

7 April 2009



Committee Secretary  
Standing Committee on Finance and Public Administration  
Parliament House  
CANBERRA ACT 2600

Via email to: [fpa.sen@aph.gov.au](mailto:fpa.sen@aph.gov.au)

Dear Ms McDonald

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## National Greenhouse and Energy Reporting Amendment Bill 2009

We welcome the opportunity to provide this submission addressing issues in relation to the National Greenhouse and Energy Reporting Amendment Bill 2009.

CPA Australia represents the diverse interests of more than 122,000 members in finance, accounting and business in 100 countries throughout the world. Our mission is to make CPA Australia the global professional accountancy designation for strategic business leaders. We make this submission not only on behalf of our members in public practice but also for the accounting profession generally and in the broader public interest.

### General Comments

CPA Australia is generally in agreement with the proposed amendments outlined in this Bill.

The change of focus from “external auditor” to “audit team leader” is supported. However, we believe that the use of the term “audit” within the legislation, which we understand the Department of Climate Change (DCC) proposes to use to refer to both “assurance engagements” and “agreed-upon-procedures” engagements, is problematic. It has potential to create conflicts for members of the professional accounting bodies who are obliged by professional requirements to conduct an “audit” in accordance with audit and assurance standards issued by the Australian Auditing and Assurance Standards Board (AUASB). Also, use of the term “audit” has the potential to create confusion in the marketplace about the type of engagement being undertaken, and the work being performed by the auditor.

Rather than use the term “audit” to encompass all types of engagements by a registered greenhouse and energy auditor, it would be preferable if the legislation used terms that specifically describe the type of engagement being undertaken. That is, the term “audit and assurance engagement” may be used for engagements that are consistent with those described by the *Framework for Assurance Engagements* issued by the AUASB. Other engagements undertaken by a registered greenhouse and energy auditor (such as an “agreed-upon-procedures” engagement) should be explicitly described as such. If these changes were to be made, it would impact the wording proposed in Amendments 21, 29 and 34 (see ‘Specific Comments’ below). Also, it would require other amendments throughout the Act, whereby wording would need to be changed from “audit” to “engagement” (more generally), or to the specific type of engagement, where required.

Finally, CPA Australia has concerns about the inclusion of an “independence” requirement for auditor registration, and about some of the expressions used in the suggested amendments (e.g., “results” of an audit; “audits of persons” and so on). These concerns are highlighted in the following specific comments.

### Specific Comments

Amendment	Comments
1. Amend section 7 – define ‘audit information’	We question whether the words “or on behalf of” are necessary in this definition. An audit team leader assumes responsibility for an audit, and the actions and work of the audit team, and any information obtained by the team is considered to have been obtained by the audit team leader.
2. Amend section 7 - define ‘audit team leader’	No comment
3. Amend section 7 - define ‘audit team member’	No comment

Amendment	Comments
4. Amend section 7 - repeal definition of 'external auditor'	No comment
5. Amend section 7 – define 'greenhouse and energy audit'	We question whether this definition is of sufficient breadth to cover the assurance requirements of the CPRS, which we understand will reference the NGRS Act. Our view is that the definition will require more detail in order to accommodate the CPRS requirements.
6. Amend section 7 - Insert a definition for 'registered greenhouse and energy auditor'	No comment
7. Amend paragraph 16(4)(b) - require results of greenhouse and energy audits to be included on the (corporation) register established by section 16 of the Act	It is not clear what might be covered by the "results" of an audit. Potentially, the "results" could include only the opinion paragraph of the assurance report; the entire assurance report; or more detailed information.
8. Amend paragraph 23(1)(a) – extend secrecy requirements to also cover audit information	We agree with this proposed amendment.
9. Amend paragraph 23(2)(d) – replace external auditor with audit team leader	No comment
10. Amend paragraph 23(2)(d) – extend secrecy requirements to audit team members	We agree with this proposed amendment.
11. Amend subsection 30(2) – include reference 73A	No comment
12. Amend paragraph 30(2)(b) – include reference 73A	No comment
13. Amend section 56 – add clause at end of para	No comment
14. Amend paragraphs 56(a) to (h)	No comment
15. Amend section 56 – insert one more decisions to be reviewable by the AAT	We believe that an additional decision should be added to this list, which is reviewable by application to the AAT. That is, where the GEDO de-register a registered greenhouse and energy auditor.
16. Amend heading of Subdivision G of Division 4 of Part 6	No comment
17. Amend paragraph 73(2)(a) – appointment of auditors	No comment
18. Amend paragraph 73(2)(b) – replace 'external auditor' with 'audit team leader'	No comment
19. Amend paragraph 73(2)(b) – omit 'external'	No comment
20. Amend paragraph 73(2)(c) – replace 'external auditor' with	No comment

Amendment	Comments
<p>'audit team leader'</p> <p><b>21.</b> Amend paragraph 73(3) – insert “type of audit to be carried out”</p>	<p>Refer ‘General Comments’ above. By amending the legislation to clarify that there are different types of engagements that may be undertaken by a greenhouse and energy auditor – e.g. an assurance engagement, or an ‘agreed-upon-procedures’ engagement – this amendment would need to be worded “type of engagement to be carried out”.</p> <p>As noted previously, adoption of this approach would require subsequent amendments – e.g., 73(3)(a) would become “matters to be covered by the engagement”.</p>
<p><b>22.</b> Amend subsection 73(4) – replace ‘external auditor’ with ‘audit team leader’ and ‘audit team members’</p>	<p>No comment</p>
<p><b>23.</b> Amend subsection 73(4) – replace ‘external auditor’ with ‘audit team leader’</p>	<p>No comment</p>
<p><b>24.</b> New section 73A – create power to audit information provided under section 20</p>	<p>We believe the wording of the heading of this section needs to be clarified, as it would be most unusual to undertake an “audit” of “a person”? As noted in sub-section 2(b) of this section, the audit is a compliance audit. It might be clarified by including a definition of whom or what may be considered “persons” for purposes of the Act.</p>
<p><b>25.</b> Amend subsection 74(1) – replace ‘external auditor’ with ‘registered greenhouse and energy auditor as audit team leader’</p>	<p>It would seem unnecessary to use the description “a registered greenhouse and energy auditor as audit team leader”, when by definition (refer proposed amendment to Section 7 of the Act) an audit team leader means a registered greenhouse and energy auditor. We believe a wording change should be considered.</p>
<p><b>26.</b> Amend subsection 74(1) – omit ‘external’</p>	<p>No comment</p>
<p><b>27.</b> Amend subsection 74(2) – replace ‘auditor’ with ‘audit team leader’</p>	<p>No comment</p>
<p><b>28.</b> Amend subsection 74(2)(a) – replace ‘external auditor’ with audit team leader’</p>	<p>No comment</p>
<p><b>29.</b> Amend paragraph 74(2)(b)– insert “type of audit to be carried out”</p>	<p>Refer comments at Point 21 above – re “specifying the ‘type’ of audit”.</p>
<p><b>30.</b> Amend subsection 74(2A) – replace ‘external auditor’ with ‘audit team leader’ and ‘audit team members’</p>	<p>No comment</p>
<p><b>31.</b> Amend subsection 74(2A) - – replace ‘external auditor’ with audit team leader’</p>	<p>No comment</p>
<p><b>32.</b> Amend subsection 74(3) - – replace ‘external auditor’ with audit team leader’</p>	<p>No comment</p>
<p><b>33.</b> Amend subsection 74(3) - omit ‘external’</p>	<p>No comment</p>
<p><b>34.</b> New section 74A – create power to audit information provided under section 20</p>	<p>Refer comments at Point 21 above – re “specifying the ‘type’ of audit”. Refer comments at Point 24 above – re “audits of persons”.</p>

Amendment	Comments
<p><b>35.</b> Amend subsection 75 – repeal section and replace with new section headed ‘Conduct of greenhouse and energy audits’</p>	<p>We believe that paragraph 75(1) should be amended to read “when undertaking an assurance engagement or agreed-upon-procedures engagement” after the words “audit team leaders”. It is not necessary to use the words “preparing for”, “carrying out” and “preparing reports”, as the “conduct” of an assurance or agreed-upon-procedures engagement, by definition, involves the planning, preparation and reporting phases, which are of critical importance.</p> <p>Refer comments at Point 21 above – re “different ‘types’ of audits”.</p>
<p><b>36.</b> New section 75A – establishes requirement for auditors to register with the GEDO and outlines details of the registration process</p>	<p>Subsections 2(b) and 4 of this section indicate registration requirements will be developed that include a requirement to be “independent”. It is unclear how, in practice, a registration requirement of this kind would be administered.</p> <p>The need for independence would normally be described in the requirements for the conduct of the assurance engagement, rather than be an overarching registration requirement. That is, the auditor would need to ensure that they are independent of the specific client for whom they are providing assurance. Independence is considered in relation to the conduct of each individual engagement, and would not be a characteristic of the registration requirements. We believe consideration should be given to amending the draft provision to require a registrant to commit to meeting the requirements for engagements under the legislation. This would ensure that registrants are legally bound from the point of registration to follow ethical and other requirements relevant to the work they perform under the Act.</p> <p>A way of addressing the vital question of professional independence would be to include the requirement for the “audit team leader”, as well as all members of the engagement team conducting the audit, to be independent in fact and in appearance, of the client.</p> <p>It is likely that the registration fee, referred to in subsection (d), will be “factored into” the pricing of audits by the auditor, thus increasing the cost of regulatory compliance on the part of reporting entities.</p>
<p><b>37.</b> Repeal paragraph 24(1)(c) – publication of energy production information</p>	<p>No comment</p>

CPA Australia is committed to assisting where possible in the development and implementation of the highest quality auditing and assurance standards, across all types of auditing and assurance engagements. We hope that the comments provided are of assistance to the Standing Committee. If you have any questions regarding this submission, please do not hesitate to contact Gary Pflugrath (CPA Australia) at 02 9375 6244.

Yours sincerely



Geoff Rankin FCPA  
Chief Executive Officer

cc: G Pflugrath