



Independent Pricing and Regulatory Tribunal  
New South Wales

# **Audit Scope**

## **Annual Energy Savings Statements**

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## Document Control

| Version number | Change description  | Date published |
|----------------|---|----------------|
| V2.1           | Minor updates to correct references   | December 2015  |
| V3.0           | Minor updates to reflect current legislative requirements and updated to new template | December 2016  |
| V3.1           | Reformatted and minor updates to reflect current legislative requirements             | November 2017  |
| V3.2           | Minor updates to wording and formatting   | November 2018  |

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# 1 Introduction

The Energy Savings Scheme (ESS) reduces electricity consumption in NSW by creating financial incentives for organisations to invest in energy savings projects. Energy savings are achieved by Accredited Certificate Providers (ACPs) installing, improving or replacing energy savings equipment. Companies that become ACPs can create Energy Savings Certificates (ESCs) by carrying out these activities. They can then sell those ESCs to Scheme Participants, who have an obligation under the ESS to meet energy savings targets (by purchasing and surrendering ESCs).

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is both the Scheme Administrator and Scheme Regulator of the ESS.

Scheme Participants are required to submit an Annual Energy Savings Statement to the Scheme Regulator in accordance with the *Electricity Supply Act 1995 (Act)* by 30 April each year. In most cases, the Scheme Participant will be required to submit an audit report with their Annual Energy Savings Statement (AESS). Scheme Participant's with an AESS that meets the exemption criteria specified in the *Scheme Participant Compliance Guide* do not have to arrange for an audit.

A key element of our approach to managing compliance is requiring some Scheme Participants to arrange for their AESS to be audited. The *Audit Guideline* sets out the general requirements for conducting audits. This Audit Scope is provided to assist members of the ESS Audit Services Panel to prepare a Detailed Scope of Works (DSW) for auditing an AESS.

The DSW must be approved by the Scheme Regulator prior to the audit commencing.

## 2 Preparing a Detailed Scope of Works

In preparing a DSW, you should consider the information provided in this document, as well as the *Audit Guideline*, the *Audit Services Panel Agreement* and the *Scheme Participant Compliance Guide*.

The DSW should describe how you propose to meet the specific requirements of this Audit Scope. In particular, the DSW should detail:

- ▼ matters to be audited, and
- ▼ audit approach.

All DSWs or questions should be addressed to the Scheme Regulator by email to the following address: [ESSRegulator@ipart.nsw.gov.au](mailto:ESSRegulator@ipart.nsw.gov.au)

## 3 Matters to be audited

We require the auditor to conduct sufficient audit procedures to enable the auditor to express an opinion (reasonable assurance), that in all material respects the Energy Savings Shortfall, as detailed in the AESS, is fairly presented and has been calculated in accordance with the requirements of the Act.

Audits of AESSs must include the following matters:

- ▼ inputs into the AESS, and
- ▼ arithmetical calculations.

The audit should identify that the inputs entered into the AESS are:

- ▼ in accordance with Divisions 3, 4, 5 and 6 of the Act and in accordance with the *Scheme Regulator Exemptions Rule No. 1 of 2016* and the relevant *Ministerial Order*
- ▼ based on accurate and reliable records and other relevant supporting documentation, and
- ▼ entered in a manner consistent with the approach specified in the *Scheme Participant Compliance Guide*.

The audit should identify that the Scheme Participant has calculated its Energy Savings Shortfall in accordance with Divisions 3, 4, 5 and 6 of the Act.

## 4 Audit approach

### 4.1 Audit standards

Auditors must conduct a reasonable assurance audit in accordance with an auditing standard acceptable to IPART. Various auditing standards are acceptable to IPART, including:

- ▼ ISO14064-3 Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions
- ▼ ISAE 3000 - International Standard on Assurance Engagements, and
- ▼ Australian Auditing Standards – as published by the Auditing and Assurance Standards Board (AuASB).

Auditors should contact IPART before preparing a DSW if they want to use other standards.

Auditors must disclose the standard used to conduct the audit in their Audit Report and state that they conducted the audit in accordance with this standard.

## 4.2 Sampling

Where assessing significant quantities of input data, auditors may choose to test a representative sample of the data population, as long as it results in a statistically significant number of samples being selected and tested. Where sample testing of data is to be undertaken, auditors must identify the proposed sampling regime in the DSW and describe the basis on which they will select the sample.

## 4.3 Site visits

Auditors may need to conduct site visits to verify the systems, procedures and controls in order to assure themselves of the integrity of the inputs.

Site visits to Scheme Participant's customers may also be required to verify the address and national meter identifier (NMI) relationships where Scheme Participants are claiming exempt sales under the *Scheme Regulator Exemptions Rule No. 1 of 2016*.

Proposed site visits should be identified in the DSW. Where a site visit is not considered necessary, you should describe the process by which you will verify systems, procedures and controls.

## 4.4 Audit procedures

Auditors should determine the specific audit procedures they will undertake using their professional judgement and having regard to the level of investigation required for them to provide a reasonable assurance conclusion.

The following provides a non-exhaustive list of the audit procedures that auditors are expected to undertake in forming their conclusion:

- ▼ Confirmation of general inputs into the AESS against supporting documentation, for example:
  - confirm the Energy Savings Shortfall carried forward from the previous year against the Notice of Assessment issued by IPART
  - confirm that any Energy Savings Shortfall proposed to be carried forward to the following year is less than 10% of the Scheme Participant's Individual Energy Savings Target for the current year
  - confirm the number of ESCs offered for surrender in the AESS against the number in the ESS Registry
  - confirm the amount of AEMO<sup>1</sup> purchases in the AESS against the advice provided by IPART regarding electricity purchases from AEMO,<sup>2</sup> and
  - confirm the amount of unregistered purchases, including small-scale photovoltaic generation in the AESS against comprehensive billing or metering data.

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<sup>1</sup> Australian Energy Market Operator

<sup>2</sup> Note that in some cases the Scheme Participant may have been advised by AEMO of a different amount of AEMO purchases from that advised to IPART. In this case the Scheme Participant should have evidence of the notification from AEMO and this should be checked by the auditor.

- ▼ Confirmation of exempt electricity loads which may be deducted from the Scheme Participant's purchases against supporting documentation, for example:
  - confirm the amount of electricity supplied to the Reference (Person) at the Location (Address) for the Specified Activity during the compliance period in relation to each NMI against details and quantities identified in invoices or billing systems
  - confirm the Reference (Person) at the Location (Address) for the Specified Activity and the relevant exempt proportion against the Ministerial Exemptions Order for the Compliance Period, and
  - confirm that the Location (Address) relates to the associated NMIs in the Annual Energy Savings Statement by checking information provided by Partially Exempt Parties to the Scheme Participant for submission with the Annual Energy Savings Statement (note that this may require a visit to the Exempt Parties' site).
- ▼ Confirmation that arithmetical calculations are fairly presented by independently checking whether the Individual Energy Savings Target and any Energy Savings Shortfall are calculated appropriately.
- ▼ Discussions with the Scheme Participant's relevant personnel in relation to systems, procedures and controls.

## 5 Audit report

Auditors should consider the requirements of a satisfactory audit report when developing a DSW. The audit report should include, at a minimum:

- ▼ a statement that the audit was performed in accordance with an auditing standard acceptable to IPART
- ▼ details of any limitations in the scope of work
- ▼ detail of the matters being audited consistent with the approved DSW
- ▼ a description of the audit approach in relation to each matter being audited
- ▼ the audit opinion in relation to each of the matters being audited, and
- ▼ a Schedule of Audit Procedures and Findings.

### 5.1 Errors and inconsistencies

Where the auditor identifies errors (misstatements) or inconsistencies during the audit, they may communicate these to the Scheme Participant who has commissioned the audit. The Scheme Participant may choose to amend the AESSE accordingly. However, auditors must identify the original error, and provide reasonable assurance over the amended input/calculation in the Audit Report.



## 5.2 Audit opinions

The auditor should express their audit opinion in the positive form to provide a reasonable assurance conclusion. The conclusion should be in relation to each of the matters in the scope of the audit (as detailed in Section 2).

The conclusion should be included as a separate section in the audit report. This section should clearly express the auditor's opinion as to whether, in all material respects, the matters subject to audit comply with the requirements.

## 5.3 Schedule of audit procedures and findings

IPART requires a Schedule of Audit Procedures and Findings in relation to each scope item, including:

- ▼ specific matters to be audited identified in the scope
- ▼ audit procedures conducted for each scope item including documents viewed, data tested and number of records checked
- ▼ the findings and conclusion for each scope item, including:
  - any inconsistencies identified (regardless of whether they were then corrected by the Scheme Participant), and
  - calculations that were performed and other relevant numerical information that the auditor identified.