



Key risk areas for auditors

Purpose

This document provides guidance from the Clean Energy Regulator (the agency) on what risks it expects greenhouse and energy auditors to focus on when conducting audits under schemes the agency administers.

It is to be used in conjunction with compliance and enforcement priorities the agency publishes periodically, and any other guidance the agency provides. Auditors are also to ensure they are aware of legislative requirements for audits under the different schemes the agency administers and to comply with them.

The document does not provide an exhaustive listing of risks auditors are expected to address. It focuses on what the agency believes are key risks that should be addressed as part of audit procedures.

Key risks are provided for audits under the following schemes:

- Emissions Reduction Fund (ERF)
- National Greenhouse and Energy Reporting (NGER) scheme
- Renewable Energy Target (RET), and
- the safeguard mechanism.

The agency expects auditors to use their professional judgement in determining what risks they are to address in conducting audits and what procedures they will conduct to address these risks. This may entail auditors addressing risks not included in this and other guidance from the agency.

As part of exercising their professional judgement, auditors are expected to determine whether visits to facilities and other sites subject to audit are required as part of conducting audits and the nature of any such visits. The agency reserves the right to provide guidance on the necessity for and nature of site visits.

ERF: mandatory and agency initiated audits

The following table outlines key risk areas for audits of ERF projects by method.

Method	Key risks
All	<ul style="list-style-type: none">• Accuracy of abatement calculations.• Data completeness, accuracy and transparency.• Record keeping systems and processes in accordance with the Carbon Credits (Carbon Farming Initiative) Act 2011¹ (the CFI Act) and methods².• Fraud.• Monitoring requirements.• Systems, processes and controls.• Legal right is maintained and appropriate eligible interest holder consents are given.• Inputs to calculators are correct and correct.• Project activities are undertaken.

¹ <https://www.legislation.gov.au/Series/C2011A00101/Compilations>

² <http://www.cleanenergyregulator.gov.au/ERF/Forms-and-resources/methods>

<p>Human induced regeneration / native forest management regrowth</p>	<ul style="list-style-type: none"> • GIS data aligns with ground truths: <ul style="list-style-type: none"> » carbon estimation areas (CEAs) exclude land with no forest potential » vegetation in CEAs has forest potential » adequate evidence of progress towards forest cover is obtained in compliance with Agency guidelines » FullCAM model point locations reflect vegetation in CEAs » ineligible areas are excluded from CEAs. • Disturbances affecting carbon sequestered in the project area don't occur. • Disturbances are detected and represented in modelling. • Project activities result in CEAs achieving forest cover. • Clearing events occur. • Regeneration events occur. • FullCAM events are representative of project activities. • Modelling commencement dates represent when regeneration/reforestation began. • Evidence of management activities recorded. • Restricted activities occur.
<p>Soil carbon projects</p>	<ul style="list-style-type: none"> • Compliance with ERF guidelines: <ul style="list-style-type: none"> » CEAs and exclusion areas » verification of restricted activities and/or activities not to be conducted » stratification. • Modelling commencement date. • Sampling conducted in accordance with the supplements: <ul style="list-style-type: none"> » design » independence of samplers » locations » sample preparation and analysis » timing. • Evidence of project activities continuing to be undertaken for the crediting period.

Savanna fire management methods	<ul style="list-style-type: none"> • Compliance with ERF mapping guidelines. • Compliance with the Savanna Technical guidance document. • Correct SavBat inputs (baseline years, correct uncertainty buffer carried forward).
Landfill gas and alternative waste treatment	<p>Landfill gas:</p> <ul style="list-style-type: none"> • regulatory baseline is correct • correct equation application • default factors applied correctly • electricity generation calculated in accordance with section 24(6) of the CFI Act (where appropriate) • flare operation in accordance with the method • monitoring and metering requirements are in accordance with the method • calibration performed in accordance with manufacturers specifications • methane concentration applied correctly. <p>Alternative waste treatment:</p> <ul style="list-style-type: none"> • baseline emissions • waste data • weigh bridge accuracy.
Industrial electricity and fuel efficiency	<ul style="list-style-type: none"> • Baseline regression model. • Abatement calculations, including independent variable data, improvement factor, effective range and relative precision.
Reforestation / afforestation and avoided deforestation	<ul style="list-style-type: none"> • Representative of growth occurring in situ. • Supporting FullCAM modelling is representative in New Farm Forestry projects. • GIS data aligns with ground truth: <ul style="list-style-type: none"> » CEAs are accurately defined » ineligible areas excluded from CEAs » disturbances are mapped accurately. • Disturbances affecting carbon sequestered in the project area don't occur. • Management records are representative of management activities. • Restricted activities don't occur.

<p>Avoided deforestation</p>	<ul style="list-style-type: none"> • Projects are managed to reflect local vegetation communities. • Clearing permits are eligible under the Method. • GIS data aligns with ground truth: <ul style="list-style-type: none"> » CEAs are accurately defined » ineligible areas are excluded from CEAs » disturbances are mapped accurately. • Disturbances affecting carbon sequestered in the project area don't occur. • Land in CEAs or clearing buffers isn't cleared. • Non-project trees are not included in CEAs.
<p>Modelled planting</p>	<ul style="list-style-type: none"> • Disturbances affecting carbon sequestered in the project area don't occur. • Disturbances are detected and represented in modelling. • Management records are representative of management activities. • Management activities are eligible. • Planting geometries are representative of FullCAM modelling. • An ineligible species is not planted. • FullCAM events are representative of project activities. • GIS data aligns with the ground truths: <ul style="list-style-type: none"> » CEAs don't include land with no plantings » vegetation in CEAs has forest potential, and » FullCAM model point locations reflect vegetation in CEAs. • Ineligible areas are excluded from CEAs.

NGER: agency initiated and voluntary audits

The following table outlines key risk areas for audits of NGER by industry.

Industry type	Key risks
All	<ul style="list-style-type: none">• Operational control of facilities.• Accuracy of emissions and energy calculations.• Record keeping, including basis of preparation.• Reporting boundaries.
Coal mining industry	<ul style="list-style-type: none">• Emissions from venting in underground mines.• Fugitive emissions in open-cut mines.
Electricity generation, transmission and distribution	<ul style="list-style-type: none">• Emissions from fuel combustion.• Emissions from use of sulphur hexafluoride.
Industrial processes	<ul style="list-style-type: none">• Emissions from combustion of carbonate materials.• Using fuels as feedstock or reductant.
Solid waste and landfill biogas	<ul style="list-style-type: none">• Composition of solid waste streams.• Emissions from flaring.• Estimations of solid waste tonnage.• Waste mix types.

RET: emissions-intensive trade-exposed (EITE) applications using electricity use method

The following table outlines key risk areas for audits of EITE application.

Audit type	Key risks
All	<ul style="list-style-type: none">• Completeness and accuracy of electricity use data, including<ul style="list-style-type: none">» delineation between EITE activity and non-EITE activity.• EITE activity correctly identified in application.• Use amount formula used to calculate the certifiable amount is appropriate.• Fraud.• Record keeping.

The safeguard mechanism

The following table outlines key risk areas for audits of the safeguard mechanism applications.

Audit type	Key risks
Calculated baseline application	<ul style="list-style-type: none"> • Applicant is the responsible emitter (i.e. entity with operational control over the facility). • Legislative criteria for calculated baseline criteria are met. • Production variable(s) including prescribed production variables correctly identified. • Accuracy and reasonableness of: <ul style="list-style-type: none"> » forecast covered emissions » emissions intensity » quantity of production variable(s) » prescribed production variable(s) emissions intensity values calculated correctly and only include scope 1 emissions from included processes » record keeping » systems, processes and controls.
Production-adjusted baseline application	<ul style="list-style-type: none"> • Applicant is the responsible emitter (i.e. entity with operational control over the facility). • Production variable(s) including prescribed production variables correctly identified. • Accuracy of quantity of production variables (other than a prescribed (annually adjusted) production variable). • Record keeping. • Systems, processes and controls.