



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **10**
Meeting Date: 10 September 2012
Subject: NGER and Clean Energy Schemes Assurance
Date Prepared: 29 August 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

1. Update on developments at DCCEE and Clean Energy Regulator, and
2. Consider the first draft of Guidance Statement on National Greenhouse and Energy Reporting Scheme (NGERS), Clean Energy Scheme (CES) and Related Schemes Assurance.

Background

The AUASB issued ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* on 28 June 2012, which conforms with ISAE 3410 and is operative for reporting periods commencing 1 July 2012, to coincide with the commencement of the carbon pricing mechanism in Australia also on 1 July 2012.

At the 4 June meeting, the AUASB approved a project plan to develop a guidance statement to apply ASAE 3410 and other AUASB standards to engagements under the NGERS, Clean Energy Scheme, which creates the carbon pricing mechanism, and related schemes. The proposed Guidance Statement will seek to identify the myriad of assurance requirements under the schemes regulated by the Clean Energy Regulator, spread through a number of pieces of legislation and regulations, and explain how the AUASB standards, including ASAE 3410, ASAE 3000, ASAE 3100 and ASRS 4400, are applied in meeting those requirements.

A Project Advisory Group was formed to advise on the development of the Guidance Statement and it met on 7 June and 1 August 2012 and is due to meet on 5 September 2012. At the 23 July meeting, the Board approved the broad scope of the proposed Guidance Statement as covering engagements:

- Conducted by an assurance practitioner, including a registered greenhouse and energy auditor;
- To meet legislative or regulatory requirements in Australia for assurance under the National Greenhouse and Energy Reporting Scheme, the Clean Energy Scheme and related assistance and offsets schemes, as well as for voluntary assurance conducted under NGERS;

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- To provide a reasonable assurance, limited assurance or agreed-upon procedures (verification/ no assurance) report; and
- To apply any AUASB Standards, including but not limited to ASAE 3410, without repeating the requirements and guidance contained in those standards.

Under this scope the proposed Guidance Statement captures engagements conducted by assurance practitioners under NGERs, CES and Carbon Farming Initiative (CFI) and for applications for Emissions-intensive Trade-exposed (EITE) industry assistance, liquefied natural gas (LNG) assistance, and Renewable Energy Target (RET) exemption.

Matters to Consider

Developments at the DCCEE and Clean Energy Regulator

Since the last Board meeting the following developments have taken place with respect to policy:

- Carbon Farming Initiative
 - The NGER (Audit) Determination 2009 was revised to provide for the requirements to be met by registered greenhouse and energy auditors in preparing for and carrying out CFI audits and preparing CFI audit reports.
 - The DCCEE have continued to develop methodologies for measuring offsets for the purposes of the CFI. The Methodology Determination for Capture and Combustion of Methane in Landfill Gas from Legacy Waste was published on 7 August 2012, adding to the suite of methodologies for eligible offsets projects.
- Audit report guidelines were issued in August 2012 by the DCCEE to assist assurance practitioners in providing assurance for Jobs and Competitiveness Program applications for 2012-13.
- Technical Guidelines for the estimation of greenhouse gas emissions by facilities in Australia for 2012-2013 were issued in July 2012 by the DCCEE.
- The Clean Energy Regulations were amended to add new EITE activities to the Jobs and Competitiveness Program so that they are eligible for assistance in the form of free carbon units.
- Work continues on finalising the Clean Energy Regulations with respect to applications for supplementary LNG industry assistance.

Preliminary Draft Guidance Statement

A preliminary draft of the proposed Guidance Statement *GS XX Engagements under the National Greenhouse and Energy Reporting, Clean Energy and Related Schemes* is presented for the Board's consideration and comments. The preliminary draft remains confidential as it is not suitable for wider distribution without further amendments and the input of the Project Advisory Group.

The Board is asked for comments on the adequacy of the approach taken in the Guidance Statement to:

- Structure of the GS - Overview & Guidance on conducting verification and assurance engagements for all types of engagements.
- Adequacy of description of Schemes in Overview & Appendices 1 & 2.

- Sufficiency of guidance on verification/agreed upon procedures engagements.
- Sufficiency of guidance on assurance engagements with respect to:
 - Materiality – need for indicative benchmarks and percentages.
 - Risk assessment – need for identification of potential risks.
 - Identification of suitable criteria including basis of preparation.
 - Applicability of assertions to emissions, production, offsets and compliance.
- Difference in work effort between reasonable and limited assurance.
- Using the work of experts.
- Evidence held by service organisations.
- Communication of breaches and control deficiencies.
- Reporting – identification of additional matters to be reported under the AUASB Standards.

The Board is asked to identify any other matters which they consider need to be addressed in the Guidance Statement or included as appendices.

AUASB Technical Group Recommendations

The AUASB Technical Group will continue to:

- Develop Guidance Statement based on Board and PAG recommended approach.
- Monitor developments at the DCCEE with respect to policy on NGERs, CES and related schemes and Clean Energy Regulator with respect to administration and regulation of the schemes.

Material Presented

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Agenda Item 10.1 Preliminary Draft Guidance Statement GS XX *Engagements under the National Greenhouse and Energy Reporting, Clean Energy and Related Schemes* (confidential – not for distribution)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Feedback on the structure and content of the draft Guidance Statement.	Comments on GS XX the draft Guidance Statement.	AUASB	10 Sept 2012	Pending

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