



**Accounting
for Nature™**

Audit Rules

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ACKNOWLEDGEMENT

From 2008 to 2018, the Wentworth Group of Concerned Scientists developed the Accounting for Nature® model. The model sought to establish a practical, affordable and scientifically robust methodology for creating a common unit of measurement to describe the condition of environmental assets and measure any change in the condition of those assets over a period of time.

From December 2018, the Wentworth Group will not take part in any further development of, or application or implementation of, the Accounting for Nature model. This will be undertaken by AfN. The Wentworth Group is not responsible for the use of or implementation of the Accounting for Nature® model or any associated services provided by AfN.

Glossary & Key Terms: For a full list of terms and definitions, please refer to the Accounting for Nature® Glossary and Key Terms available from the [AfN website](#).

CONSULTATION AND REVIEW

AfN is committed to the development, review and implementation of a comprehensive Framework that directly impacts Users' credibility, effectiveness, and impact of Accounting for Nature® Certified Environmental Accounts.

To help achieve this, stakeholders are invited to provide feedback on the Accounting for Nature® Audit Rules during a review period, which will commence on 14 August 2023 and conclude on 31 January 2024.

This four-month timeframe allows stakeholders to review the Audit Rules and submit their feedback. The feedback obtained during this period will be considered for potential revisions and improvements to ensure the effectiveness and relevance of the Audit Rules.

All stakeholders are requested to submit their feedback via email to feedback@accountingfornature.org.

Key terms

Below are key terms referenced throughout this document. For a full glossary of Accounting for Nature® terms, please see the **Accounting for Nature® Glossary**.

Term	Document definition
Accounting for Nature® Accredited Auditor	An auditor listed on the Accounting for Nature® Accredited Auditor Directory who is qualified to conduct audits to determine whether an Environmental Account has complied in all material respects with compliance requirements as evaluated against Accounting for Nature® Certification Criteria.
Accounting for Nature® Accredited Auditor and Expert Directory	A list of environmental accounting and auditing professionals who have been accredited according to the requirements outlined in the Accounting for Nature® Standard and Accounting for Nature® Audit Rules .
Audit & Risk Committee	The AfN Audit & Risk Committee (ARC) is a specialised committee formed from selected members of the AfN Board and the AfN Executive. The primary purpose of the ARC is to provide independent oversight and guidance on key matters related to potential material risks to the Accounting for Nature® brand, internal controls, systems of risk management and oversight, and compliance.
Accounting for Nature® Environmental Account Registry	A Registry that contains all Environmental Accounts that have been Registered and Certified. It is a register on the AfN website that lists key information about the Account and is the source of truth for Public Environmental Accounts.
AfN Technical Assessment	A standardised procedure using Certification Criteria and Method-specific Criteria undertaken to ensure that an Environmental Account submitted by a Proponent, seeking Certification (AfN Verified), is compliant.
Agreed Upon Procedures ('AUPs')	A set of compliance requirements evaluated against each unique Accredited Method included in an Environmental Account. The AUPs focus on the areas in the Method representing the greatest likelihood of material risk or error. Only applies to grandfathered accounts and they align with Method specific Criteria used by AfN in the Technical Assessment procedures.
Assurance	The result of an Independent Audit engagement to provide confidence as to the degree of reliance that can be placed on the Environmental Account and it meeting the requirements outlined in the Accounting for Nature® Standard and other Method-specific Criteria.
Assurance Engagement	An Assurance Engagement involves a Proponent engaging an Accredited Auditor to provide an independent conclusion as to the reliability, accuracy and completeness of the matters being audited. There are two types of assurance engagement: reasonable assurance and limited assurance.

Assurance provider	The organisation undertaking the assurance engagement.
Assurance engagement report (limited or reasonable)	A report that provides a context and conclusion for the assurance engagement. The assurance engagement report must document whether sufficient appropriate evidence has been obtained to support the conclusion expressed in the assurance engagement report.
Approved Audit Schedule	An audit schedule that is approved by AfN as part of a Unitisation Licence Agreement for Certified Environmental Accounts that are being stabled to carbon offset credits or used for biodiversity credits
Certification	Certification as defined in the Accounting for Nature® Standard.
Certification Criteria	Criteria described in the Accounting for Nature® Standard that must be satisfied to receive Accounting for Nature® Certification.
Environmental Account	A compilation of consistent and comparable statistics and indicators for the specific purpose of describing the condition and trend of a specific Environmental Asset(s).
Level of assurance	The degree of confidence that can be placed by the intended user in the Environmental Account being Certified.
Fit and Proper Person Test	A test used to determine if the applicant can be considered a Fit and Proper Person for the purposes of conducting audits under the Accounting for Nature® Framework. Applicants are required to report against several criteria (e.g., contravention of relevant legislation) to determine their suitability.
Headline Claim	The <u>main</u> intended Claim, relevant to the Environmental Account Purpose, which the Certified Environmental Account will be used to evidence.
Information Statement	A statement prepared by the Proponent that documents, including in non-technical terms, the rationale for the selection of Assets, choice of Indicators, the origins of the data, the analysis and treatment of data, account limitations and construction of the Econd® and the Account Certification status.
Limited assurance	An Assurance Engagement in which an auditor provides low-level assurance. The resulting limited assurance audit report involves a negatively worded assurance conclusion, such as “nothing came to our attention to indicate that the assertion made is materially misstated”.
Materiality	In the context of audits, Materiality refers to the level at which misstatements, omissions or incidences of non-compliance materially influence any decision the AfN Executive might make regarding the status (i.e., the rigour and completeness) of an Environmental Account.

Material financial or reputational benefit	Any significant benefit or advantage in terms of financial, assets, or reputation that an individual, company, or organisation may obtain through the Certification of an Environmental Account and associated Claims, <u>and</u> , the associated trust and due diligence that the intended user (whether directly or indirectly) puts on these Certified Environmental Accounts when buying/relying on these Claims.
Misstatement	In relation to a matter being audited under an assurance engagement, a misstatement refers to an error, omission or misrepresentation in the matter relating to compliance with the Accounting for Nature® Standard and associated 'Rule' documents.
Method	An Accounting for Nature® Accredited Method provides detailed instructions on how to measure the Condition of a specific Environmental Asset, at a particular Accuracy Level, at a particular Scale, and to support a specific Purpose and/or Claim. The Independent Science Committee is responsible for reviewing the science in Methods, and recommending to the AfN Executive whether it should be accredited for use under the Framework. All Asset Accounts must be prepared in accordance with an Accredited Method nominated at the time of registering an Environmental Account with AfN.
Proponent	Any entity—be it an individual, company, government department/agency or other—who is seeking to have, or has already had, an Environmental Account developed under the Accounting for Nature® Framework.
Reasonable assurance	An Assurance Engagement in which auditors provide a high level of assurance but not an 'absolute' level of assurance. The resulting reasonable assurance audit report involves a positively worded assurance conclusion and provides a low level of risk of material misstatement. It is the highest level of assurance applicable under the Accounting for Nature® Standard .
Statement of Compliance & Good Faith	A form that Proponents must sign that outlines the accepted conduct expected of individuals or organisations operating under the Accounting for Nature® Framework. It declares that acting in good faith and to the best of their knowledge, the Environmental Account(s) has been prepared in accordance with key principles and all applicable requirements as described in the Accounting for Nature® Standard .
Verification	The processes for determining whether data or other information in an Environmental Account is materially correct. The process uses Agreed Upon Procedures (AUPs) or Method-specific criteria to confirm that information provided by the Proponent, through the provision of objective evidence, meets the requirements outlined in the Accounting for Nature® Standard

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1 Introduction

1.1 Purpose

These Audit Rules provide the procedures and processes that support the auditing requirements outlined in the Accounting for Nature® Standard.

The intended users of this document include:

- Accounting for Nature® Accredited Auditors;
- Accounting for Nature® Accredited Experts;
- Proponents seeking to engage an Accounting for Nature® Accredited Auditor; and,
- Regulators, investors, and other users of Accounting for Nature® Certified Environmental Accounts.

1.2 Application

The audit of Environmental Accounts – whether through AfN Verified or undertaken by an independent party, provides the following benefits for AfN, Proponents and stakeholders:

- Reducing data quality risk and enhancing trust. Data quality remains a significant issue for reporting organisations and report users. The role of assurance in reducing data quality risks is widely recognised. Disclosures that are viewed as robust and credible are more likely to be relied on, thus increasing the value of reporting.
- Improving image and reputation. An audited Environmental Account (and particularly one which has provided an assurance conclusion) can provide an organisation's interested parties with a greater sense of confidence in disclosures. Among other things, it reflects the seriousness with which the reporting organisation approaches reporting. Investors, rating agencies and analysts increasingly seek assurance when making investment decisions.
- Ultimately, increasing the use of environmental Condition data and information by property owners, organisations, companies, investors, and leaders for informed decision-making and investment. Disclosures and data that are believed to be accurate, trustworthy, and credible are more likely to be used for decision-making and to support developing biodiversity markets.

The **objective** of the Audit Rules is to ensure that Accounts undergoing Certification conform in all material respect to the Certification Criteria as prescribed in the **Accounting for Nature® Standard**, specific Method(s) and other applicable Rules documents.

The **deliverable** of the audit process is an Assurance or Verification Report that meets the requirements of the Accounting for Nature® Standard.

There are two pathways when seeking certification under the Accounting for Nature® Framework: **Certified - Independent Audit**; and **Certified – AfN Verified**.

This document prescribes the requirements and processes for:

- Undertaking an Independent Audit, including the Accounting for Nature® Accredited Auditor engagement process, to gain access to the Certified – Independent Audit Trustmark (Section 3)
- Undertaking an AfN Technical Assessment, to gain access to the Certified – AfN Verified Trustmark (Section 4).
- Applying to become an Accounting for Nature® Accredited Auditor (Section 5).

1.3 Accounting for Nature® Framework and Audit Requirements

The Accounting for Nature® Framework ('the Framework') is used to build Environmental Accounts using a common unit of measure called an Econd®. The purpose of the Framework is to provide a practical and scientifically credible approach to Monitoring, Reporting and Verification (MRV) and certifying changes in environmental Condition (also termed the "state of nature") over time. Accounting for Nature® Certified Environmental Accounts are used to evidence Claims of environmental outcomes, including Claims associated with "nature positive" projects, products, properties/assets, national and subnational jurisdictions, companies, and value chains.

Underpinning the Framework is a system of criteria and processes that ensure the integrity and transparency of Accounting for Nature® Certified Environmental Accounts. The criteria for complying with the Framework is contained in the Accounting for Nature® Standard ('the Standard'), which is supported by a system of Processes, Rules and Guideline documents (Figure 1).

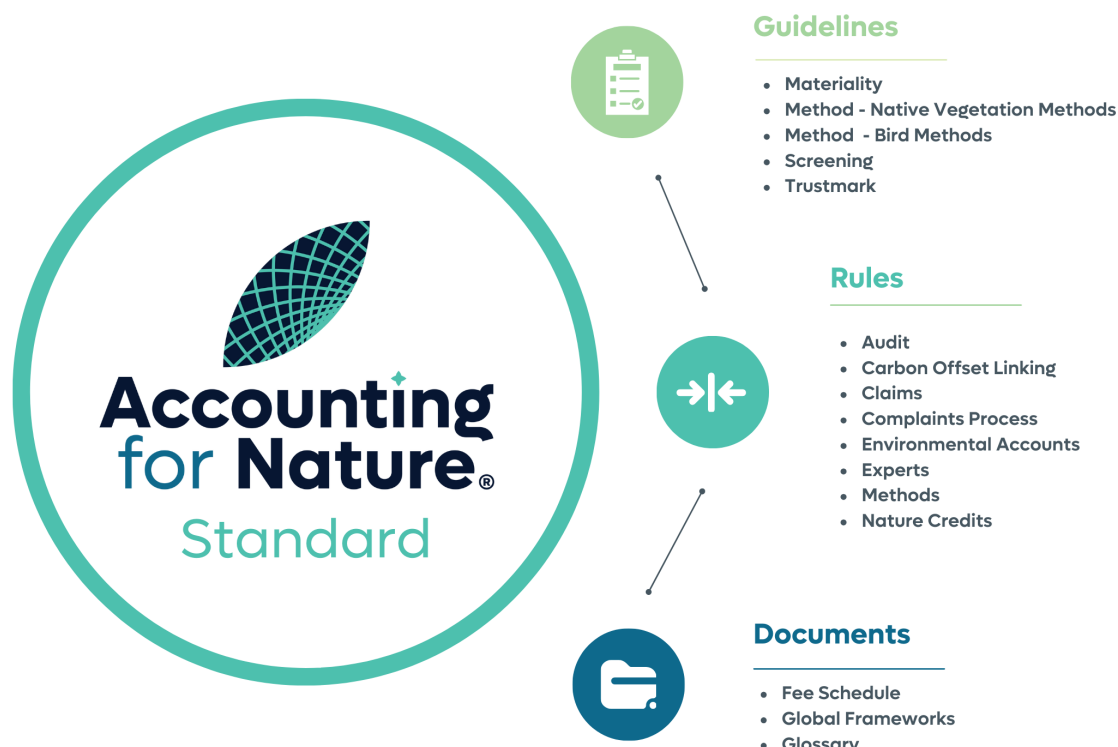


Figure 1 Accounting for Nature Framework document structure.

The integrity of Accounting for Nature® Certified Environmental Accounts depends on robust and reliable due diligence activities conducted by AfN - and in more risky cases (such as the issuance of credits) – independent parties who can be engaged to provide an independent assurance audit.

Therefore, the Framework requires that all Environmental Accounts be Certified as per the Certification Criteria, as outlined in the Accounting for Nature® Standard.

2 Overview of the Accounting for Nature® audit process and requirements



2.1 Overview

The **Accounting for Nature® Standard** requires that Environmental Accounts must undergo either an Independent Audit (limited or reasonable assurance) or an AfN Technical Assessment when seeking Certification. These Assurance and Verification processes are based on a risk-based audit approach which is designed to balance integrity with the need for a cost-effective, streamlined Certification regime.

These Audit Rules take guidance from national and international standards. They also reference best-practice audit procedures, including those used for legislated audit requirements as part of government policies and programs, such as those in Europe, the United States, and Australia.

Under the Accounting for Nature® Framework, Proponents have **two pathways to be eligible for certification**:

Table 1 Overview of the Certification pathways under the Accounting for Nature® Framework

Certification pathways	
CERTIFIED - Independent Audit	CERTIFIED - AfN Verified
	
<p>The Independent Audit Certification pathway requires the engagement of an Accounting for Nature® Accredited Auditor to obtain either a Limited or Reasonable Assurance audit for the associated Environmental Account and the Claims it is being used to support.</p> <p>The Independent Audit option provides third-party assurance as to whether an Environmental Account and associated claims comply in all material aspects with the specified requirements of Accounting for Nature® Standard and Method-specific criteria. It is most suited to Environmental Accounts where the intention is to underpin credits and green claims.</p>	<p>The AfN Verified Certification pathway requires AfN (not an independent auditor) to verify each environmental account through its standardised Technical Assessment process (charged as per AfN's Fee Schedule) against the Certification criteria in the Accounting for Nature® Standard and relevant Method-specific criteria.</p> <p>The AfN Verified option provides a pathway for organisations and individuals seeking to inform management activities and not seeking direct monetisation from their Environmental Account through biodiversity credits or carbon offset co-benefit linking.</p>

The concept of **materiality** is central to the risk-based auditing approach established under the Framework. Materiality is a concept used by auditors in determining the nature, timing and extent of procedures required, and to assess the relative significance of identified misstatements or non-compliance in the context of the overall reported information or compliance requirements. Information is material if its misstatement or non-compliance could influence the decisions of users of an Environmental Account.

Misstatement is defined under the Accounting for Nature® Framework as: 'Misstatement means an error, omission or misrepresentation in the matter relating to compliance with the Accounting for Nature® Standard, Method-specific criteria and associated 'Rule' documents.

2.2 Choosing an appropriate Certification pathway

Defining the Purpose of the Environment Account is one of the most critical steps of the Environmental Account creation process and a key consideration when conducting an audit. Clearly articulating the reasons for developing an Environmental Account and the intended use of the account sets the foundation and informs what Certification pathway (and audit requirements) should be followed by the Proponent (Table 2).

Key considerations when choosing a Purpose and Certification pathway include (but are not limited to):

- whether the user intends to make Public Claims;
- the target audience for Claims, and the scientific accuracy needed of the environmental data to effectively support those Claims;
- if the data produced as a part of the Environmental Account complies with the standard or framework used to base nature-positive claims on if seeking to make 'nature positive' or other qualitative Claims;
- if the Environmental Account is being used to support Environmental, Social and Governance (ESG) or other environmental and sustainability reporting purposes, ensuring the data from the Environmental Account can be used to inform relevant environmental disclosures in the selected reporting framework; and
- if the Environmental Account will be used to underpin the verification of environmental co-benefits for Carbon Credits or the issuance of standalone nature/biodiversity credits.

Proponents may seek to "monetise" Environmental Account outcomes (via Claims or Credits) to gain financial and reputational benefits. These benefits may be used to fund nature restoration or conservation activities, while also potentially generating investment returns. Some financial benefits may be small and limited in scope, posing a non-material risk of overstatement or misstatement. However, in other instances, the expected benefits could be substantial and widely applicable, thus carrying significant financial and reputational risks for the Proponents, end-users, and AfN in the event of overstating or misstating outcomes.

Table 2 Guidance on minimum Environmental Account Certification pathway required to support different Purposes/Claims.

Purpose	AfN Verified	Independent Audit
Land / sea management decision-making	✓	✓
Underpin other Framework requirements (e.g. TNFD, SBTN), with no Public Claims	✓	✓
Factual reporting on environmental performance (e.g. ESG Reporting)	✓ ¹	✓ ²
Confidential impact investment due diligence	✓ ³	✓ ³
Product labelling (e.g. to achieve a premium price, market access)	Discuss with AfN to determine if appropriate	✓ ³
Environmental co-benefits associated with carbon offset credits	x	✓ ³
Issuance of nature/biodiversity credits	x	✓ ³
Evidence Public Claims about a contribution to 'nature-positive' etc.	✓	✓ ³
Issuance and monitoring of Green Bonds / Sustainability-linked loans	x	✓ ³

Note: Current as of December 2023, subject to consultation and testing during 2024.

2.2.1 Credits and claims

Importantly, AfN does not currently issue nature/biodiversity credits or certify green claims⁴ (e.g., nature-positive) linked to products, services, assets, or organisations. Instead, AfN has a scientific focus on the rigorous measurement of the Condition of Environmental Assets (through the calculation of the Econd[®]) and the independent certification of Environmental Accounts, including the Econd[®] and underlying data. Certified Environmental Accounts can provide the foundational evidence that can be used to underpin credit issuance or green claims.

¹ If no qualitative Public Claims are to be made on the Environmental Account

² If required by external user i.e. investor and making Public Claims.

³ Subject to pending Accounting for Nature[®] Rules

⁴ Green claims (also referred to as 'environmental claims' or 'eco-friendly claims') are broad (and commonly unsubstantiated) claims that show (for example) how a property, asset, portfolio, product, service, brand, and/or organisation provides a benefit or is less harmful to the environment.

AfN currently relies on **approved third-party programs or standards** for establishing the rules for issuing credits or making green claims in the market. Proponents may make green claims provided they clearly state that the claims are made wholly on their own accord (or through the use of an approved third-party program or standard) and in compliance with our Claims Rules. In other words, Proponents should never claim that AfN has certified anything other than their Environmental Account.

In many cases, these credits or green claims may lead to a significant reputational and financial benefit for the Proponent (holder) of an Accounting for Nature[®] Certified Environmental Account. This benefit is, however, also likely to come with a significant reputational risk, both for the Proponent and for the Accounting for Nature[®] brand. For this reason, AfN sets the conditions (Sections 2.3.1 and 2.3.2) for using Accounting for Nature[®] Certified Environmental Accounts to support the issuance of credits or making of green claims. Proponents must never represent/imply that AfN has Certified the linking of a credit or a green claim.

Concerning all credits and green claims supported by Accounting for Nature[®] Certified Environmental Accounts, Proponents agree to indemnify AfN against any associated direct and indirect consequences that may arise.

2.3 Independent Audit Certification pathway

The Independent Audit pathway requires the engagement of an Accounting for Nature[®] Accredited Auditor to obtain either a limited or reasonable assurance audit for the associated Environmental Account and the Claim(s) it is being used to support. This process is external to AfN and is summarised below.

2.3.1 Credits

AfN **requires** that an Independent Audit Certification be achieved for Environmental Account(s), where the purpose is to link and label the Environmental Account(s) to carbon offset credits to support environmental co-benefit verification and/or underpin the issuance of standalone nature/biodiversity credits.

A Reasonable Assurance independent audit is generally required for the underlying Environmental Account Baseline (or when a Baseline recalculation is required). Subsequent audits may however be conducted as Limited Assurance (providing there has been no material change to the Account in the intervening reporting period).

Accounting for Nature[®] Certified Environmental Accounts being used to support nature/biodiversity or carbon credits must also be underpinned by an Accredited Method that uses “direct measurement”. Large-scale “screening methods” must never be used to support nature/biodiversity or carbon credits. Importantly, where a nature/biodiversity or carbon credit is concerned, a *Unit & Product Certification License Agreement* must also be signed with AfN before a Certified Environment Account can be used for the Purpose of supporting credits.

2.3.2 Green claims

“Green claims” may include (but are not limited to) statements, product labelling, and/or organisational claims associated with ‘nature positive’, ‘regenerative’, ‘sustainable’ or similar.

AfN **strongly recommends** (but does not currently require) that Independent Audit Certification be achieved for an Environmental Account(s) where the Purpose is to underpin green claims made under an approved third-party sustainability (or other) reporting program or standard or by the Proponent themselves.

Assurance audits are strongly recommended for green claims as they enhance transparency and risk mitigation. Assurance audits also provide greater confidence to investors/financiers and other end-users that the risk of greenwashing has been minimised and Claims associated with the Environmental Account are not misleading.

In the case where the Proponent has NOT selected the Independent Audit certification pathway (i.e. the Proponent has selected the AfN Verified Certification Pathway), they must take all reasonable steps to ensure clarity in that AfN has only Certified the Environmental Account and NOT the green claim, AND that the Claim is the Proponent's own opinion.

Where a Certified Environmental Account is being used purely to support the internal/external publication of state of nature performance reporting (i.e. Simply publishing the data/tables from a Certified Environmental Account with no associated qualitative Claim), an AfN verified Certification pathway may be used. However, AfN may also allow this option to be used for other Purposes if they carry low financial or reputational risk/return. Please contact AfN for more information.

Verification audits may not be used to achieve Certified – Independent Audit Certification status for an Environmental Account, except where approved under an existing grandfathered arrangement (see section 2.8).

Table 2 in section 2.2 provides guidance on the minimum Environmental Account Certification Pathway appropriate to support different Purposes. Proponents are encouraged to contact AfN to discuss the most appropriate Certification pathway if unsure.

2.4 Complying with accepted standards

The Audit Rules are designed to be applied in any country but require consideration of locally accepted standards for Assurance Engagements. Several national and international standards provide guidance for the audit team leader when conducting Assurance or Verification Engagements set out in this document.

Audit team leaders must ensure that audits are carried out and reported in compliance with all relevant audit standards set by their locally accepted audit standard setting board. Several of these standards and associated boards are listed in Table 3 on the next page.

Table 3 International standards for Assurance Engagements of relevance to the Accounting for Nature® Framework and audit processes.

Application	Standards or other relevant guidelines
International	<ul style="list-style-type: none"> International Standard on Assurance Engagements: ISAE 3000 (Revised), <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>. The ISAE 3000 deals with assurance engagements other than audits or reviews of historical financial information, which are dealt with in International Standards on Auditing (ISAs) and International Standards on Review Engagements (ISREs), respectively. ISO: 14016:2020 Environmental management — Guidelines on the assurance of environmental reports ISO/IEC 17029:2019, <i>Conformity assessment — General principles and requirements for validation and verification bodies</i>
Australia / NZ	<ul style="list-style-type: none"> Australian Standard on Assurance Engagements: (ASAE) 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information is applicable to all assurance engagements covered in the Audit Rules. The ASAE Standard deals with all Assurance Engagements other than audits or reviews of historical financial information. To comply with ASAE 3000, audit team leaders must apply, in the conduct of their audits, the quality control standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, as well as any specific ASAEs relevant to the engagement. The APES 110 <i>Code of Ethics for Professional Accountants</i> issued by the Accounting Professional and Ethical Standards Board (APESB) may also provide guidance to auditors with respect to Environmental Accounts.
UK	<ul style="list-style-type: none"> ISAE (UK) 3000: Provides requirements and guidance on Assurance Engagements, other than audit or reviews of historical financial information. It is a principles-based standard that is capable of being applied effectively to a broad range of underlying subject matters and provides a basis for current and future subject-specific ISAEs. Issued by the FRC in July 2020.
USA	<ul style="list-style-type: none"> AICPA attestation standards define two levels of assurance services relating to examination engagement in which the practitioner obtains reasonable assurance by measuring or evaluating underlying subject matter against criteria and expressing an opinion that conveys the results of that measurement or evaluation. Reasonable assurance is obtained in an examination engagement (SSAE 21), and limited assurance is obtained in a review engagement (SSAE 22).

2.5 Audit and verification process overview

The diagram below provides an overview of the Accounting for Nature® audit process as described in this document.

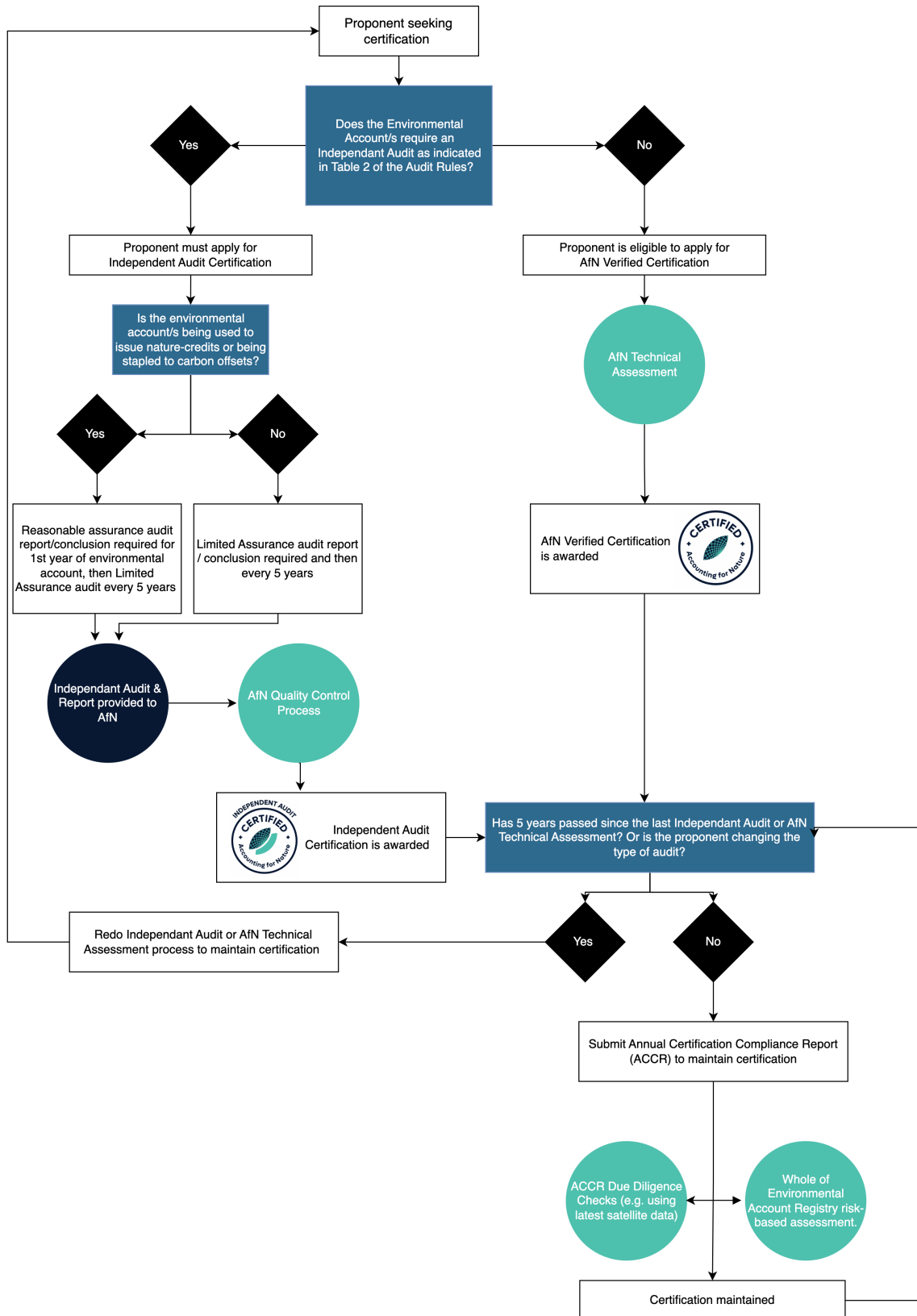


Figure 2 The Audit process within the context of the broader Accounting for Nature® Certification process.

2.6 Audit timing & requirements

For all Environmental Accounts seeking Certification, an Independent Audit or AfN Technical Assessment (and associated documents) must be completed:

- 1) with the initial Environmental Account Baseline Certification application, and then at a time interval of no longer than every five (5) years from the last successful account audit and Certification;
- 2) as per any specific timing requirements of the relevant Method(s) being applied; or
- 3) whenever the Baseline recalculation is required, e.g., there is an obvious and material change to the Environmental Accounting areas and/or condition of the asset reported.

2.6.1 Independent Audit timings for Environmental Accounts used to support stapling and credit issuance

For Environmental Accounts used to underpin the stapling to carbon or issuance of nature/biodiversity credits, Environmental Accounts must have an Independent Audit undertaken by an Accredited Auditor in accordance with an **Approved Audit Schedule**. For general guidance, an Approved Audit Schedule could require audits as follows:

- 1) for the initial Baseline Environmental Account (reasonable Assurance audit);
- 2) then (limited assurance) of the Environmental Account:
 - (a) at least every five (5) years from the Baseline audit onwards; or
 - (b) as per the Proponent's Approved Audit Schedule which may consider audit requirements under a third-party scheme e.g. Emissions Reduction Fund (ERF), Land Restoration Fund (LRF).

For clarity, the audit requirements of a third-party scheme may prevail over the requirements outlined in Section 2.5.1 but this must be approved in writing by AfN and incorporated in to an Approved Audit Schedule.

However, for some Environmental Assets - such as water and fauna - for which measuring the state of nature, quantifying uplift, and attributing change is often relatively more complex and classified as a higher risk, AfN may require additional Independent Audits as part of an Approved Audit Schedule.

For this reason, and importantly, before a Certified Environmental Account can be stapled to a carbon offset credit or used to issue a nature/biodiversity credit, the Proponent must obtain written approval and confirmation of the Approved Audit Schedule from AfN (which will form part of the Unitisation License Agreement).

Additionally, AfN reserves the right to undertake a Technical Assessment and request a recalculation and/or Independent Audit (at the Proponent's expense) of any Environmental Account and Econd® where:

- AfN has reasonable grounds and evidence to suspect the Environmental Account has not generated an uplift in environmental Condition and has been used to staple/issue credits, and where an Approved Audit Schedule cannot provide clarity on this; and/or
- there has been a material change in Scope of that Environmental Account since the Baseline was completed.

A summary of Certification documentation requirements and submission timing for both the Independent Audit and AfN Verified options are provided in Table 4.

Table 4 Certification audit documentation requirements and timing

Environmental Account documentation	Certified - Independent Audit	Certified – AfN Verified
Audit Report -reasonable assurance (Completed by Accredited Auditor)	Environmental Accounts used for stapling to carbon offset units or issuance of nature credits. <i>Only for initial or recalculation of Baseline (limited assurance may be used for future audits).</i>	N/A
Audit Report - limited assurance (Completed by Accredited Auditor)	All Certified - Independent Audit Environmental Accounts at <i>least every five (5) years</i> , unless used for stapling to carbon offset units or issuance of nature credits, then as per Approved Audit Schedule (see above Section 2.4.1).	N/A
Risk Assessment Checklist for Technical Assessment (completed by Proponent)	N/A	All Certified – AfN Verified Environmental Accounts
AfN Verification Report (completed by AfN during a Technical Assessment)	N/A	All Certified – AfN Verified Environmental Accounts
Annual Certification Compliance Report (ACCR) (completed by Proponent)	Annually, when an Independent Audit is not due	Annually, when an AfN Verification Report is not due

2.7 Changes to the Certification pathway

Proponents may change the Certification pathway (for example, upgrading from Certified – AfN Verified to Certified – Independent Audit) for their Environmental Account(s) with their next Certification by complying with the audit requirements of their newly elected Certification option.

Proponents should be aware of the limitations to the Claims that can be made if they change to the Certified–AfN Verified option. For example, changing from Certified–Independent Audit to Certified–AfN Verified Proponents will forego their ability to make Claims with respect to stapling of carbon offsets, issuance of nature credits and ‘nature positive’ (etc). For more information, please see the **Accounting for Nature® Carbon Offset Linking and Labelling Rules**⁵ and the **Accounting for Nature® Nature Credit Issuance Rules**⁶ under the Accounting for Nature® Framework.

⁵ In development, contact AfN for more information

⁶ In development, contact AfN for more information

2.8 Grandfathering arrangements

2.8.1 All Accounts

All Environmental Accounts registered prior to 1 July 2023 may obtain an Independent Audit via AUP verification (i.e., not assurance) provided that the account is Certified before 1 July 2024. These Environmental Accounts will be eligible to use the **Certified – Independent Audit** Trustmark but will be required to either transition to an assurance audit or AfN Technical Assessment for following Certifications, unless otherwise approved by AfN.

2.9 Annual Certification Compliance Reports

AfN will request Proponents of Certified Environmental Accounts to provide Annual Certification Compliance Reports ('ACCR') to outline any material changes in their Environmental Account and confirm that a Baseline recalculation is not required.

Minor non-conformance and general feedback items may be identified and recorded during the initial Environmental Account Certification process or during the annual compliance review. It is recommended the Proponent provide details on the corrective actions taken to address these findings in their ACCR.

2.10 AfN initiated Technical Assessments and assurance engagements

Should AfN reasonably suspect a material change to a Certified Environmental Account that has not been reported by a Proponent, AfN reserves the right to initiate an additional audit (AfN Technical Assessment, AUP verification, or Assurance engagement) of the Environmental Account (at AfN's own expense) outside the regular audit regime outlined in Section 2.3.

2.11 AfN internal due diligence process

AfN undertakes an internal due diligence process on all Proponents and their Environmental Accounts to ensure these are and remain fit for purpose and reasonably free of misstatements. As part of the due diligence process, AfN assesses to the best of its ability:

- the Proponent's nominated legal entity to ensure that it has not been deregistered or under administration;
- that the Proponent has regard to laws and regulations of any jurisdiction it operates in; and
- that there is no available evidence to suggest that the Proponent has or does cause irreparable harm to the environment or violate human rights and/or animal welfare standards etc.

Where any serious inconsistencies and/or misstatements are found, these issue(s) will be forwarded to the Accounting for Nature® Audit & Risk Committee ('ARC') for consideration. The ARC can rule on the issue or choose, in more complex or controversial circumstances, to have the issue addressed by the AfN Board.

Where it is determined that a Proponent or associated entity has demonstrated behaviour that is inconsistent with Accounting for Nature® values⁷, they may be either:

- deemed ineligible to Register, Certify and Maintain an Environmental Account; and/or
- have their Environmental Account deregistered by AfN; or
- be required to undertake additional compliance and reporting requirements to ensure that the Proponent or entity remains aligned with AfN expectations.

2.12 Providing false information

If a Proponent deliberately provides incorrect information to obtain Certification under the Accounting for Nature® Standard or to inflate Account outcomes and Claims, the Account will be subject to an investigation by AfN. If such wrongdoing is suspected and the resulting investigation shows that the Account documentation is fraudulent and credible evidence shows the negative intent of the Proponent, the Proponent submitting the Environmental Account may be temporarily or permanently disqualified, accompanied by a public media announcement by AfN.

2.13 Fees relating to Audit

For Certified – Independent Audit Assurance Reports, Proponents must negotiate the engagement contract and fees directly with **Accounting for Nature® [Accredited Auditors](#)**.

For Certified – AfN Verified, where an AfN Technical Assessment is carried out on an Account, a fee is charged for each Method used within the Environmental Account. The Technical Assessment fee includes one full Technical Assessment with feedback on required changes and then one review of the resubmitted Environmental Account with amendments. Any additional reviews will be provided on a time and material basis as per the **Accounting for Nature® [Fee Schedule](#)**.

⁷ As outlined in the Accounting for Nature® Standard

3 Independent Audit Requirements

The objective of an Independent Audit Assurance Engagement is to obtain sufficient appropriate evidence to express a conclusion, providing reasonable or limited assurance, as to whether the Environmental Account has complied with the specified requirements of the Accounting for Nature® [Standard](#) and [Method\(s\)](#) used in the Environmental Account.

The higher the level of assurance provided, the greater the confidence the individual can place in that the Environmental Account is free of misstatement. However, for an audit team leader to provide a higher level of assurance, they need to reduce the risk of a material misstatement in the matter being audited. The audit team leader achieves this by conducting a more in-depth and rigorous assessment of the audited matter.

This section provides further guidance on:

- 1) who needs to obtain an assurance audit of their Environmental Account;
- 2) the Assurance Engagement process;
- 3) the output of the Assurance Engagement, i.e. the assurance statement and Audit Report;
- 4) how the Assurance Engagement should address materiality in terms of both
 - (i) determining if material issues have been included in the Environmental Account; and,
 - (ii) identifying any material misstatements and/or omissions.

See section 2.2 for guidance on Certification pathway requirements i.e. when an Environmental Account requires an Independent Audit and what assurance type.

3.1 Types of Independent Audit

An overview of the difference between a reasonable and limited assurance engagements is shown in Table 5 along with the characteristics of the evidence used for the respective conclusions.

Table 5 Difference between reasonable and limited Assurance engagement

	Reasonable Assurance engagement	Limited Assurance engagement
Objectives	<p>A reasonable Assurance Engagement provides a reduction in risk to an acceptably low level in the circumstances of the assurance engagement, as the basis for a positive form of expression of the Auditor’s conclusion.</p> <p>Reasonable assurance means a high but not absolute level of assurance where sufficient evidence has been obtained to support their statement such that the risk of their conclusion being in error is very low but not zero.</p> <p>High assurance will provide users with a relatively high level of confidence in an organisation’s disclosures on the subject matter it refers to.</p>	<p>A limited Assurance Engagement provides a reduction in risk to a level that is acceptable in the circumstances of the assurance engagement but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the Auditor’s conclusion.</p> <p>The assurance provider achieves Moderate assurance where limited evidence has been obtained to support their statement.</p> <p>Limited assurance will provide users with a relatively lower level of confidence in an organisation’s disclosure on the subject matter it refers to.</p>
Evidence characteristics for conclusions on Assurance Statement	<p>Sufficient appropriate evidence is obtained as part of a systematic assurance engagement process that includes:</p> <ul style="list-style-type: none"> • obtaining an understanding of the assurance engagement circumstances; • assessing risks; • responding to assessed risks; and • performing further evidence-gathering procedures, and evaluating the evidence obtained. 	<p>Sufficient appropriate evidence is obtained as part of a systematic assurance engagement process that includes:</p> <ul style="list-style-type: none"> • obtaining an understanding of the matter to be audited and other assurance engagement circumstances; and • evidence-gathering procedures are deliberately limited in comparison with a reasonable assurance engagement.

3.2 The engagement process and participants

For a limited or reasonable assurance engagement under the Accounting for Nature® Framework, three primary parties are involved:

- 1) the Proponent (i.e., the responsible entity seeking the Audit or Verification);
- 2) the Accredited Auditor (i.e., the individual or team conducting the Audit); and
- 3) the AfN Executive (i.e., the intended user).

The relationship between these three parties (Figure 3), where the Proponent aims to demonstrate accountability and the Auditor provides independent assurance, helps confirm to the AfN Executive that the veracity and rigour of the Accounting for Nature® Standard are upheld.

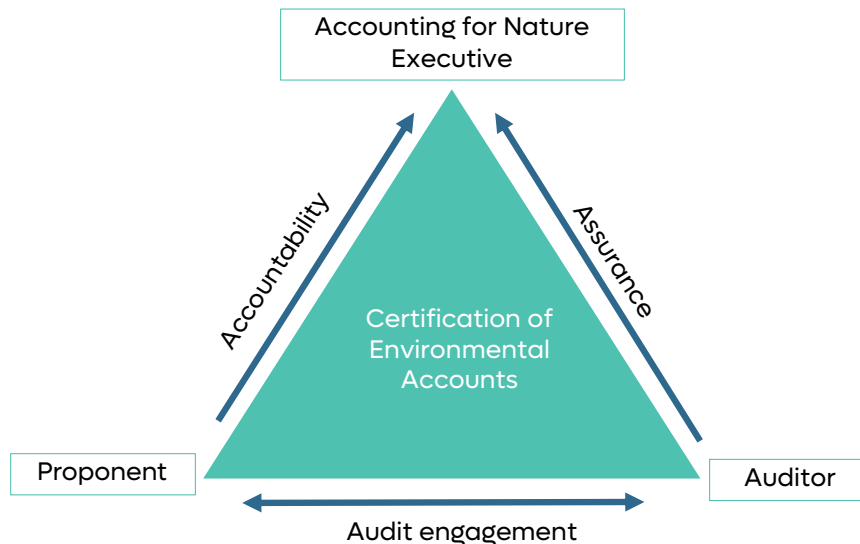


Figure 3 Three-party relationship

The assurance process is divided into three key phases: Planning, Performing, and Reporting.

3.2.1 Planning

To prepare to undertake an assurance audit, the audit team leader should understand and assess:

- the Purpose and Scope of the Environmental Account and the Proponent's objectives to use the Account to evidence Claims;
- systems and processes the Proponent uses to prepare the Environmental Account;
- the Scale of the Environmental Account;
- the suitability of the Method(s) used to measure condition for Asset(s) at the intended Scale, and within the context of the Purpose;
- systems and processes the Proponent uses to identify and address the risks of misstatements that are material and relevant to the development of an Environmental Account; and,
- Whether the Environmental Account is clearly presented to avoid misinterpretation.

This knowledge is then used to assess and evaluate the risks that will affect the audit team leader's ability to form a conclusion on the matter to be audited (assurance risks) and the level at which an instance of non-compliance will affect the decisions people make (materiality).

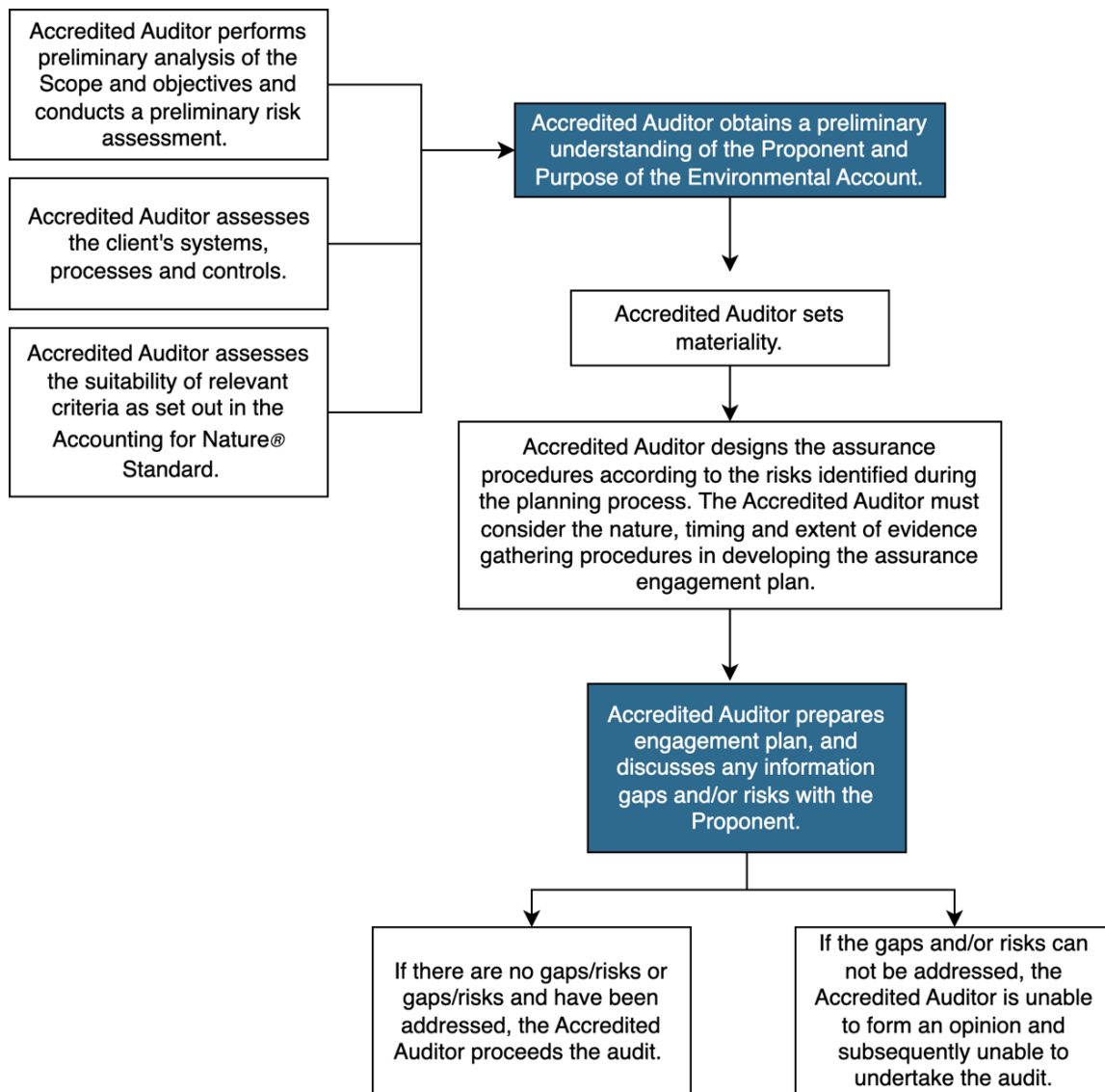


Figure 4 The planning process: the Auditor assesses whether the assurance engagement is possible by evaluating the subject matter and the criteria (what it will be audited against). The planning process allows the Auditor to develop audit procedures to appropriately address the assurance risks. This will enable the Auditor to gather sufficient and appropriate evidence to support the conclusions in the engagement.

3.2.2 Pre-conditions for engagement

Accredited Auditors are not employed by AfN, and any services an Auditor provides are negotiated directly between the Auditor and Proponent

Prior to formal engagement by a Proponent seeking to have their Environmental Account Certified, an Auditor must consider their specific expertise within the context of the proposed engagement and determine whether they can prepare an Audit that is complete, accurate and in compliance with the Accounting for Nature® Standard.

To avoid conflicts of interest (perceived, potential, or actual), the Auditor must not be employed by, or have been employed by the Proponent and must not be involved in the development of an Environmental Account for which they are being engaged to Audit⁸.

In this regard, an Audit should proceed only when the Auditor is satisfied that:

- the Auditor's internal quality control framework, which includes the quality control policies and procedures implemented across the firm, will be effective in managing any audit risk (for guidance in this regard, entities should refer to Auditing Standard ASQC 1⁹ or other relevant standard in their jurisdiction);
- the Auditor, or the team responsible for the audit, collectively have appropriate competence and capabilities. The Auditor and/or the person leading the audit team must hold active accreditation as an Accounting for Nature[®] Accredited Auditor; and
- the audit will be able to adhere to a high ethical standard (refer to Section 5.2.3 of this document for the minimum standard of ethical behaviour required from Accredited Auditors).

3.2.3 Terms of engagement

In consultation with the Proponent, the Auditor will identify the audit scope, including the Environmental Assets to be audited and develop a strategy for the timing and conduct of the engagement. This includes detailing the nature, timing, and extent of procedures to be performed and a clear rationale as to how they align with the Accounting for Nature[®] Standard criteria and adhere to these Audit Rules.

This stage of work aims to ensure both Auditor and Proponent understand the scale of the engagement, help identify potential problems and properly organise and manage the engagement so that it can be performed most effectively.

In the best interests of all parties, the Proponent and Auditor should agree in writing on the terms of the engagement prior to the commencement of the audit.

It is important to note that the Auditor can charge fees for the service. The negotiation and payment of these fees are a matter between the Proponent and the Auditor.

The form and content of the written agreement or contract may vary but should include:

- the objective and scope of the audit;
- responsibilities of both parties;
- audit methodology and approach by the Auditor;
- the Environmental Account Reporting Period, e.g. 1 January – 31 December or otherwise;
- the intended Purpose of the Environmental Account and resulting Claims;

⁸ An Auditor is prohibited from auditing an Environmental Account they have helped prepare. Further, an Auditor who has created and continued to manage their own Environmental Account could have a conflict of interest if they were to audit another Environmental Account. An Auditor may, however, be a member of an independent science council which is associated with a Proponent that is being audited.

⁹ ASQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements.

- the criteria by which the Environmental Account will be evaluated;
- timeline for the engagement, including key milestones, interim reporting, and the expected completion date;
- expected form and content of the final report to be issued upon completion of the engagement;
- provisions for termination;
- the criteria by which the Claims will be evaluated;
- the nature of the conclusions that could be reached for the audited Environmental Account; and
- governing law that applies to the engagement and any mechanism for dispute resolution, such as arbitration or mediation.

The Auditor should also obtain agreement from the Proponent that the Auditor may require access to:

- all information, such as records, documentation, and other matters of which the Proponent is aware, and are relevant to the engagement;
- any additional information that the Auditor may request from the Proponent for the purposes of the engagement;
- any relevant persons from whom the Auditor determines it necessary to obtain evidence; and,
- access to the account area if a site visit is deemed necessary.

3.3 Assurance Audit Process (Performing)

When undertake reasonable assurance or limited assurance engagements, the Auditor must follow several steps to develop an audit conclusion and ensure sufficient evidence exists to support the conclusion. These steps include:

1. review of the Methods;
2. risk assessment;
3. obtaining evidence; and
4. testing

3.3.1 Review of the Methods

The Auditor must clearly understand how the Method(s) were applied by the Proponent for the specific Environmental Account being audited under the Framework. Evaluation of the Proponents Account in this regard and assessment of the underlying subject matter will provide a basis for designing and performing procedures to respond to possible risks and to obtain evidence to support the Auditor’s conclusion.

3.3.2 Risk assessment

The Auditor assesses the relevant aspects of the Proponent’s Account to determine where risks of material non-compliance or misstatement may exist. ASAE 3000 (for example) states that: “misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information”.

To determine whether non-compliance or a misstatement is material, the Auditor must make an assessment as to the size, significance, and pervasiveness of the matter in the particular circumstances and the influence it may have on the creation and reporting of the Environmental Account or the audited Proponent's compliance as a whole.

Whilst very difficult to avoid entirely, audit risks can be managed by systematically applying comprehensive auditing techniques, such as those described in ASAE 3000. This involves the Auditor undertaking preliminary analytical procedures along with an assessment of the Proponent's systems, processes, and controls, which together help determine likely areas where there are risks of material misstatement or non-compliance.

3.3.3 Obtaining evidence

It is essential that the Auditor obtains sufficient evidence on which to base any conclusion reached when assessing an Environmental Account. The Auditor has a range of procedures available to gather evidence depending on the particulars of the Environmental Account and the specific context in which the audit takes place.

The way in which evidence is collected will be highly dependent on the specific Method(s) that were applied in measuring the Environmental Accounts being assessed. Examples of procedures that could be applied to evidence collection are outlined in Table 6 below.

Table 6 Examples of evidence collection procedures

Examples of procedures that could be applied to evidence collection include:	
Inspection	Visual assessment of existing records and documents.
Observation	Observing the Proponent perform relevant tasks associated with the Account.
Confirmation	Obtaining external confirmation from a third-party that tasks were completed as per relevant Method.
Re-calculation	Reworking any calculations presented by the Proponent for audit from first principles to check the mathematical accuracy and completeness of records and related documents.
Analytical procedures	Investigation of identified fluctuations and relationships that are inconsistent with other relevant information, established expectations, or deviate significantly from predicted amounts.
Enquiry	Directly engaging with personnel from the Proponent of the Account being audited to seek explanations on various aspects of the Account.

3.3.4 Testing

To be able to draw a conclusion regarding the Environmental Account under review, the Auditor will:

- evaluate the specific application of the Method(s) in developing the Environmental Account to ensure that a Proponent has not materially contravened the requirements for their use; and
- assess the Environmental Account against each of the Certification Criteria as detailed in the Standard. These criteria outline the specific requirements Environmental Accounts must meet to be Certified. Accordingly, a key audit focus is to ensure that Proponents have satisfied each of these Criteria in sufficient detail to return an assurance conclusion.

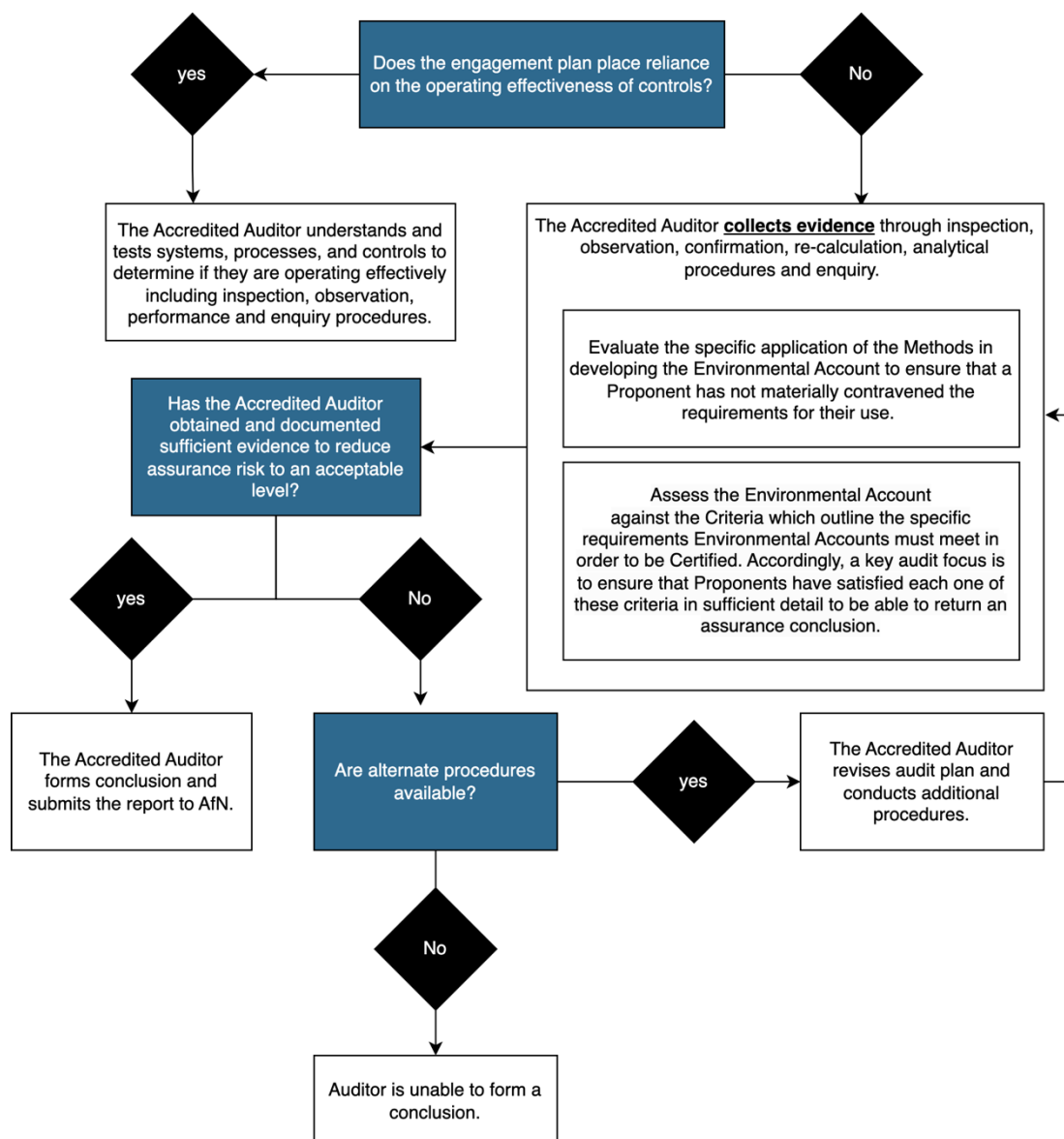


Figure 5 Performing the audit: the Accredited Auditor attempts to obtain evidence which will reduce the assurance risk to an acceptable level. The Auditor aims to assess whether the evidence shows the proponent developed the Environmental Account according to relevant Methods and that the account complies with the Accounting for Nature® Standard.

3.4 Accounting for Nature® Certification Criteria

To be Certified under the Accounting for Nature® Framework, Environmental Accounts must satisfy the criteria outlined in Section 7 – Account Certification in the **Accounting for Nature® Standard**.

3.5 Developing an audit conclusion

The primary objective of an audit conducted under the Accounting for Nature® Framework is to provide sufficient appropriate evidence to conclude whether a Proponent has met the minimum compliance requirements as evaluated against the Accounting for Nature® Certification Criteria and Method specific criteria.

The audit conclusion will be determined by:

- the level of assurance engagement (reasonable or limited); and
- whether the evidence gathered during the audit identified any risks of non-compliance, error, omission, or misstatement.

Audit conclusions permitted by these Audit Rules include those described in Table 7.

Table 7 Types of audit conclusions

Types of audit conclusions	
Reasonable assurance conclusion	<p>An unqualified reasonable assurance conclusion is issued where the Auditor believes the Environmental Account:</p> <ul style="list-style-type: none"> (a) has been prepared in accordance with the requirements of the Accounting for Nature® Standard (Certification Criteria), and all applicable Method(s) , Rules and Guideline(s); and (b) contains no material errors, misstatements, or omissions. <p>Example conclusion: <i>'In my opinion, the Proponent has developed their Environmental Account, in all material respects, in compliance with the Accounting for Nature® Standard.'</i></p>
Reasonable assurance qualified conclusion	<p>A qualified conclusion should be issued where the Auditor believes the Environmental Account:</p> <ul style="list-style-type: none"> (a) has largely been prepared in accordance with the requirements of the Accounting for Nature® Standard, and all applicable Method(s), Rules and Guideline(s), and any non-compliances are not significant enough to warrant an adverse conclusion. (b) contains some material errors, misstatements, or omissions but they are not significant enough to warrant an adverse conclusion; or (c) there is insufficient evidence in relation to one or more aspects of the Environmental Account, but it is not significant enough to warrant a conclusion that they are unable to form an opinion about the Account's compliance with the requirements under the Framework. <p>Example conclusion: <i>'In my opinion, except for 'X,' the Proponent has developed their Environmental Account, in all material respects, in compliance with the Accounting for Nature® Standard.'</i></p> <p>In the above example, 'X' represents any misstatement that is material but not pervasive enough to affect matters as a whole.</p>

Types of audit conclusions

Limited assurance conclusion

An unqualified limited assurance conclusion is issued where the Auditor believes the Environmental Account:

- (a) has been prepared in accordance with the requirements of the Accounting for Nature® Standard (Certification Criteria), and all applicable Method(s), Rules and Guideline(s); and
- (b) the Auditor is not aware of any material errors, misstatements, or omissions.

Example conclusion: *Based on the work described in this Environmental Account and supporting documentation, nothing has come to my attention that causes me to believe that the Proponent's Environmental Account was not developed, in all material respects, in compliance with the Accounting for Nature® Standard.*

Limited assurance qualified conclusion

A qualified limited assurance conclusion should be issued where the Auditor has obtained a meaningful level of assurance that the Environmental Account:

- (a) has largely been prepared in accordance with the requirements of the Accounting for Nature® Standard, and all applicable Method(s), Rules and Guideline(s), and any non-compliances are not significant enough to warrant an adverse conclusion; or
- (b) contains some material errors, misstatements, or omissions but they are inconsequential and not significant enough to warrant an adverse conclusion; or
- (c) there is insufficient evidence in relation to one or more aspect of the Environmental Account, but it is not significant enough to warrant a conclusion that they are unable to form an opinion about the account's compliance with the requirements under the Framework.

Example conclusion: *'Based on the work described in this Environmental Account and supporting documentation, with the exception of 'X' nothing has come to my attention that causes me to believe that the Proponent's Environmental Account was not developed, in all material respects, in compliance with the Accounting for Nature® Standard.'*

In the above example, 'X' represents any misstatement that is material but not pervasive enough to affect matters as a whole.

Unable to form an opinion for both reasonable and limited assurance

An Auditor should conclude that they are unable to form an opinion about the Account's compliance with the requirements under the Framework if they believe:

- (a) there is insufficient evidence in relation to one or more aspect of the account; and
- (b) the lack of appropriate evidence on this matter makes the account unreliable.

Example conclusion: *'Because of the significance of the circumstances described in the preceding paragraph, we are unable to obtain sufficient appropriate evidence to provide a basis for a reasonable/limited assurance conclusion. Accordingly, I do not express a reasonable/limited assurance conclusion as to whether the Proponent has developed their Environmental Account, in all material respects, in compliance with the Accounting for Nature® Standard'*

Types of audit conclusions

Adverse Conclusion	<p>An adverse conclusion should be issued where the Auditor believes the Environmental Account:</p> <ul style="list-style-type: none">(a) has not been prepared in accordance with the requirements of the Accounting for Nature® Standard (Certification Criteria), and all applicable Method(s), Rules and Guideline(s); or(b) contains material errors, misstatements or omissions that make the Account unreliable. <p>Example adverse conclusion: <i>'In our opinion, because of the effects of the matter discussed in the preceding paragraph, the Environmental Account, in all material respects, does not comply with the Accounting for Nature® Standard'</i></p>
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Where an Auditor returns an adverse conclusion or they are unable to form an opinion, the Auditor will notify the Proponent of the decision and provide the Proponent with the opportunity to address the adverse of incomplete aspects so that the Auditor may reassess their initial conclusion - depending on the magnitude of the work required, the Proponent and Auditor may need to revisit the original terms of engagement.

3.6 Addressing a change in risks when issues are identified

During either a reasonable assurance or limited assurance engagement, the audit team leader's assessment of the risk of material misstatement in the Environmental Account may change during the engagement.

If the Auditor becomes aware of a matter(s) that cause the Auditor to believe that the risks of a subject matter being materially misstated has changed, the Auditor shall design and perform additional procedures to obtain further evidence until the Auditor is able to:

- conclude that the matter(s) is not likely to cause the subject matter to be materially misstated; or
- determine that the matter(s) cause the subject matter to be materially misstated.

This requirement is the same for both a reasonable assurance and limited assurance engagement. ASAE 3000 and other standards listed in these Audit Rules provide further guidance on how Auditors may deal with changes in risks and the need for additional procedures.

3.7 Writing and submitting the Audit Report to AfN

The Accredited Auditor is to draft a written Audit Report to provide the context and a conclusion for the Environmental Accounts being audited. The report must be sufficiently detailed to provide appropriate levels of evidence to support the conclusion reached.

The key elements to be included in the Audit Report are:

- an audit conclusion (e.g., reasonable assurance), including a decision rationale;
- a summary of the work performed as a basis for the Auditor's conclusion;
- a summary of the audit procedures performed;
- any material issues that signified a contravention of the Accounting for Nature® Standard and associated documents e.g. Methods, Claims Rules;
- details of all material non-compliances, errors, misstatements, omissions and uncertainties, including where there was insufficient evidence to reach a conclusion on one or more aspects of the Account;
- review Environmental Account 'headline claims' and provide assurance that the Claim is consistent with the findings of the Account;
- where possible, identification of potential measures to enable the compliance requirements to be met;
- a statement that the assurance practitioner complies with independence and other relevant ethical requirements related to assurance engagements; and,
- a signed declaration by the Auditor that the report provides an accurate assessment of the quality and completeness of the accounts.

Where the Auditor expresses anything but a limited or reasonable assurance conclusion, the report shall include an additional section that provides a detailed issue-by-issue description as to why the decision was taken to report the conclusion in this manner.

Upon completion of the draft Audit Report, the Auditor must communicate the findings with the Proponent prior to submitting it to AfN. At this time, the Proponent can undertake corrective action to address any outstanding issues (where it is practical from a time/scientific rigour perspective) before the finalisation of the written report and submission to AfN.

Following completion of the written report, the Auditor must submit the Audit Report and the Environmental Account audited (including the Information statement, all data and supporting material) electronically to certification@accountingfornature.org or via an approved digital platform. The audit report must be retained by the Auditor for at least five years after the finalisation of the Audit.

4 AfN Verification Requirements

AfN recognises that not all Proponents will want or require their Account to achieve Certified – Independent Audit status but may still want to use the Accounting for Nature® Framework to measure and better understand the condition of their Environmental Assets on their property or for some other Purpose that is not seeking material financial or reputation benefits.

For this reason, AfN offers an alternative Certification pathway that allows any Proponent to be recognised for measuring an Environmental Account in accordance with the Accounting for Nature® Framework. Instead of requiring an Independent Audit (assurance), this option is simpler process that requires an AfN Technical Assessment of the Environmental Account against a standardised checklist (following the Certification criteria and any Method-specific criteria). The Technical Assessment ensures that the Account has been developed in accordance with the Accounting for Nature® Standard and applicable Method(s).

Subject to the outcomes of the Technical Assessment, eligible Proponents will have the right to use the Certified–AfN Verified Trustmark that recognises their participation and engagement with the Accounting for Nature® Framework.

Importantly, AfN reserves the right to request or commission an independent assessment (i.e., by an Accredited Expert) or an assurance Audit of an Environmental Account that has been determined as a high-risk of non-compliance with the Accounting for Nature® Standard and associated Methods and documents.

4.1 AfN Verified process

Proponents seeking a Certified –AfN Verified Environmental Account are required to undertake the verification procedures required by AfN (Figure 6). These procedures are designed to ensure the Proponent checks their Environmental Account for any errors, exceptions, or contraventions relative to the Accounting for Nature® Standard and applicable Methods. To complete the verification procedure, the Proponent must complete the risk assessment checklist which includes:

- Accounting for Nature® Certification criteria; and
- Method-specific criteria unique to individual Methods.

Once complete, the Proponent must electronically submit the following to Accounting for Nature via (certification@accountingfornature.org) for Technical Assessment, along with the required Technical Assessment Fee:

- a Technical Assessment Application;
- risk assessment checklist;
- the Environmental Account (data, calculations, maps and supporting documents); and
- the Information Statement to Accounting for Nature.

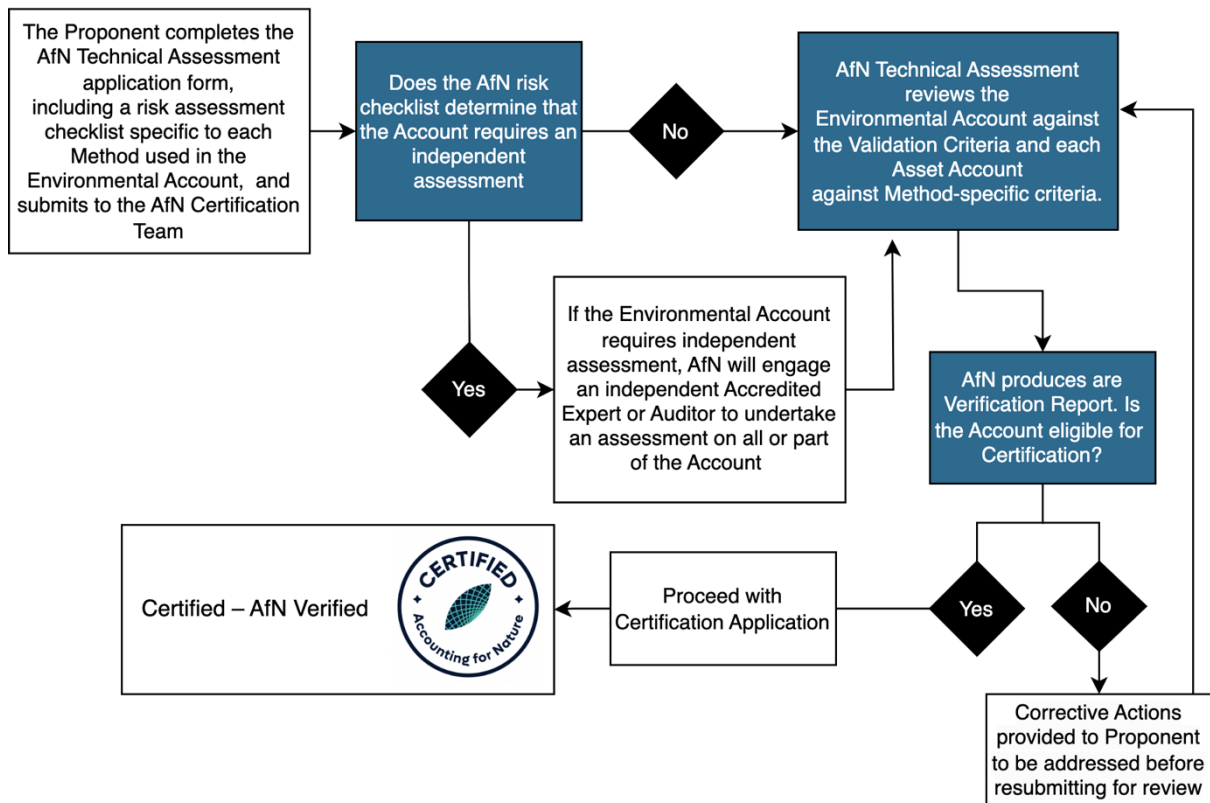


Figure 6 AfN Technical Assessment Process.

4.2 Technical Assessment process

Upon receipt of the Technical Assessment request from the Proponent, AfN will undertake a Technical Assessment of the Environmental Account. This will involve verifying the account against the Certification and Method-specific Criteria. Items identified as being minor and that do not constitute a material error, exception, or contravention will be noted for review in the next Annual Certification Compliance Report. For further details on the Technical Assessment process to gain access to Certified–AfN Verified Trustmark, please refer to the [Accounting for Nature® Environmental Account Rules](#) document.

4.3 Finalising and submitting the Verification Report to AfN

Following the Technical Assessment, AfN will return the Verification Report to the Proponent to undertake any corrective actions identified and address any outstanding issues (where it is practical from a time/scientific rigour perspective) prior to finalisation of the Environmental Account and submission for Certification to AfN.

Addressing the corrective actions is the responsibility of the Proponent; however, preliminary feedback from the Technical Assessor is included in the Technical Assessment fee. Additional feedback from AfN may incur additional charges (refer to the [Fee Schedule](#)).

Key elements in the AfN Verification Report include:

- the results of the Technical Assessment;
- any material issues that signified a contravention of the Accounting for Nature® Standard;
- any material issues that signified a contravention of the applicable Methods;
- details of all material errors, exceptions, or contraventions;
- where possible, identification of potential measures to enable the compliance requirements to be met; and,

Following completion of the written report, the Proponent must electronically submit the Verification Report and the Environmental Account (including the Information Statement, all data and supporting material) to certification@accountingfornature.org. AfN will retain the report for at least five years after the finalisation of the Technical Assessment and Certification process.

4.4 AfN Risk and Compliance review and verification of AfN Certified Accounts

To provide confidence to the public that Certified – AfN Verified accounts are compliant with the Accounting for Nature® Standard and Certification requirements, and that the Certification Trustmark is trustworthy, AfN will routinely assess Certified Accounts against a set of ‘Risk and Compliance’ Criteria. For accounts that have been identified as ‘high risk of non-compliance’ and which require further assessment, AfN will engage an Accredited Auditor or an Asset Expert to conduct an external validation and/or account verification depending on the risks identified.

The costs associated with this independent assessment will be drawn from the existing AfN Verification Fund or AfN’s general expense budget¹⁰.

The following procedure applies to external verification assessments:

- 1) AfN will be notified of the Proponent’s intent to obtain approval to be AfN Certified (see 4.1 above).
- 2) During the AfN Technical Assessment Process, AfN Certification team will conduct a risk and compliance review of the Account.
- 3) AfN Certification team will decide and notify the Proponent on whether the account is selected for external verification by an Accredited Auditor or Asset Expert or is eligible for an AfN Technical Assessment. In both cases, the AfN Verification Fund covers the assessment cost.
- 4) From time-to-time AfN will also randomly select accounts that are not considered high risk for an Independent Audit.

¹⁰ A percentage of the AfN Verified registration, annual compliance and Certification fee are used to create and maintain the AfN Verification Fund which is used to fund the routine risk/compliance audits to ensure confidence in the AfN Certified Trustmark.

4.5 Conflict of interest during AfN Verified Technical Assessment

A conflict of interest can occur in any situation where an individual or company has competing interests and where there is a potential to prevent impartiality or create bias. It exists if a reasonable person would conclude that a reviewer's objectivity is compromised, typically due to a conflict between the reviewer's self-interest and the interest of the business or the public. It is also understood to occur in situations where the interest of two separate parties is incompatible.

In all situations, it is important to understand the rationale and address the conflict in a proper manner. A conflict of interest does not mean that the reviewer has taken the wrong action or decision but that there is an opportunity for the reviewer to introduce bias into the process.

From registration through to Certification of any Environmental Account, AfN will assess the potential for a conflict of interest and follow an internal process to determine the appropriate course of action if or when a conflict of interest has been identified. AfN categorises conflicts of interest into three types:

- 1) not significant and permissible;
- 2) potential or perceived conflict of interest - situations that may represent a conflict of interest but are allowed with appropriate disclosure and oversight;
or
- 3) actual conflict of interest - where a conflict has been identified and requires mitigation controls to be implemented, and in the event of Environmental Account Verification, may preclude the Proponent from an AfN Verified Technical Assessment.

AfN maintains an internal (non-public) Conflict of Interest Register which identifies any of the three types of conflicts of interest associated with each Account that it certifies.

5 Auditor accreditation process

This section describes the process for an Auditor to become accredited under the Accounting for Nature® Framework and to be listed in the Accounting for Nature® Accredited Auditor Directory. This process includes the requirements to ensure Auditors are appropriately qualified to assess the rigour and accuracy of Accounting for Nature® Certified Environmental Accounts. Criteria for becoming an Accredited Auditor and maintaining Auditor accreditation are itemised in the Accounting for Nature® Standard, Section 9.

5.1 The role of Accredited Auditors

Accredited Auditors provide assurance that an Environmental Account was developed in accordance with the Accounting for Nature® Standard, selected Methods, and other documents.

Auditors possess the skills and experience to audit and ensure the rigour and accuracy of Certified – Independent Audit Environmental Accounts. Applicants must pass additional eligibility requirements to become accredited as an Auditor. An Accounting for Nature® Accredited Auditor must be engaged by a Proponent for the purposes of independently auditing an Environmental Account.

Accredited Auditors are listed on the Accounting for Nature® Accredited Auditor directory, allowing Proponents to easily find and engage with them. Official Auditor Accreditation is required for any professional wishing to participate in auditing engagements under the Framework.

5.2 Eligibility requirements

5.2.1 Qualification and experience

AfN seeks to accredit individuals who can fulfil the role of an audit team leader and who can take responsibility for ensuring the necessary skills exist within the audit team so that audit engagements are carried out in accordance with the Audit Rules¹¹.

An individual who is already accredited as an Auditor by a government department may automatically meet AfN's minimum qualification and experience criteria, subject to AfN review of the specific eligibility criteria included in the relevant audit regime (e.g. a Category 2 Auditor listed on the Australian Government's Clean Energy Regulator's Greenhouse and Energy Auditor [Register](#) would generally be considered eligible, subject to these Rules).

Where an Auditor's existing accreditation is recognised, they will still be required to complete the online Accounting for Nature® Accredited Expert training course, pass the Fit and Proper Person test, and sign the Accounting for Nature® Accredited Auditor Code of Ethics.

¹¹ Note- Due to the diversity of Environmental Assets and technical requirements of the Accounting for Nature® Framework, the audit and verification criteria and processes assume that some audit engagements will require input from subject matter experts, such as those listed as Asset Experts on the Accounting for Nature® [Accredited Expert directory](#).

AfN will also consider relevant Auditor accreditation from organisations such as Exemplar Global and SAI Global etc. In such situations, these applicants may not have the appropriate scientific expertise to audit the more technical aspects of a Proponent’s Environmental Accounts. AfN expects that these Auditors will engage a suitably experienced Accounting for Nature® Accredited Asset Expert listed on the Accounting for Nature® Accredited Expert Directory to be part of their audit team and may request evidence of such.

The **Accounting for Nature® Standard** Section 9, lists specific eligibility criteria (also listed in Table 7 below). However, if prospective applicants are unsure of their eligibility, applicants are encouraged to discuss their eligibility with AfN by providing educational and work experience details via experts@accountingfornature.org.

The AfN Executive will consider the supporting evidence for the eligibility criteria described in Table 8, when deciding whether to accredit an Auditor.

Table 8 Eligibility Criteria and appropriate supporting documents for Auditor accreditation applications.

Eligibility Criteria	Example of supporting evidence
Relevant tertiary qualification	Copy of a degree, graduate diploma and/or graduate certificate (or equivalent) in a related field of study such as accounting, finance, or business administration
Knowledge of audit, assurance, and audit team leadership	Copies of relevant professional qualifications/certifications such as Auditor Registration under section 1280 of the <i>Corporations Act 2001</i> , Lead Environmental Auditor under AS/NZS 9011:2014, successful completion of Advanced Audit and Assurance CPA subject.
Experience - 1,000 hours auditing and assurance	Applicants must quantify their participation as a professional member of an audit team, supported by appropriate evidence (e.g. audit log) via the AfN Auditor Application Form.
Knowledge of the AfN Framework	Certificate of Completion from successful completion of the online AfN Accredited Expert training course
Fit and Proper Person Test	AfN may seek independent confirmation of the information provided in response to Fit and Proper Person Test questions. This may involve checks with third parties such as referees or relevant government agencies.

5.2.2 Insurance requirements

It is a mandatory requirement that Accounting for Nature® Accredited Auditors maintain all relevant insurances (e.g. professional indemnity and public liability insurance) when undertaking Assurance and Verification engagements, and that the level of these insurances is adequate to cover against possible claims against them.

5.2.3 Auditor Ethical Requirements

The following minimum ethical requirements have been adapted from the IESBA Code of Ethics for Professional Accountants¹². These Standards have been developed with a clear public interest focus and represent best-practise ethics guidelines. Accredited Auditors must comply with the following fundamental ethical principles:

- **integrity** – to be straightforward and honest in all professional and business relationships;
- **objectivity** – not to compromise professional or business judgements because of bias, conflict of interest or undue influence of others;
- **professional competence and due care** – attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent advice, and act diligently and in accordance with applicable technical and professional standards;
- **confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships;
- **professional behaviour** – to comply with relevant laws and regulations and avoid any conduct that the Auditor knows or should know might discredit the profession; and,
- **independence** – to remain independent from the project Proponent. An Auditor’s independence is central to their ability to form an assurance conclusion without being affected by factors that might compromise that conclusion. Threats to independence can relate to financial interests; business, family and/or personal relationships; compensation and fee structures; gifts and hospitality; actual or threatened litigation etc. Independence is necessary for an Auditor to act with integrity, to be objective and to maintain an attitude of professional scepticism.

To identify and manage possible non-compliance with the fundamental principles listed above, Auditors can refer to the frameworks provided in the IESBA Handbook. These standards describe specific steps that Accredited Auditors can take in this regard, including measures to ensure proactive leadership and management of audit staff, education and training, monitoring, and stringent processes for dealing with identified ethical issues.

5.3 Accreditation process

The Auditor accreditation process consists of four steps outlined below, each detailed in this document.



Figure 7 Accreditation process for Accounting for Nature® Accredited Auditors

¹² <https://www.ifac.org/flysystem/azure-private/uploads/IESBA/IESBA.pdf>

5.3.1 Training

Accredited Auditors must demonstrate an understanding of Environmental Condition Accounting and the Accounting for Nature® Framework. This criterion is met by successfully completing the online **Accounting for Nature® Accredited Expert Course**. The Accredited Expert Course is updated regularly to reflect the evolving space of Environmental Condition Accounting and to align with the most recently approved Standard.

5.3.2 Application submission

Prospective applicants are required to fill out and submit an Auditor application form. Once completed, the application form should be submitted to experts@accountingfornature.org along with

- a copy of the Accredited Expert Course completion certificate; and
- an up-to-date CV.

The CV needs to demonstrate relevant educational and work experience, including the duration of relevant work.

As part of this application form, applicants must complete a Fit and Proper Persons Test and sign a declaration that they will abide by key ethical principles, including fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

By submitting the Auditor application form, you agree to our [Privacy Policy](#).

5.3.3 Accreditation - decision on application approval

The application form is evaluated by the AfN Executive. It may take up to 4 weeks to process applications assuming all required documentation is submitted at the time of application.

Applications are reviewed by the Expert Accreditation Team to confirm that the applicants meet the eligibility criteria. Once confirmed, the application is forwarded to the AfN Executive for final approval. The AfN Executive can:

- approve the application,
- request more information from the applicant, or
- reject the application.

The applicant will be notified of the outcome of their application via email, typically within 2 weeks from submission. Once an application has been approved by the AfN Executive, the Accredited Auditor will need to pay the initial Accreditation fee, as per the **Accounting for Nature® Fee Schedule**.

Successful applicants are notified, and their details are registered on the Accounting for Nature® Accredited Auditor Directory upon payment of registration fees. If an applicant is unsuccessful, AfN will notify the applicant in writing and explain why.

Provisional Accreditation - Accounting for Nature® Accredited Auditors will initially receive “Provisional” accreditation until they provide evidence to AfN that they have audited or played a key role in auditing their first Environmental Account. Requests to have the provisional status removed should be submitted to

experts@accountingfornature.org, and should include evidence to support the Auditor's active engagement in the audit of an Environmental Account.

Accounting for Nature® Accredited Auditor Directory

All Accredited Experts have the option to be publicly listed in the Accounting for Nature® Accredited Auditor directory. A decision not to be publicly listed does not change the Auditor's status and is a suitable option should the Auditor does not wish to be contacted by prospective users of the Framework. If the Auditor has opted to be publicly listed, their details will be added to the directory after AfN has received payment of the Auditor Accreditation fee. The Auditor can change their decision regarding public listing at any time by contacting experts@accountingfornature.org.

Once accredited and listed on the Directory, Auditors must continue to meet the eligibility requirements detailed in these Audit Rules to maintain their registration. Auditors remain on the register until they elect to suspend their registration or deregister, or where AfN exercises its right to withdraw accreditation from an Auditor, at any time, where there is evidence of non-compliance with these rules.

Working as an Accredited Auditor

Accredited Auditors are not employed by AfN, and any services an Auditor provides are negotiated directly between the Auditor and Proponent. It is the responsibility of the Auditor to ensure they possess a suitable skillset before taking on an engagement by a Proponent. Where the Auditor does not hold asset-specific skills and experience, the Auditor need to bring in external support where such skills are needed (such as a relevant Asset Expert). It is also the Auditor's responsibility to maintain sufficient insurance, and we recommend seeking legal advice before taking on engagements.

Any fees charged by the Auditor for their professional services are negotiated and managed directly between the Auditor and Proponent.

5.3.4 Maintaining Auditor Accreditation

Renewal of Auditor Accreditation

The Auditor Accreditation status is renewed 12 months after initial approval. AfN will notify the Auditor 2 weeks before their Accreditation is due to be renewed. The Accredited Auditor will be asked to:

- Confirm that the details stored in the Accounting for Nature® Accredited Auditor Directory are correct;
- Confirm that they meet the requirements outlined in the Continual Professional Development (CPD) guidelines; and,
- Pay the Accredited renewal fee (as per the Fee Schedule).

Continual Professional Development (CPD) Guidelines

AfN requires all Auditors to stay updated with the latest developments in environmental accounting and the Framework. The CPD Guidelines have been developed to ensure all Experts actively engage with the Framework throughout their accreditation period. Each year when the Auditor Accreditation renewal is due, AfN will ask the Auditor to confirm their engagement with the Framework and participation in AfN-hosted bi-annual Expert update sessions. Relevant engagement with the Framework can consist of leading or assisting in the audit of an Accounting for Nature® Certified Environmental Account.

If the Auditor is unable to demonstrate relevant engagement with the Framework within the past 12 months, the Auditor will be required to complete the online Accredited Expert Course. The Auditor will be enrolled into the latest version of the course at no cost by contacting experts@accountingfornature.org.

In addition to demonstrating relevant engagement, the Expert must attend the bi-annual Expert & Auditor update sessions (available to join online). Recordings will be available and mandatory to watch for any Auditor unable to join the live session.

5.4 The Accredited Auditor Trustmark

Once accredited, the Accounting for Nature® Accredited Auditor will be given access to the Accredited Auditor Trustmark. The following section outlines the rules associated with using the Trustmark and the Claims that can be made.

5.4.1 Use of the Trustmark

Accounting for Nature® Accredited Auditors have permission to use the Accredited Auditor Trustmark (see right) as per the **Accounting for Nature® [Claims Rules](#)** only while active accreditation is maintained.



Accredited Auditors **are only permitted** to use the Accredited Auditor Trustmark and/or make Claims directly related to their status as an Accredited Auditor under the Accounting for Nature® Framework.

Accredited Auditors **are not permitted** to use the Trustmark or make any Claims that might mislead the public into thinking any other individual or company, tool, data platform, technology, project, Method, Environmental Account, or product has been accredited or certified by AfN. Further, The Trustmark must not be altered and must retain its scale and legibility.

5.5 Example Claim

Accredited Auditors are permitted to make Claims regarding their status as an Accredited Auditor. Accredited Auditors may use the following example claim as guidance when formulating their own claims.

"[NAME OF AUDITOR] has been accredited by Accounting for Nature as an Accredited Auditor and is authorised to verify that an Environmental Account is developed in accordance with the Accounting for Nature® Standard and chosen Methods."

Important: If an Accredited Auditor is unsure whether their Claims and/or associated material comply with the above requirements, they are encouraged to contact AfN via experts@accountingfornature.org.

5.6 Non-compliance

The AfN Executive may at any time revoke the Accredited Auditor status. Reasons for revoking the status can include, but are not limited to:

- Concerns about the Auditor's compliance with the Framework,
- Unlawful or unprofessional behaviour and conduct, and
- Failure to meet eligibility criteria or renewal requirements.

Where an Auditor's Accreditation is revoked, the AfN Executive will remove the Auditor's details from the online Directory.

5.7 Dispute resolution & appeals process

When an Accounting for Nature[®] Accredited Auditor has their accreditation revoked, a dispute resolution and appeals process is essential to ensure fairness and transparency.

AfN will provide the affected individual with a formal notification outlining the reasons for the revocation. They are then provided an opportunity to present their case and provide any supporting evidence or arguments within a specified timeframe. This may involve submitting written statements or documentation or participating in a meeting.

AfN will carefully review and consider all relevant factors before making a final decision.

If the individual is dissatisfied with the outcome, they have the right to appeal the decision to the CEO. This allows for the opportunity to rectify any potential errors or inconsistencies in the initial decision-making process. The appeals process typically includes additional submissions, and the consideration of new evidence.

The final decision reached through this process is binding and serves as the resolution to the dispute, ensuring that the rights and interests of all parties involved are adequately addressed.



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