# Cover image for the Safeguard mechanism audit templatesSafeguard mechanism audit templates

December 2019

**Safeguard mechanism audit template**

This template shows how the Clean Energy Regulator expects an assurance engagement report for an audit 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 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 responsible emitter may apply for a calculated baseline for a facility if it meets specified eligibility criteria set out in the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 (Safeguard Rule).

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
  + ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*
* Please note, only some components of ASAE 3410 and ASAE 3450 will 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 this handbook for more information on fee disclosure.

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

# Safeguard mechanism audit report for a calculated 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 |  |

### Reporting requirements

**[Complete as appropriate dependent on scope of audit]**

|  |  |
| --- | --- |
| Calculated baseline criteria | [new facility criteria, inherent emissions variability criteria, or transitional calculated baseline criteria] |

|  |  |
| --- | --- |
| Baseline emissions number |  |
| Production variable(s) |  |
| Estimated emissions intensity (if applicable) |  |
| Expected quantity of production variable(s) | [Where more than one production variable need to be specified, a more detailed table can be used at part A] |

### Audit description

|  |  |
| --- | --- |
| Kind of audit | Reasonable assurance or limited assurance engagement under section 28 of the Safeguard Rule. |
| Objective of the assurance engagement | Assurance on the [audited body]’s application for a calculated baseline determination under the Safeguard Rule. |
| Audit fee *(inclusive of GST and disbursements)* |  |
| Total hours spent on the audit by audit team |  |
| Non-audit fees paid to the audit team leader and audit firm for services and activities excluding this audit over the past 12 months |  |
| Why did the provision of non-Part 6 services or activities not result in a conflict of interest situation?  (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 and evidence of exemptions under 6.71 of the [National Greenhouse and Energy Reporting Regulations 2008](http://www.comlaw.gov.au/Series/F2008L02230) (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 * reference to an exemption for an audit team leader to carry out more than five consecutive greenhouse and energy audits in relation to the audited body. |  |

### 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 28 of the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015 (Safeguard Rule), of [audited body]’s application for a calculated baseline determination, to conclude whether:

* the [new facility criteria, inherent emissions variability criteria or transitional calculated baseline criteria] are relied upon by the applicant—those criteria are satisfied; and
* the application has been:
  + prepared in accordance with section 27, and
  + presented fairly.

### Details of audited body

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

|  |  |
| --- | --- |
| Designated large facility | [insert site name] |

|  |  |
| --- | --- |
| Relevant product variable | Estimated emissions intensity (if applicable) |
| [insert relevant product] | [insert estimated emissions intensity] |
| [insert relevant product] | [insert estimated emissions intensity] |
| [insert relevant product] | [insert estimated emissions intensity] |

We have conducted a limited assurance engagement, being an audit pursuant to section 28of the Safeguard Rule, on the application, to conclude whether:

* [audited body]’s estimates of the quantity of each production variable under paragraph 27(1)(c) and emissions intensity of each production variable are:
  + based on the applicant’s assumptions which provide a reasonable basis for the estimates, and
  + calculated on the basis of the applicant’s assumptions and any historical data that is fairly stated, and if related to emissions intensity – reasonably expected to reflect the emissions intensity of the facility in the financial year determined under paragraph 27 (1)(c), and
  + reasonable.

### 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.

**[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.

### 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 [and, for expected production and emission intensity, 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 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.

For further guidance on prospective information, please refer to ASAE 3450 and ASIC Regulatory Guide 170. For all other matters, refer to ASAE 3000 for appropriate guidance.]

### Use of our [limited/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]

### Reasonable assurance opinion

In our opinion, in all material respects:

* the [new facility criteria/ inherent emissions variability criteria/transitional calculated baseline criteria] have been satisfied
* [audited body]’s application for a calculated emissions baseline determination for the period [date] to [date] has been prepared in accordance with section 27
* the application has been presented fairly, and
* each production variable has been correctly identified.

### 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 in the application do not provide a reasonable basis for the estimates of the quantity of each production variable and emissions intensity of each production variable,
* the estimated quantity of each production variable and emissions intensity of each production variable; calculated on the basis of the assumptions described in the application and any historical data are not fairly stated,
* [the application does not reasonably reflect the emissions intensity of the facility in accordance with paragraph 27(1)(c), and]
* the estimated quantity of each production variable and emissions intensity of each production variable is/are not reasonable.

*[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]*

### Issues requiring particular attention

|  |
| --- |
|  |

### Aspects impacting on assurance engagement

|  |
| --- |
|  |

### Contraventions of safeguard mechanism legislation

|  |
| --- |
|  |

### 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*