

**Safeguard mechanism production adjusted baseline audit template**

July 2022

## Production-adjusted baseline audit report template

This template sets out how the Clean Energy Regulator expects an assurance engagement report to be structured for an audit of an application for a production-adjusted baseline determination under the safeguard mechanism. It is not mandatory to follow this template, but it is recommended.

It is the responsibility of auditors to ensure their audit reports meet legislative requirements.

Where text is included within brackets, for example [audited body], information **must** be provided in line with the suggested text.

Some parts of the templates 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:

* ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements
* 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 3100 *Compliance Engagements*
  + ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, and
* Please note, only some components of ASAE 3410 will be relevant. Auditors should use these standards as guidance.

This coversheet requires auditors to disclose both audit and non-audit fees, as well as the hours spent on the audit by the audit team. Please refer to 5.7.1 of the [Audit determination handbook](https://www.cleanenergyregulator.gov.au/Infohub/Audits/forms-and-resources/audit-determination-handbook) for more information on fee disclosure.

Refer to Division 3.4 of the [NGER Audit Determination](https://www.legislation.gov.au/Series/F2010L00053) for further information on the legislative requirements for reporting an assurance engagement.

**Main features of safeguard mechanism audits**

The table below outlines the main features of audits under the safeguard mechanism.

|  |  |
| --- | --- |
| Legislation or guidance | [National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015](https://www.legislation.gov.au/Details/F2021C00695) (the Safeguard Rule)  [*National Greenhouse and Energy Reporting Act 2007*](https://www.legislation.gov.au/Details/C2019C00263)(NGER Act)  [National Greenhouse and Energy Reporting Regulations 2008](https://www.legislation.gov.au/Details/F2021C00792) (NGER Regulations)  [National Greenhouse and Energy Reporting (Audit) Determination 2009](https://www.legislation.gov.au/Details/F2017C00509) (Audit Determination)  Applicable standards:   * ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* * ASAE 3100 *Compliance Engagements* * ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* * ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* * ISO 14064-3:2006 *Greenhouse gases—Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*, and   AS ISO 14064.3-2006 *Greenhouse gases—Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions*. |
| Nature of engagement | Reasonable assurance and/or limited assurance engagement conducted by the designated large facility in accordance with the Safeguard Rule and Audit Determination, submitted with an application for baseline determination. |
| Assurance practitioner | The audit team leader must be a Category 2 registered greenhouse and energy auditor.  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. |

## Type of audit

|  |  |  |
| --- | --- | --- |
|  | Subject matter | Criteria |
| Production adjusted baseline determination audits | The matters to be audited and covered by the audit report are whether, in all material respects:  **Reasonable assurance matters**  ***All audits:***   * The application has been:   + prepared in accordance with section 41 of the Safeguard Rule   + presented fairly   ***Audits of applications where a Benchmark Emissions-Intensity Index production variable is nominated:***   * The selection of a Benchmark Emissions Intensity Index (Schedule 1 of the Safeguard Rule) production variable is:   + applicable to the facility in accordance with the Benchmark Emissions-Intensity Index   + is supported by historical data that is fairly stated.   ***Audits of applications with one or more prescribed production variables (annually adjusted and/or fixed) nominated:***   * The selection of a prescribed production variable is:   + Applicable to the facility in accordance with any requirements set out in Schedule 2 or 3 of the Safeguard Rule.   ***Audits of applications where nominated production variables are not all prescribed (annually adjusted) production variables:***   * The quantities of each production variable­­­­ other than a prescribed (annually adjusted) production variable) under paragraph 41(1)(a) or (2)(a) of the Safeguard Rule:   + meet the requirements in subsection 41(3)   are supported by historical data that is fairly stated. | Sections 40 and 41 of the Safeguard Rule. |

**Audit report template**

This template shows how the Clean Energy Regulator expects an assurance engagement report for an audit of an application for a **production-adjusted baseline determination** under the safeguard mechanism to be structured. It is not mandatory to follow this template, but it is recommended.

It is the responsibility of auditors to ensure their audit reports meet legislative requirements.

Where text is included within brackets, for example [audited body], information **must** be provided in line with the suggested text.

Some parts of the templates 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:

* ASQC 1
* the Audit Determination
* relevant national and international audit standards, including:
  + ASAE 3000
  + ASAE 3100
  + ASAE 3410
  + ASAE 3450.
* Please note, only some components of ASAE 3410 and ASAE 3450 will be relevant. Auditors should use these standards as guidance.

This coversheet requires auditors to disclose both audit and non-audit fees, as well as the hours spent on the audit by the audit team.

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

# Safeguard mechanism audit report for a production-adjusted baseline application

## Audit report coversheet

### Audited body (the applicant)

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

### Baseline information

|  |  |
| --- | --- |
| Fixed baseline emissions number (if applicable) |  |
| Production variable(s) |  |
| Quantity of production for production variables that are not prescribed (annually adjusted) production variables. |  |
| Default emissions intensity values |  |
| Estimated emissions intensity values |  |

### Audit description

|  |  |
| --- | --- |
| Kind of audit | Reasonable assurance engagement under section 42 of the National Greenhouse and Reporting (Safeguard Mechanism) Rule. |
| Objective of the assurance engagement | Assurance on the [audited body]’s application for a production-adjusted baseline determination under the Safeguard Rule. |
| Audit fee *(inclusive of GST and disbursements)* |  |
| Total hours spent on the audit by audit team |  |
| Fees paid:   * by the audited body to the audit team leader (or his or her firm or company), * for services and activities provided by the audit team leader (or his or her firm or company, or by another person or firm on the audit team leader’s behalf) other than services or activities under Part 6 of the [National Greenhouse and Energy Reporting Regulations 2008](http://www.comlaw.gov.au/Series/F2008L02230) ([NGER Regulations](http://www.comlaw.gov.au/Series/F2008L02230));   from the date 12 months prior to the date of signing the terms of engagement for the audit, to the date of signing the audit report. |  |
| If any fees for non-Part 6 services or activities are described above, why did the provision of non-Part 6 services or activities not result in a conflict of interest situation (as that term is defined the NGER Regulations)?  (write *not applicable* if no non-audit fees were paid to the audit firm) |  |
| Reporting period covered by audit |  |
| Date terms of engagement signed |  |
| Date audit report signed |  |

### Auditor details

|  |  |
| --- | --- |
| Name of audit team leader |  |
| Greenhouse and energy auditor registration number |  |
| Organisation |  |
| Phone number |  |
| Address |  |
| Names and contact details of other audit team members |  |
| Details of any exemption granted under regulation 6.71 of the [NGER Regulations](http://www.comlaw.gov.au/Series/F2008L02230) in relation to this audit for the audit team leader or professional member of the audit team.  This must include:   * The details of the exemption (including but not limited to the basis for the exemption);   Additionally, for an exemption granted for a conflict of interest situation:   * details of the procedures for managing the conflict of interest put in place by the audit team leader so that the Regulator is satisfied that the audit findings will not be affected by that conflict.   (write *not applicable* if no exemption was granted under regulation 6.71 of the [NGER Regulations](http://www.comlaw.gov.au/Series/F2008L02230)) |  |

### Peer reviewer details

|  |  |
| --- | --- |
| Name of peer reviewer |  |
| Organisation |  |
| Phone number |  |
| Address |  |

## Part A — Auditor’s report

To [Directors]

We have conducted a reasonable assurance engagement, being an audit pursuant to section 42 of the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 (Safeguard Rule), of [audited body]’s application for a production-adjusted baseline determination, to conclude whether:

[Use for all audits]

* The application has been:
  + prepared in accordance with section 41 of the Safeguard Rule, and
  + presented fairly.

[Use for any nominated prescribed (annually adjusted) production values]

* The selection of a prescribed production variable is:
  + Applicable to the facility in accordance with any requirements set out in Schedule 2 or 3 of the Safeguard Rule.

[Use for any nominated production variables that not are prescribed (annually adjusted) production variables]

* The quantities of each production variable (other than a prescribed (annually adjusted) production variable) under paragraph 41(1)(a) or (2)(a) of the Safeguard Rule:
  + meet the requirements in subsection 41(3) of the Safeguard Rule, and
  + are supported by historical data that is fairly stated.

### Details of audited body

|  |  |
| --- | --- |
| Name of audited body |  |
| Address |  |
| ABN |  |

|  |  |
| --- | --- |
| Facility name | [insert site name] |

|  |  |  |  |
| --- | --- | --- | --- |
| Relevant production variable | Production quantity (if applicable) | Emissions intensity type | Default or estimated emissions intensity |
| [insert relevant product] | [insert forecast production quantity] | Choose an item. | [insert default or estimated emissions intensity value] |
| [insert relevant product] | [insert forecast production quantity] | Choose an item. | [insert estimated emissions intensity] |
| [insert relevant product] | [insert forecast production quantity] | Choose an item. | [insert estimated emissions intensity] |

### Responsibility of [audited body’s] management

The management of [audited body] are responsible for the preparation and fair presentation of the application in accordance with the Safeguard Rule and the application form and guidelines and [audited body]’s compliance with the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) and the Safeguard Rule.

The management of [audited body] are responsible for the interpretation and application of the requirements of the Safeguard Rule.

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 methods 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 behaviour. This includes 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.

Furthermore, we have complied with Australian Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements an Related Services Engagements (ASQC 1). [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.

### 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 Safeguard Rule 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 relevant national and international standards, as listed below. The NGER Audit Determination and 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 audit standard used in undertaking the assurance engagement.]

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 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 controls 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 variable 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. You must include a comprehensive list of procedures you and your audit team have undertaken in completing this engagement. More detailed procedures can be included in Part B of the audit report.

### Use of our reasonable assurance engagement report

This report is intended solely for the use of [audited body], the Clean Energy Regulator [and intended users identified in the terms of the engagement] for the purpose of reporting on [audited body’s] application for [calculated] emissions baseline determination. 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 NGER Act and safeguard legislation, because such an engagement is not performed continuously throughout the period being examined, and because the procedures performed in respect of compliance with NGER Act and safeguard legislation 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]

In our opinion, in all material respects:

[Use for all audits]

* [Audited body]’s application for a production-adjusted baseline determination for the period [date] to [date] has been prepared in accordance with section 41 and presented fairly.

[Use for any nominated prescribed (annually adjusted) production values]

* The selection of a prescribed production variable is:
  + Applicable to the facility in accordance with any requirements set out in Schedule 2 or 3 of the Safeguard Rule.

[Use for any nominated production variables that are not prescribed (annually adjusted) production variables]

* The quantities of each production variable (other than a prescribed (annually adjusted) production variable) under paragraph 41(1)(a) or (2)(a) of the Safeguard Rule:
  + meet the requirements in subsection 41(3) of the Safeguard Rule, and
  + are supported by historical data that is fairly stated.

*[Signature—of audit team leader]*

*[Name—of audit team leader]*

*[Firm]*

*[Location]*

*[Date]*

## Part B — Detailed findings

[Section 5.7.3 of this handbook provides detailed advice on how to fill out Part B of the audit report.]

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

*[If no entry is needed, indicate that it is not applicable]*

### Items or issues requiring particular attention

|  |
| --- |
|  |

### Aspects that particularly impacted on carrying out of assurance engagement

|  |
| --- |
|  |

### Details of any contraventions of the *National Greenhouse and Energy Reporting Act 2007*, National Greenhouse and Energy Reporting Regulations 2008, National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015, National Greenhouse and Energy Reporting (Audit) Determination 2009 or the associated provisions

|  |
| --- |
|  |

### Matters corrected during the course of the audit

|  |  |
| --- | --- |
| Issue A |  |
| Issue B |  |
| Issue C |  |

### Other matters

|  |
| --- |
|  |

### Audit findings and conclusions table

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