Deliverables

Our deliverable will be a report of factual findings.

Management representation letter

We will seek written confirmation from the directors and/or senior management of the audited body in respect of representations made to us in connection with the engagement.

Our team

[Include names of professional members of the audit team and a brief description of their role in the engagement.]

Timing and fees

[Insert timetable for completion of the engagement].

[Insert fees and basis on which fees are charged—eg per hour or fixed fee].

The basis of our fee arrangements are set out in the attached Terms of Business.

Acknowledgment of terms

Please acknowledge your agreement to the scope and terms of our engagement as set out in this engagement letter and the attached assurance engagement terms by signing the copy of the engagement letter in the space provided and returning it to us.

Yours faithfully

[Name]

[Title]

Client or Clean Energy Regulator acceptance

The terms of this engagement are accepted by *[name of signatory]* on behalf of *[name of audited body / the Clean Energy Regulator]* who represents that he/she is authorised to accept these terms on its/their behalf.

Name of company official	
Title	
Signature	
Date	

The signatory warrants that he/she has the authority to sign for and on behalf of *[name of audited body /the Clean Energy Regulator]*.

Assurance/Verification engagement management representation letter template

[Refer to Division 3.3 and 4.3 of the NGER Audit Determination for further information on planning and performing an engagement]

Important note on the management representation letter

As the management representation letter forms part of the audit team leader's evidence, the audit team leader may wish management to provide written representations on further matters to those included in the template below.

Subsection 3.14 (3) of *the National Greenhouse and Energy Reporting (Audit) Determination 2009* (the NGER Audit Determination) provides the opportunity for the audit team leader to seek a written representation from the audited body stating that a matter is reliable, accurate and complete where sufficient evidence cannot reasonably be expected to exist to support the matter. The audit team leader should consider this option in preparing the assurance engagement management representation letter.

[Street address]

[City]

[Postal code]

[Date]

Dear Sir or Madam

Letter of representation for *[audited body name]* for the *[period ended]* *[insert date]*

[I/We] *[insert name of title]* confirm to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of *[audited body name]*, the following representations given to you in this letter are true and correct.

The representations are in connection with your assurance engagement regarding matters being audited and the criteria in the accompanying *[insert a description of what we are providing an assurance conclusion on]*, as required by the *National Greenhouse and Energy Reporting (Audit) Determination 2009* (NGER Audit Determination).

[I/We] recognise that obtaining representations from *[audited body name]* concerning the information contained in this letter is a significant procedure in enabling you to obtain *[reasonable/limited]* assurance over *[insert a description of what we are providing an assurance conclusion on]*.

General

1. *[I/We]* acknowledge the *[directors and/or management's]* responsibility for:
 - preparing the *[matter to be audited]* in accordance with the *[insert appropriate legislation]*
 - ensuring the completeness and accuracy of the information in the *[insert a description of what we are providing an assurance conclusion on]*, and
 - compiling the information in the *[insert a description of what we are providing an assurance conclusion on]* of *[audited body name]* in accordance with the criteria.
2. In addition, *[I/we]* acknowledge *[audited body name's]* responsibility for:
 - evidence provided by it as part of the assurance engagement
 - the design and implementation of the audited body's systems and processes to ensure the reliability and accuracy of the matter being audited and the other systems and processes that the audited body has that are relevant to the matter being audited

- *[audited body name]* has maintained sufficient records and related information to prepare and accurately present the information in the *[insert a description of what we are providing an assurance conclusion on]*
- all relevant records have been made available to you for the purpose of your engagement, and all the information has been properly reflected and recorded in these records. All other records and related information which might affect the completeness and accuracy of the information has been made available to you, and
- all important information relevant to this engagement has been brought to your attention.

Estimates

3. In relation to *[my/our]* estimate, the measurement process and underlying assumptions used for this estimate are appropriate in the context of *[insert applicable framework, that is, the NGER legislation]*, *[my/our]* application of these processes is consistent, complete and appropriate disclosures have been made in the criteria, and no subsequent events have occurred which require an adjustment to the estimate made.

Illegal acts, fraud or uncorrected errors

4. *[I/We am/are]* not aware of *[or 'We have disclosed to you']* any illegal acts, fraud, or uncorrected errors attributable to management or employees of *[audited body name]* who have significant roles relevant to preparation of matters being audited and the determination of the Criteria.

5. *[I/We]* understand that your assurance engagement was conducted in accordance with the NGER Audit Determination.

Subsequent events

6. *[I/We]* have disclosed to you any events that occurred subsequent to *[date]* and through the date of this letter that would have a significant effect on the matters being audited.

[Add other representations that may be required in the letter because of special circumstances such as matters specific to the audited body]

Yours faithfully

[Name]

[Title]

Assurance engagement plan template—for use with NGER audits

[Refer to Division 3.3 and 4.3 of the NGER Audit Determination for further information on planning and performing an audit engagement.]

This template is for assurance engagement plans only. The template would need to be modified for use in a verification engagement plan.]

Background

Purpose of this document

This assurance engagement plan sets out our proposed approach to our *[reasonable/limited assurance engagement]*, including our proposed audit procedures, the results of our audit planning, our timetable and an outline of the information required of *[audited entity]* to enable us to complete our assurance procedures efficiently and effectively, and in accordance with the relevant assurance standards and legislation.

Relevant legislation

[Include summary of legislation under which the reporting and assurance is being provided]

Scope of services

In accordance with our engagement letter dated *[date]* you have requested a *[reasonable/limited assurance/verification engagement]* be conducted in relation to *[define subject matter]*.

The following assurance standards will be applied for this engagement:

[List relevant assurance standards and legislation including the NGER Audit Determination. Note that the standards and legislation applicable to audits may differ between different schemes administered by the Clean Energy Regulator. Make sure that you are referring to

the correct standards and legislation. Refer to chapter 1 of this handbook for more information.]

Project timetable

The following timetable documents the main activities and deliverables as well as the related timing for the conduct of the engagement:

Engagement activity	Deliverable	Timing

Should any issues arise in the performance of our procedures which cause a significant change in our approach or timeline, we will discuss these matters with you to determine the most efficient resolution.

Engagement team assignments

The audit team leader for this engagement will be responsible for the overall delivery of our services and will be the signing partner. Please feel free to contact *[name of team leader]* should you have any feedback on this engagement or our approach at:

[list contact details, including telephone number and email address].

The peer reviewer is not considered a member of the engagement team. Matters related to the peer reviewer are detailed in the subsequent section.

The following table details the following for each of the audit team members:

- name of members of the engagement team
- name of the organisation they belong to
- role in the team, and
- key responsibilities in the engagement.

This table includes team members with specialist expertise from outside of our organisation who are taking part in this assurance engagement.

[Refer to sections 4.2 and 5.3.6 in this handbook for more information on the use of people with specialist expertise, both from within and outside your organisation, as members of the audit team.]

Name	Organisation	Role	Key responsibilities

[In completing this table, under 'Organisation', list the name of the body that the team member belongs to, which may be your audit firm or another organisation. Under 'Role', list what role they will play in the team, such as 'Team leader,' 'Team member' or 'Outside expert'. Under 'Key responsibilities', list the main tasks that the team member will undertake in the audit.]

Peer reviewer

In accordance with the NGER Audit Determination, this engagement will also be subject to peer review from *[peer reviewer name]*, at key milestones. *[Peer reviewer name]* has sufficient and appropriate qualifications, experience and authority to undertake the peer review. The contact details for the peer reviewer are:

[Insert contact details of peer reviewer, including telephone number and email address. See section 5.3.9 of this handbook for more information on who can be a peer reviewer and what their function is.]

Results of our planning procedures

Outlined below is a summary of our understanding of the key matters relating to the assurance engagement gained during the planning phase. This is based on our initial discussions with the company and additional information provided by them. This section provides background information on the Company's operations, key contacts and the systems and processes relevant to the assurance engagement.

Our understanding of *[audited body]*'s business

[Insert summary of audited body's business]

[Audited body]'s facilities and activities during 20XX-XX

Facility	Location	Activities

The following *[audited body]* personnel are responsible for preparing *[the subject matter]*.

Key contacts at *[audited body]*

Name	Position	Contact details

Our understanding of *[audited body]*'s reporting systems and processes

Based on our discussions with management, *[Include description of data systems and processes]*

Our understanding of industry sector specific considerations relevant to the assurance engagement

[Include any relevant industry specific considerations.]

Detailed assurance procedures

NGER materiality assessment

Materiality is a concept used to plan and conduct our assurance procedures, and to assess the consequences of potential adjustments to the reported data. Information is material if its omission or misstatement could influence the decisions of users based on the data to be reported. The NGER Audit Determination requires both qualitative (nature) and quantitative (amount) characteristics to be considered when assessing whether information is material or not and hence should be adjusted or amended.

[Include details of materiality levels set].

Procedures to be undertaken

The following table is a summary of the assurance procedures to be undertaken as per our letter of engagement dated *[date]*.

Procedures

Facilities to be audited

The following table is a summary of the facilities to be audited, including whether or not they are to subject to site visits, as per our letter of engagement dated *[date]*.

Facility	Subject to site visit (yes/no)

Assurance risks to be addressed

The table below sets out the key assurance risks identified through our planning process and our approach to addressing these risks.

Items or issues that will require attention during the assurance engagement and our assurance response, including general assurance risks that will impact the carrying out of the assurance engagement and our assurance response.

Risk	Assurance procedure	Information required

Unless noted otherwise, all information is required on commencement of our assurance engagement. The procedures to be undertaken have been determined using professional judgement and may be subject to adjustment during the course of the engagement, based on the results of the activities completed.