

Appendix 4

(Ref: Para.52 & Para. 57)

EXAMPLE ENGAGEMENT LETTERS

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

Example 1: Agreed-upon Procedures Engagement

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

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

[The objective and scope of the engagement]

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

[The responsibilities of the assurance practitioner]

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

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

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

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

¹⁴³ Insert name of registered corporation or other emitter.

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

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

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

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

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

[Other relevant information]

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

[Reporting]

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

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

Yours faithfully,

(signed)

.....

Assurance Practitioner

Date

Acknowledged on behalf of ABC by

(signed)

.....

Name and Title

Date

Example 2: Assurance Engagement

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

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

[The objective and scope of the engagement]

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

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

[Responsibilities of the assurance practitioner]

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

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

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

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

¹⁴⁵ Insert name of registered corporation or other emitter.

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

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

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

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

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

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

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

[Assurance Report]

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

[Use and Distribution of the Assurance Report]

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

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

[Other relevant information]

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

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

Yours faithfully,

(signed)

.....

Assurance Practitioner

Date

Acknowledged on behalf of ABC:

(signed)

.....

Name and Title

Date