

Independent Pricing and Regulatory Tribunal
New South Wales

Audit Guide - Scheme Participants

Annual Energy Savings Statement (AESS)

Energy Savings Scheme

January 2021

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This guide is published for the purpose of IPART providing guidance material to Scheme Participants and auditors as part of its role as Scheme Administrator of the Energy Savings Scheme. Use of the information in this guide for any other purpose is at the user's own risk, and is not endorsed by IPART.

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The Independent Pricing and Regulatory Tribunal (IPART)

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Contents

1	About this guide	1
1.1	Scheme Participant documentation	1
2	Auditing process	2
3	Stakeholder requirements	3
3.1	Requirements to audit an AESS	3
3.2	Scheme Participant requirements	3
3.3	Auditor requirements	3
3.4	Requirement to submit an executed Deed Poll	4
4	Audit requirements	5
4.1	What information is required in the DSW?	5
4.2	Which audit standards can be used?	5
4.3	What information is audited?	5
4.4	Sampling and site visits	6
5	Audit report	7
5.1	Structure of the report	7
5.2	Audit opinions	7
5.3	Schedule of audit procedures and findings	8
5.4	How should auditors deal with errors and inconsistencies?	8
6	Glossary	9

1 About this guide

The *Audit Guide – Scheme Participants* (the **Guide**) summarises the key requirements that apply to the audit of an annual energy savings statement (**AESS**) prepared by Scheme Participants of the NSW Energy Savings Scheme (**ESS**).





The purpose of this Guide is to help Scheme Participants and auditors specified in an Audit Services Panel Agreement (**Auditors**) understand requirements and processes relating to the audit of an AESS.

1.1 Scheme Participant documentation

This is a guide only and is not legal advice and should be read in conjunction with other documentation relevant to Scheme Participants of the ESS.

The legal requirements for Scheme Participants of the ESS are set out in Table 1.1 along with relevant guidance material and reporting & administrative tools.

Table 1.1 Documentation relating to Scheme Participants of the ESS

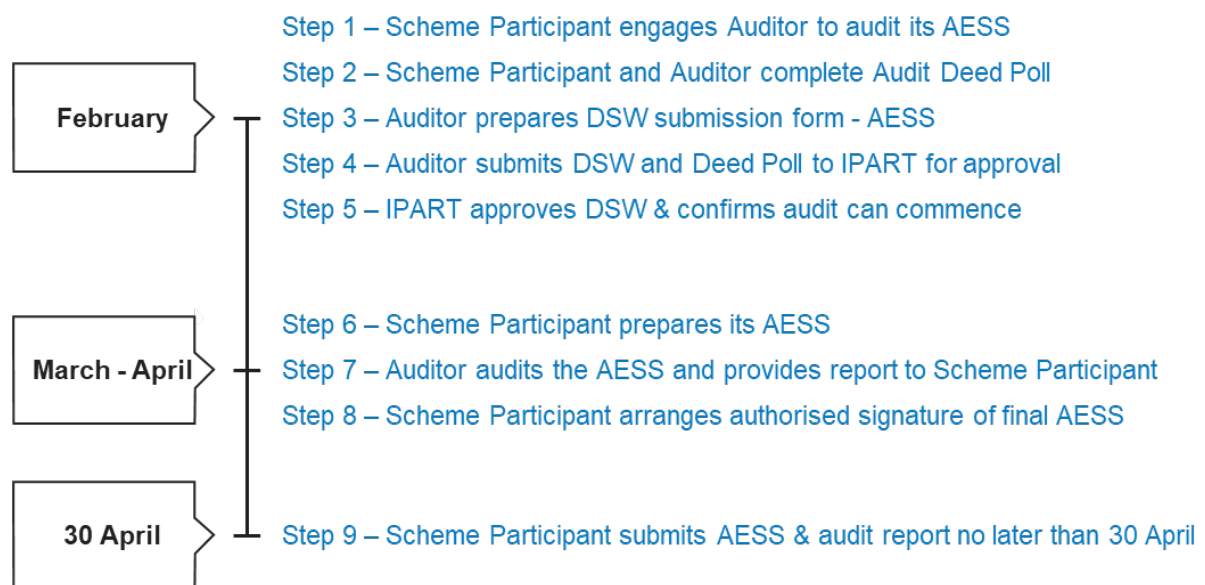
Document type	Document
Legislative requirements 	<i>Electricity Supply Act 1995 (Act)</i> <i>Electricity Supply (General) Regulation 2014 (Regulation)</i>
Exemptions legislation 	<i>Energy Savings Scheme (Electricity Load Exemptions) Order (Ministerial Order)</i> <i>Scheme Regulator Exemptions Rule No. 1 of 2016 (Exemptions Rule)</i>
Guidance material 	<i>Compliance Guide – Scheme Participants</i> <i>Audit Guide – Scheme Participants (this document)</i> <i>Audit Services Panel Agreement</i>
Reporting & administrative tools 	<i>Template – Scheme Participants – Annual Energy Savings Statement</i> <i>Template – Scheme Participants – Nil Return</i> <i>DSW Submission Form - AESS</i>

2 Auditing process

Figure 2.1 provides an indicative step-by-step process for undertaking the audit.

The Scheme Participant compliance process has a tight time frame. We strongly advise that Scheme Participants and auditors schedule their work to align with the timelines in Figure 2.1 so that Scheme Participants can meet the regulatory deadline and energy savings certificate (ESC) surrender deadline of 30 April each year.

Figure 2.1 Expected timing to meet the regulatory deadline of 30 April



3 Stakeholder requirements

3.1 Requirements to audit an AESS

Scheme Participants are required to have their AESS audited by an approved auditor, unless exempt from audit.

An audit of an AESS is required to ensure the Scheme Participant has:

- ▼ correctly calculated its individual energy savings target
- ▼ offered for surrender the reported number of ESC
- ▼ correctly calculated any energy savings shortfall penalty for a compliance year.

To determine if your AESS is exempt from audit, refer to the *Compliance Guide - Scheme Participants*.

3.2 Scheme Participant requirements

Scheme Participants are required to engage an auditor and pay for the audit of its AESS, unless exempt from being required to have its AESS audited.

Scheme Participants must execute a Deed Poll with the auditor if an AESS audit is required. See the requirements in section 3.4 of this Guide.

Scheme Participants must engage the auditor from the [List of Audit Services Panel Members](#) on the ESS website.¹ IPART has established the Audit Services Panel to ensure ESS audits are carried out by auditors who are suitably qualified and experienced to undertake the audits.

After an audit firm has performed three consecutive audits for a Scheme Participant, the Scheme Participant must engage a different auditor for the next audit. After that, it may again engage the original auditor for another three consecutive audits.

3.3 Auditor requirements

Auditors must abide by the *Audit Services Panel Agreement*.

Auditors must execute a Deed Poll with the Scheme Participant. See the requirements in section 3.4 of this Guide.

The auditor must complete and submit the *DSW Submission Form – AESS* for approval by IPART. The detailed scope of works (DSW) is not taken to be approved until IPART advises the auditor in writing.

¹ List of Approved Auditors <https://www.ess.nsw.gov.au/Auditors-and-MV-Professionals/Audit-Panel>

An Audit Services Panel Member must not enter into any agreement with a Scheme Participant where a conflict of interest exists (see section 3.3.1 of this Guide). The Lead Auditor must declare there is no conflict of interest in the *DSW Submission Form – AESS*.

3.3.1 Conflict of interest

From the *Audit Services Panel Agreement*, conflict of interest means any agreement, arrangement or understanding or any activity which conflicts or is likely to conflict with or affects the panel member’s ability to perform any services undertaken or being undertaken by the panel member under this agreement.

The panel member must warrant that neither it, nor any of its related parties, has any conflict of interest as at the commencement date of the *Audit Services Panel Agreement* which has not previously been notified to IPART in writing.

The panel member and its related parties must not enter into any agreement, arrangement or understanding or participate in any activity which amounts to a conflict of interest, without the prior written consent of IPART.

The panel member must notify IPART of any potential conflict of interest as soon as the panel member becomes aware of it.

The panel member, each of its related parties and its personnel must not be an Accredited Certificate Provider and must not own, acquire or dispose of any interest in an ESC.

For further information on conflict of interest refer to the *Audit Services Panel Agreement*.²

3.4 Requirement to submit an executed Deed Poll

A Deed Poll executed by the Scheme Participant and Audit Panel Member must be submitted with the *DSW Submission Form – AESS* if an AESS audit is required.

The *Template - Audit Deed Poll* found on the ESS website must be used.

This Deed Poll clarifies IPART’s rights and responsibilities in relation to the audit and should be submitted along with the DSW. It is an agreement that sets IPART as the client for the audit no matter who is engaging the auditor. The Deed Poll must:

- ▼ include the date and details of the Scheme Participant on page 1 of the Deed
- ▼ include the completed Annexure (name, services, contract date)
- ▼ be executed in accordance with section 127(1) of the *Corporations Act 2001*.

If this is the first time a Deed Poll is submitted for a Scheme Participant, evidence of signatory authority should be attached to the Deed Poll. This evidence only needs to be resubmitted when the individual with authority to sign changes.

² Audit Services Panel Agreement <https://www.ess.nsw.gov.au/Home/Document-Search/Templates/Panel-Agreement-Audit-Services-Panel/Panel-Agreement-Audit-Services-Panel-V2.0>

4 Audit requirements

4.1 What information is required in the DSW?

The *DSW Submission Form – AESS* is a standard DSW form for all auditors to complete. This form is designed to ensure that audits of Scheme Participants are conducted in a consistent manner and to facilitate efficient assessment of DSWs.

The *DSW Submission Form – AESS* is to be populated with the following information:

- ▼ details of the Scheme Participant(s) whose AESS is being audited
- ▼ audit information, including audit team, standard used, audit plan and fee
- ▼ a Declaration by the Lead Auditor
- ▼ the audit scope items.

4.2 Which audit standards can be used?

In auditing the AESS, auditors must use an audit standard acceptable to IPART. Acceptable standards are:

- ▼ Australian Auditing Standards – as published by the Auditing and Assurance Standards Board (AuASB) including:
 - ASAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information
 - ASAE 3100: Compliance Engagements
- ▼ ISAE 3000: International Standard on Assurance Engagements
- ▼ ISO 14064-3: 2006: Greenhouse Gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions.

Auditors may propose another standard, but must have that standard approved for use by IPART prior to commencing the audit.

Auditors must list the audit standard they intend to use in the *DSW Submission Form – AESS*.

4.3 What information is audited?

Audits of an AESS will cover:

- ▼ inputs into the AESS
- ▼ arithmetical calculations
- ▼ implementation of previous recommendations.

Additional scope items may be included as requested by the Scheme Participant or the Scheme Regulator.

We expect the auditor to conduct sufficient audit procedures to enable the auditor to express a reasonable assurance opinion that the energy savings shortfall, as detailed in the AESS, is fairly presented and has been calculated in accordance with the requirements of the Act.

4.4 Sampling and site visits

Where assessing significant quantities of input data, auditors may choose to test a representative sample of the data population. Auditors should refer to the relevant audit standards for guidance on sampling. Where auditors have tested a representative sample, the audit report should specify what proportion of the input was sampled.

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 a Scheme Participant's customer may also be required to verify the address and national meter identifier (NMI) where Scheme Participants are claiming exempt electricity loads.

5 Audit report

5.1 Structure of the report

The report must be presented as an audit report and a schedule of findings. The template information in Box 5.1 must be included.

Box 5.1 Template information

Title	“Independent Audit Report”
Address	Audit reports should be addressed to The Chair, IPART as the Scheme Regulator.
Signature	The final audit report must be signed and dated in original by the Lead Auditor. Scanned or electronic signatures on the final report are acceptable.

The audit report must contain:

- ▼ 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.

The schedule of findings must provide IPART with sufficient detail to understand the basis for the conclusions made in the audit report.

5.2 Audit opinions

The auditor should express a reasonable assurance conclusion in the audit report.³

The audit report must identify whether the inputs entered into the AESS are:

- ▼ in accordance with Divisions 3, 4, 5 and 6 of Schedule 4A to 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
- ▼ entered in a manner consistent with the approach specified in the *Compliance Guide - Scheme Participants*.

The audit report must also identify whether the Scheme Participant has calculated its energy savings shortfall in accordance with Divisions 3, 4, 5 and 6 of Schedule 4A to the Act.

³ A reasonable assurance conclusion is a statement that in the opinion of the auditor there is no misstatement in the matter being audited that is material or pervasive enough to affect the matter being audited as a whole.

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, sampling information, and number of records checked
- ▼ the findings and conclusion for each scope item, including:
 - a description of the approach used by the Scheme Participant to calculate each of the inputs to the AESS, such as:
 - ▼ Market Operator liable acquisitions
 - ▼ non-Market Operator liable acquisitions
 - ▼ exempt loads, particularly where an NMI supplies a proportion of electricity to an activity that is not the relevant specified activity.
 - any inconsistencies identified (regardless of whether they were then corrected by the Scheme Participant)
 - calculations that were performed and other relevant numerical information that the auditor identified.

5.4 How should auditors deal with errors and inconsistencies?

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

6 Glossary

Acronyms and key terms	Definition
Act	<i>Electricity Supply Act 1995.</i>
AESS	Annual energy savings statement submitted by Scheme Participants annually identifying their energy savings shortfall.
Audit Services Panel	A list of auditors approved by the Scheme Administrator to conduct ESS audits.
Audit Services Panel Agreement	An agreement between IPART and the Audit Services Panel Member.
Audit Services Panel Member	A person who has been nominated by IPART to join the Audit Services Panel and who has entered into an Audit Services Panel Agreement with IPART.
Compliance year	The period of 12 months commencing on 1 January of the year that an AESS relates to. The 2020 compliance year includes liable acquisitions for the period 1 January 2020 to 31 December 2020.
Deed Poll	A Deed Poll in the form set out in Schedule 5 of the Audit Services Panel Agreement and separately available on the ESS website that clarifies IPART's rights and responsibilities in relation to the audit. Executed Deed Polls must be submitted to IPART along with the <i>DSW Submission Form - AESS</i> .
DSW	Detailed scope of works for an audit of an AESS.
DSW Submission Form - AESS	A form which the auditor completes and submits to the Scheme Regulator to IPART for approval prior to commencing the audit. The <i>DSW Submission Form – AESS</i> is published on the ESS website.
Energy savings target	Has the meaning given to the term “individual energy savings target” in clause 9 of Schedule 4A to the Act.
Energy savings shortfall	Has the meaning given in clause 14 of Schedule 4A to the Act.
Energy savings shortfall penalty	Has the meaning given in clause 15 of Schedule 4A to the Act.
ESC	An energy savings certificate that is a transferable certificate under Schedule 4A to the Act that is created in accordance with the ESS Rule, and that represents one notional MWh of energy savings. ESCs can be surrendered by a Scheme Participant to meet its energy savings target.
ESS	The NSW Energy Savings Scheme.
Exempt electricity loads	Exempt electricity loads referred to in Division 5 Exemptions of Schedule 4A to the Act and those exempt electricity loads identified in Schedule 1 of the Ministerial Order.
IPART	The Independent Pricing and Regulatory Tribunal.
Liable acquisitions	Has the meaning defined in clause 10 of Schedule 4A to the Act.
Location	This is the location listed in Schedule 1 Table of Exemptions in the Ministerial Order.
Ministerial Order	The <i>Energy Savings Scheme (Electricity Load Exemptions) Order</i> is referred to as the Ministerial Order in the ESS Website and the <i>Compliance Guide – Scheme Participants</i> .

Acronyms and key terms	Definition
	<p>The Minister Order is a list of full or partial exemptions from the ESS for electricity used by emission-intensive, trade-exposed industries.</p> <p>The Ministerial Order is gazetted annually listing the relevant exemptions for the relevant compliance year.</p>
NMI	This is the national metering identifier at the Location specified in the 'Inputs – Exempt loads' tab of the AESS.
Regulation	<i>Electricity Supply (General) Regulation 2014.</i>
Scheme Administrator	The person or body required to exercise the functions of Scheme Administrator under Schedule 4A to the Act.
Scheme Participant	Has the meaning given in clauses 2 and 4 of Schedule 4A to the Act.
Audit Guide – Scheme Participants	<p>This guide. This summarises the key requirements that apply to the audit of an AESS prepared by Scheme Participants of the ESS.</p> <p>The <i>Audit Guide – Scheme Participants</i> is published on the ESS website.</p>
Compliance Guide – Scheme Participants	<p>This document assists Scheme Participants in completing the AESS to assess their individual energy savings target for a compliance year.</p> <p>The <i>Compliance Guide – Scheme Participants</i> is published on the ESS website.</p>
Scheme Regulator	The person or body required to exercise the functions of Scheme Regulator under Schedule 4A to the Act.
Signatory Authority	<p>Legal authority to sign on behalf of the Scheme Participant.</p> <p> <i>Where proof of signatory authority is required, IPART expects, in the case of a document executed under s127 of the Corporations Act 2001 (Cth), a current ASIC company extract detailing the current directors and company secretary of the Scheme Participant.</i></p>