

2 October 2020

Scheme Audit and Assurance
Clean Energy Regulator
GPO Box 621
Canberra ACT 2601

Via email: audit@cleanenergyregulator.gov.au

Dear Scheme Audit and Assurance

Submission on Consultation paper: Proposed changes to the audit framework

CPA Australia represents the diverse interests of more than 166,000 members working in over a 100 countries and regions around the world. We make this submission on behalf of our members and in the broader public interest.

CPA Australia welcomes the Clean Energy Regulator's proposals to streamline the Emissions Reduction Fund (ERF) audit framework in response to both stakeholder feedback and recommendations of the King Review.

CPA Australia's view of the options to streamline audit arrangements and reduce the burden of audits on ERF participants are:

A. Audit schedule adjustment:

1. We support flexible timing for completion of the initial audit report in order to enable alignment with other audits for the same proponent across multiple projects under the same method type.
2. We suggest that careful consideration be given to the basis on which proponents' applications would be granted to submit an initial audit with a subsequent offsets report rather than with the first report. We note that the initial audit is required to opine on whether: the proponent has met the requirements of the relevant methodology determination; the offsets report has been prepared in accordance with section 76 of the CFI Act; and whether the project has been operated and implemented in accordance with section 27 declaration, relevant methodology determination and requirements of the CFI Act. As this includes testing the legal right of the proponent to undertake the project and a range of compliance requirements which determine the project's eligibility; if the initial audit is delayed until a subsequent report it may delay identification of failure to meet these requirements. This may jeopardise the proponent's ability to meet their abatement contract obligations, which is likely to be more difficult to address over time and may result in unnecessary sunk costs by the proponent which they cannot recoup. Early identification of failure to hold legal right, meet the eligibility requirements, comply with the method or other requirements enables the proponent to correct or otherwise address, in a timely fashion, any problems with meeting these requirements.

B. Client Portal documentation:

We support the proposal to change the Client Portal to enable project proponents to access documents they have previously submitted to the CER, although we suggest that tight cybersecurity and access restrictions would need to be in place to ensure that unauthorised access to proponent documentation did not occur.

C. Audit threshold amendments:

We support audit thresholds to determine whether an audit is required for a project and the number of audits specified over the life of the project, which are based on method type and the annual average abatement amount. However, to reduce the risk of proponents structuring projects to fall below audit thresholds, consideration should be given to aggregation of the projects under the same methodology, conducted by the same proponent or controlled by the same beneficial owner, in assessing these thresholds.

We support the CER considering other means of achieving compliance monitoring and assessment of projects without the need for an audit, particularly for projects below these thresholds.

D. Risk-based audit scope requirements:

We support the CER defining the scope of audits based on the risks the CER identifies specific to each methodology. We note that there are many regulators in Australia who select certain compliance requirements on which assurance must be obtained to reduce the burden of an audit/assurance engagement. Nevertheless, care needs to be taken in selecting the audit criteria to make sure the audit still provides meaningful assurance.

We would be pleased to provide feedback on further consultations which the Government conducts on proposed amendments to the regulations which may arise from this consultation.

If you require further information on the views expressed in this submission, please contact Claire Grayston, Policy Adviser Audit and Assurance at claire.grayston@cpaaustralia.com.au.

Your sincerely

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