



Australian Government

Department of the Environment and Energy

Independent Audit and Audit Report Guidelines

for controlled actions which have been approved under
Chapter 4 of the *Environment Protection and Biodiversity
Conservation Act 1999*



2019

© Commonwealth of Australia, 2019.



Environment Protection and Biodiversity Conservation Act 1999 Independent Audit and Audit Report Guidelines is licensed by the Commonwealth of Australia for use under a Creative Commons By Attribution 4.0 Australia licence with the exception of the Coat of Arms of the Commonwealth of Australia, the logo of the agency responsible for publishing the report, content supplied by third parties, and any images depicting people. For licence conditions see: <http://creativecommons.org/licenses/by/4.0/>

This report should be attributed as '*Environment Protection and Biodiversity Conservation Act 1999 Independent Audit and Audit Report Guidelines*, Commonwealth of Australia 2019'.

The Commonwealth of Australia has made all reasonable efforts to identify content supplied by third parties using the following format '© Copyright, [name of third party]'.

Disclaimer

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of the Australian Government or the Portfolio Ministers for the Department of the Environment and Energy.

Cover images

Front—General view over a billabong, Dragi Markovic

Back—Trees at sunset, Allan Fox © Department of the Environment and Allan Fox

Contents

1.	Introduction	4
1.1	Independent environmental audits as approval conditions	4
1.2	Directed environmental audits	4
1.3	Other audit requirements	4
2.	Providing information under the EPBC Act	5
2.1	Key sections of the EPBC Act	5
3.	General principles when conducting an independent audit	6
3.1	Key principles	6
3.2	When to submit a nominated independent auditor and the audit criteria	6
3.3	Independent audit timeframes and costs	6
3.4	Single point of contact	6
4.	General principles for preparing an audit report	7
4.1	Key principles	7
5.	Independent audit process	8
5.1	Audit process diagram	8
5.2	Finding an environmental auditor	9
5.3	Completing the auditor's declaration of independence form	9
5.4	Submitting the nominated auditor and associated documents	9
5.5	Reviewing and approving the nominated auditor and associated documents	9
5.6	Developing the audit criteria and methodology	9
5.7	Submitting the proposed audit criteria and methodology	10
5.8	Reviewing and approving the audit criteria and methodology	10
5.9	Starting the audit	10
5.10	Submitting the audit report	10
5.11	Review and acceptance of the audit report	10
6.	Content of the audit report	11
6.1	Details of the audit	11
6.2	Certification by the auditors	11
6.3	Executive summary	11
6.4	Detailed audit findings	11
6.5	Compliance findings	11
	Appendix A—Auditor's Declaration of Independence	13
	Appendix B—Audit Criteria and Methodology Template	15
	Appendix C—Audit Report—Auditor's Certification	18

1. Introduction

The Independent Audit and Audit Report Guidelines provide general guidance for auditors on how to conduct an independent audit and prepare an audit report for controlled actions which have been approved under Chapter 4 of Australia's national environment law, the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act). They also provide guidance for approval holders who have been compelled to undertake an independent audit.

Independent audits help to ensure that projects with the potential to impact on [matters of national environmental significance](#) are implemented as planned. Audits also help the Australian Government to understand how well approval conditions are being understood and applied and contribute to improving the effectiveness of the Department of the Environment's operations.

Generally speaking, under the EPBC Act, the Minister or delegate can compel a person to undertake an independent environmental audit in one of two ways:

- by attaching conditions to an approval requiring an environmental audit of the approved action to be carried out under section 134 of the EPBC Act
- by directing the holder of an environmental permit or approval to carry out an environmental audit under section 458 of the EPBC Act.

1.1 Independent environmental audits as approval conditions

Section 134 of the EPBC Act enables the Minister or delegate to impose approval conditions on projects assessed under the Act. Specifically, section 134(3)(d) gives examples of the kinds of conditions that may be attached to an approval including “conditions requiring an environmental audit of the action to

be carried out periodically by a person who can be regarded as being independent from any person who's taking of the action is approved”. Accordingly, some approvals may include a condition that requires an independent audit to be undertaken within a mandated timeframe or a timeframe to be agreed, at the direction of the Minister.

1.2 Directed environmental audits

Under section 458 of the EPBC Act the Minister or his/her delegate may write to the holder of an EPBC Act approval and require that the approval holder carry out an environmental audit. This can occur when the Minister believes or suspects on reasonable grounds that:

- the approval holder has contravened, or is likely to contravene, a condition of the approval, or
- the impacts on nationally protected matters that the action has, has had or is likely to have, are significantly greater than indicated in the information available to the Minister when the approval was granted.

Directed environmental audits are generally used when significant or multiple contraventions of conditions that may impact on the matter protected by the approval are suspected.

1.3 Other audit requirements

Approval holders may also need to undertake an independent audit to satisfy the audit requirements of other regulatory bodies or regulations. Often this will require a different format to that required under national environment law. These guidelines only give guidance on the information required to conduct an independent audit and prepare an audit report in accordance with the EPBC Act.

2. Providing information under the EPBC Act

2.1 Key sections of the EPBC Act

Nominated auditors declaring independence (see section 5.3) and/or auditors certifying audit reports (see section 6.2) are advised that a person must not knowingly provide information to the Department that is false or misleading.

The following extracts from the EPBC Act should be considered in the context of the Act as a whole, including any related sections and any relevant definitions. You should seek your own legal advice regarding interpretation.

491 Providing false or misleading information to authorised officer etc.

- (1) A person is guilty of an offence if the person:
 - (a) provides information or a document to another person (the *recipient*); and
 - (b) knows the recipient is:
 - (i) an authorised officer; or
 - (ii) the Minister; or
 - (iii) an employee or officer in the Department; or
 - (iv) a commissioner;
performing a duty or carrying out a function under this Act or the regulations; and
 - (c) knows the information or document is false or misleading in a material particular.
- (2) The offence is punishable on conviction by imprisonment for a term not more than 1 year, a fine not more than 60 penalty units, or both.

Note: Subsection 4B(3) of the *Crimes Act 1914* lets a court fine a body corporate up to 5 times the maximum amount the court could fine a person under this subsection.

For directed environmental audits under section 458 of the EPBC Act, it is an offence to include false or misleading statements in an audit report (see extract below).

461 Audit reports

- (4) If:
 - (a) the environmental auditor includes a statement in the report; and
 - (b) the statement is false or misleading in a material particular;
the auditor is guilty of an offence punishable on conviction by imprisonment for not more than 6 months.

Note 1: Chapter 2 of the *Criminal Code* sets out the general principles of criminal responsibility.

Note 2: Subsection 4B(2) of the *Crimes Act 1914* lets a court that convicts an individual of an offence impose a fine instead of, or as well as, imprisonment. The maximum fine (in penalty units) the court can impose is 5 times the maximum term of imprisonment (in months).

3. General principles when conducting an independent audit

3.1 Key principles

When an independent audit is required to be undertaken:

- the nominated auditor and the audit criteria and methodology must be approved by the Minister or delegate before the audit starts
- the Department can approve both the nominated auditor and the audit criteria and methodology at the same time. However there is a risk associated with this approach in the event that the nominated auditor is not approved by the Department
- the Department takes the process of appointing independent auditors and approving audit criteria and methodology very seriously as these processes are fundamental to ensuring that the audit report is satisfactory.

3.2 When to submit a nominated independent auditor and the audit criteria

It generally takes up to two months for an approval holder to source an appropriate auditor, have the auditor approved by the Department and then have the audit criteria approved. Approval holders should try to nominate an independent auditor to the Department as soon as possible to meet designated timeframes.

3.3 Independent audit timeframes and costs

Timeframes to conduct the audit can be found either in the approval conditions or in the formal notification from the Minister or delegate directing an independent audit to occur.

All costs associated with conducting an audit are the responsibility of the approval holder.

3.4 Single point of contact

The approval holder is to nominate an individual from within their organisation as the single point of contact to liaise with the Department on all audit matters.

4. General principles for preparing an audit report

4.1 Key principles

The audit report must:

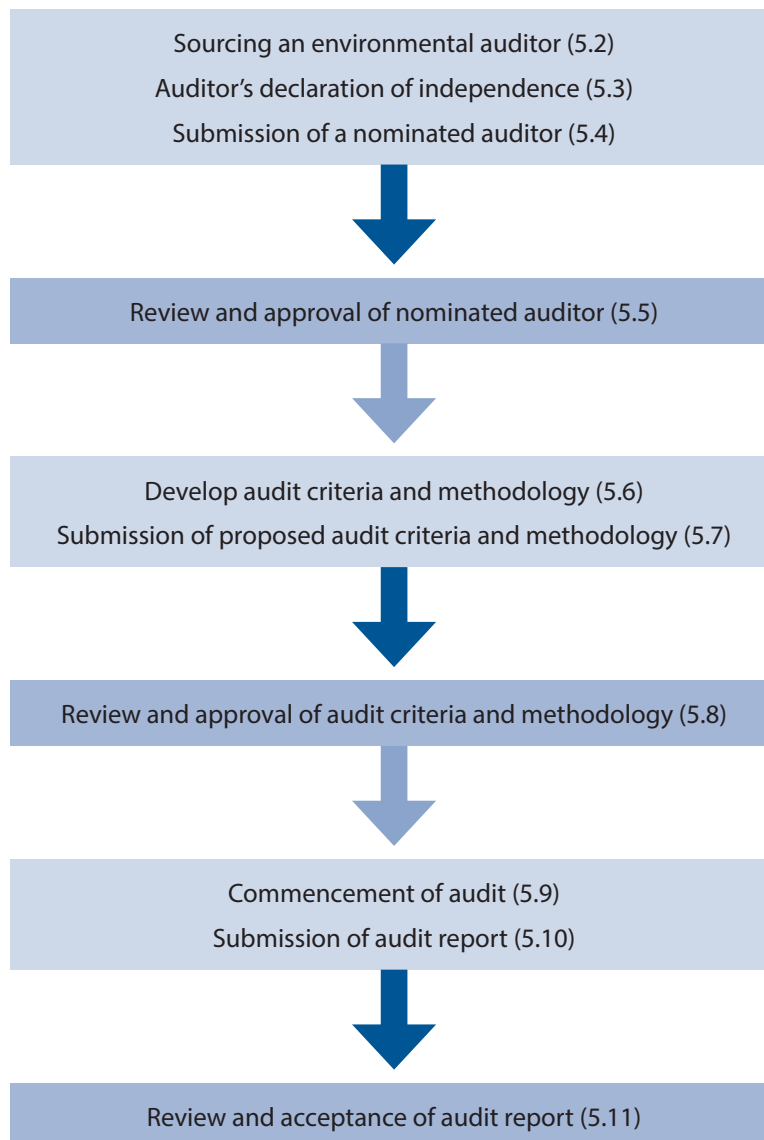
- include details of actual measurements made, sample sizes and audit evidence obtained. Where sample records are referenced (e.g. water quality monitoring records, inspection logs, pre-clearance surveys etc) a sufficiently representative sample of records must be reviewed
- not report by exception and must include details of all findings made against each criterion. Where the implementation of plans, reports, or programs etc (however described) is required by the approval conditions, the details of the individual commitments contained in those plans, reports, or programs etc are to be separately identified and measured
- ensure that findings are based on independently verifiable third party evidence and must not place an over-reliance on representations made by the approval holder or their representatives.



Photo: Dew covered spider web near Lake Moogerah, Sarah Wheaton
© Department of the Environment and Sarah Wheaton

5. Independent audit process

5.1 Audit process diagram



5.2 Finding an environmental auditor

The approval holder will need to source an environmental auditor. Consultants whose core activities include environmental audit services can be found on the internet. Accreditation and/or certification with organisations such as RABQSA (now Exemplar Global) or the Environment Institute of Australia and New Zealand Inc. (EIANZ) are an advantage.

Note: The Department does not maintain a schedule of suitable auditors.

5.3 Completing the auditor's declaration of independence form

An auditor's declaration of independence must be provided for all audits ([Appendix A](#)). The auditor's declaration reminds prospective auditors of the importance placed on independence, objectivity and professional competence. The notice to carry out a directed environmental audit will specify the matters to be covered by the audit.

5.4 Submitting the nominated auditor and associated documents

The approval holder must submit to the Department the auditor's declaration of independence form, together with copies of the curriculum vitae and current audit qualifications and current professional accreditations/memberships for the auditor/s.

5.5 Reviewing and approving the nominated auditor and associated documents

When the auditor's declaration and accompanying documentation are received, the package will be considered by the Department. The Department will do background checks to verify the information provided.

The Department will not generally reject a nominated auditor unless concerned about an association or relationship that could be seen to compromise their independence. This might include, for example, when an auditor has provided other services to the approval holder as a consultant or advisor or had any previous involvement in the project to be audited.

The Department may also reject a nominated auditor if concerned about a lack of experience, suitable accreditation and/or qualifications. Nominated auditors must be able to demonstrate appropriate auditing experience and qualifications.

If the Department is satisfied with the nominated auditor, approval will be granted in writing by a delegated officer.

5.6 Developing the audit criteria and methodology

Audit criteria and methodology must be developed for all audits. The notice to carry out a directed environmental audit will specify the matters to be covered by the audit, including the requirement for the audit criteria and methodology.

The approved auditor must develop the audit criteria and methodology based on the EPBC Act approval conditions for the project. This should be done using the audit criteria and methodology template at [Appendix B](#) which is then submitted to the Department. The audit criteria and methodology should be pitched at a relatively high level and address the approval holder's obligations or requirements as required in the approval. Further guidance is available in the template. Please note that the template is only an example; please use the conditions in the approval holder's approval notice.

Note: The audit criteria and methodology must be based upon the relevant approval, including any subsequent variations, and must cover all the approval conditions, including elements of conditions and measures required by management plans reports or programs etc. Each condition must be included in its entirety and then be broken down into its component elements. The criteria and methodology must be prepared by the approved auditor and must be approved by the Minister/delegate before the audit starts.

5.7 Submitting the proposed audit criteria and methodology

The approval holder must submit the proposed audit criteria and methodology to the Department for review and approval before conducting the audit.

5.8 Reviewing and approving the audit criteria and methodology

Once the audit criteria and methodology are received, the Department will review it to ensure that it adequately addresses the obligations or requirements specified in the approval and the related management plans, reports, strategies or agreements (however described) required in the conditions.

Proposed audit criteria and methodologies that cover the obligations or requirements imposed by the approval are not normally rejected. If the Department is satisfied with the audit criteria and methodology, approval will be granted in writing by a delegated officer.

Note: The approved audit criteria and methodology must be incorporated into the audit report and used to set out the detailed findings.

5.9 Starting the audit

Once the auditor receives written approval from the Department for the proposed audit criteria and methodology, the audit can begin. Audits are generally conducted using a combination of methods including site inspections, interviews with relevant staff and a review of relevant documentation.

5.10 Submitting the audit report

The auditor must provide the approval holder with a signed audit report on letterhead setting out the audit results. The approval holder then submits the audit report, together with their own comments and representations, to the Department within the required timeframe.

The audit report is to be submitted in an Adobe Acrobat PDF file as well as in a Microsoft Office Word file. There is no need for a hard copy.

Providing the Microsoft Office Word document will help the Department to provide the approval holder and the auditor with the details of any matters that require further clarification or investigation in order for the audit report to be accepted.

Note: The audit report is to address as a minimum the requirements specified in Section 6. The audit report is not to be published or used for any other purpose until the audit report is formally accepted by the Department.

5.11 Review and acceptance of the audit report

When the audit report is received, the Department will review it to determine whether it is satisfactory. If it is, a delegated officer will grant approval in writing.

If the Department is not satisfied, the Department will provide the approval holder with details of the matters that require further clarification or investigation by the independent auditor in order for the report to be accepted. The Department will liaise with both the approval holder and the independent auditor (as necessary) to ensure that the audit report is satisfactory.

The updated audit report is then resubmitted with any required changes highlighted in track changes. Once the audit report is accepted by the Department, a summary of the results will be published on the Department's website.

6. Content of the audit report

While recognising that the auditing profession follows standardised reporting formats, the Department's minimum requirements are set out below.

6.1 Details of the audit

This section should include the:

- name of the project
- name of the project approval holder
- details of the approval to which the audit relates
- scope of the audit (the approval conditions that were audited)
- dates when and locations where the audit was conducted
- methods used to assess compliance (e.g. desktop review of documentation, site inspection(s) etc.)
- evidence reviewed to assess compliance (e.g. review of water quality monitoring results, pre-clearance surveys, photographs, interviews with project approval holder and contractor personnel etc).

6.2 Certification by the auditors

The Department may make decisions and take compliance action based on information contained in an audit report. So it is essential that auditors ensure that the information in an audit report is true, complete and up to date as at the date of the report.

Significant penalties may apply if information or documentation is provided to the Department that is false or misleading. Under section 491 of the EPBC Act it is an offence to provide a document that is false or misleading to a person performing a duty or carrying out a function under the EPBC Act or the regulations. The maximum penalty for such an offence by an individual is imprisonment for up to one year or a fine up to 60 penalty units, or both.

It is also an offence under section 461(4) of the EPBC Act for an environmental auditor to include a false or misleading statement in an audit report. The maximum penalty for such an offence is imprisonment for not more than six months.

All audit reports are to include an auditor's certification as per [Appendix C](#).

6.3 Executive summary

The Executive Summary provides a high level summary of the audit findings. In particular, it is to include a summary of any non-compliance.

6.4 Detailed audit findings

The approved audit criteria and methodology is to be incorporated into the report and used to set out the detailed audit findings.

6.5 Compliance findings

The Department uses the following compliance finding ratings:

Y: Compliance; N: Non-compliance; NA: Not applicable at time of audit; O: Observation.

Compliance

A rating of 'compliance' is given when the auditee has complied with a condition or element of a condition.

Non-compliance

A rating of 'non-compliance' is given when the auditee has not met a condition or an element of a condition.

Not applicable

A rating of 'not applicable' at the time of the audit is given when the condition or element of a condition falls outside the scope of the audit e.g. if an activity has not yet commenced or a requirement has not been triggered.

Observation

An 'observation' may be made about issues relevant to the protection of a matter of national environmental significance when the issue is not strictly related to compliance or non-compliance with a condition or element of a condition.

Note: The above ratings are to be used by the approved independent auditor. They are also to be used when measuring compliance for management plans, reports, or programs etc (however described) required by conditions.



Photo: View from the riverbank © Nick Rains

Appendix A—Auditor’s Declaration of Independence

I, [name of auditor]¹ _____ of [name of organisation and full address] _____

declare that to the best of my knowledge and belief I and my organisation do not have any conflicting or competing interests with:

The Auditee [name of Auditee] _____

_____, the Auditee’s staff or representatives or other persons associated with the Auditee, including any personal, financial, business or employment relationship, except to the extent detailed below.

The project to be audited [name of EPBC Act project] _____

I shall notify the Department of the Environment within seven days of any change in these circumstances or any other change that may affect my independent status.

I shall at all times observe any professional code of conduct and/or ethics applicable to undertaking audits (i.e. – as prescribed by the agency with which I hold accreditation/membership). I take full responsibility for any factual inaccuracy or mistake made in giving this declaration, particularly to the extent that others rely upon the truth of this declaration. I acknowledge that the Department of the Environment may request further information to verify my independence at any time.

Details of any personal, financial, business or employment relationship with the Auditee, the Auditee’s staff, representatives or associated persons. (This is in the context of both the person making the declaration and the organisation that they are employed by – specify ‘nil’ if none):

Details of any personal, financial, business or employment relationship with the project to be audited. (This is in the context of both the person making the declaration and the organisation that they are employed by - specify ‘nil’ if none):

Details of audit qualifications and professional accreditations/memberships. (Include copies of current audit qualifications and current professional accreditations/memberships) :

In making this declaration, I am aware that section 491 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) makes it an offence in certain circumstances to knowingly provide false or misleading information or documents to specified persons who are known to be performing a duty or carrying out a function under the EPBC Act or the regulations. The offence is punishable on conviction by imprisonment for not more than 1 year, a fine not more than 60 penalty units, or both. An extract of section 491 of the EPBC Act is attached

Signed _____

Full name (please print) _____

Organisation (please print) _____

Date _____/_____/_____

Footnote:

1. Where an organisation or a team of auditors is nominated to undertake the audit, each individual that is nominated is to complete a separate declaration.
2. The curriculum vitae of all audit team members are to be submitted with the declaration outlining their relevant experience and qualifications.

Appendix B—Audit Criteria and Methodology Template

Audit Criteria and Methodology
[PROJECT NAME] [PROJECT NUMBER EPBC XXXX/XXXX]
Client: [APPROVAL HOLDER]

DATE OF REPORT:
REPORT PREPARED BY: [AUDITOR NAME]
REPORT APPROVED BY: [NAME OF APPROVER/CLIENT AND DATE]

CONDITIONS OF EPBC ACT APPROVAL						
EPBC Approval Condition [No.]		[APPROVAL CONDITION – INSERT EXACT TEXT FROM THE RELEVANT APPROVAL INSTRUMENT]				
		Verification Method	Evidence	Documents Sighted	Determination	Compliance Finding
1.1	[CRITERIA] Each condition must be included in its entirety (above) and then broken down into its individual element (criteria).	The verification method field is to articulate how the audit team intends going about measuring compliance with the conditions/condition elements or commitments contained within associated plans, reports, programs etc. E.g. reviewing documentation in the nature of xxxxx and/or by undertaking a site inspection of xxxxx.	The evidence field is to provide thorough details of audit evidence obtained and actual measurements made. Details should be provided of documents, mapping and any site visits including dates, locations, titles, observations and conclusions. Where the implementation of plans, reports or programs (however described) is required by the approval conditions, the details of the individual commitments contained in those plans, reports or programs are to be separately identified.	The documents sighted field is to list the documents sighted or reviewed as part of the audit and should include the title, author and date. This field should also include details of any site visits and inspections undertaken as part of the audit.	The determination field is to summarise the justification for findings against the criteria.	[COMPLIANT] [NON-COMPLIANT] [NOT APPLICABLE]
1.2						

Notes:

General:

The audit criteria and methodology must be:

- based upon the relevant approval instrument and must comprehensively address all of the approval conditions including elements of conditions and measures required by management plans, reports, or programs etc. Each condition must be included in its entirety and then be broken down into its component elements.
- prepared by the approved independent auditor and it must be approved by the Minister/delegate prior to the audit commencing. The approved audit criteria and methodology is to be incorporated into the resulting audit report and is to be used to set out in detail the audit findings.

In submitting the audit criteria and methodology to the Department for approval, all fields are to be completed with the exception of the Evidence, Documents Sighted, Determination and the Compliance Finding fields which are to be completed in the resulting audit report.

Verification Method:

The verification method field is to articulate how the audit team intends going about measuring compliance with the conditions/condition elements or commitments contained within associated plans, reports, programs etc.

E.g. reviewing documentation in the nature of xxxxx and/or by undertaking a site inspection of xxxxx

Evidence:

The evidence field is to provide thorough details of audit evidence obtained and actual measurements made. Details should be provided of documents, mapping and any site visits including dates, locations, titles, observations and conclusions.

Where the implementation of plans, reports or programs (however described) is required by the approval conditions, the details of the individual commitments contained in those plans, reports or programs are to be separately identified. The resulting audit report must not:

- report by exception and must include details of all findings made against each criterion. Where the implementation of plans, reports, or programs etc (however described) is required by the approval conditions, the details of the individual commitments contained in those plans, reports, or programs etc are to be separately identified and measured.
- place an over-reliance on representations made by the approval holder or their representatives (i.e. audit findings should be based on independently verifiable third party evidence).

Documents Sighted:

The documents sighted field is to list the documents sighted or reviewed as part of the audit and should include the title, author and date. This field should also include details of any site visits and inspections undertaken as part of the audit.

Determination:

The determination field is to summarise the justification for findings against the criteria.

Compliance Findings:

The Australian Government Department of the Environment uses the following compliance finding ratings:

Y: Compliance; N: Non-compliance; NA: Not applicable at time of audit; O: Observation.

Compliance

A rating of 'compliance' is given when the auditee has complied with a condition, element of a condition, or measure required by a management plan, report or program etc.

Non-compliance

A rating of 'non-compliance' is given when the auditee has not met a condition, element of a condition, or measure required by a management plan, report or program etc.

Not applicable

A rating of 'not applicable at the time of the audit' is given when the condition or element of a condition falls outside the scope of the audit e.g. if an activity has not yet commenced.

Observation

An 'observation' may be made about issues relevant to the protection of a matter of national environmental significance when the issue is not strictly related to compliance or non-compliance with a condition or element of a condition.

Note: The above ratings are to be applied by the approved independent auditor. They are also to be applied when measuring compliance in relation to management plans, reports, or programs etc (however described) required by conditions.



Photo: Desert landscape © Nick Rains

Appendix C—Audit Report— Auditor’s Certification

Auditor’s name, position, company and contact details:

Auditor’s qualifications and/or experience:

Auditor’s declaration:

I,(name of auditor)

- For environmental audits that are required by a condition of an *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) approval I certify that, to the best of my knowledge, all information provided in the audit report attached to this audit certification statement is true, correct and complete.

I am aware that section 491 of the EPBC Act makes it an offence in certain circumstances to knowingly provide false or misleading information or documents to specified persons who are known to be performing a duty or carrying out a function under the EPBC Act or the regulations. The offence is punishable on conviction by imprisonment for not more than 1 year, a fine not more than 60 penalty units, or both.

- For directed environmental audits that are required pursuant to section 458 of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) I certify that, to the best of my knowledge, all information provided in the audit report attached to this audit certification statement is true, correct and complete.

I am aware that section 461(4) of the EPBC Act makes it an offence in certain circumstances for an environmental auditor to include a statement in an audit report that is false or misleading in a material particular. The offence is punishable on conviction by imprisonment for not more than 6 months.

Signature:

Date:

Note: Modify the auditor’s certification to reflect whether the environmental audit was required by a condition of an EPBC Act approval or directed pursuant to section 458 of the EPBC Act.



