
Appendix four – About the audit

Audit objective

This audit assessed whether the Department of Planning and Environment and the Biodiversity Conservation Trust have effectively designed and implemented the Biodiversity Offset Scheme to compensate for the loss of biodiversity due to development.

Audit criteria

We addressed the audit objective by considering the following audit criteria:

- rules and processes have been established to efficiently compensate for biodiversity loss
- rules and processes are being effectively applied to meet offset obligations
- rules and processes are being effectively applied to establish Biodiversity Stewardship Agreement (BSA) sites
- land areas covered by Biodiversity Stewardship Agreements are adequately regulated and supported.

Audit scope and focus

In assessing the audit criteria, we checked the following aspects:

- governance arrangements, roles and responsibilities, rules and procedures for establishing the market, establishing BSA sites, and for ensuring offset obligations are met
- how demand and supply sides of the credit market are operating, and steps taken to support market development
- quality assurance around biodiversity assessment reports by DPE-Accredited Assessors
- how the BCT and developers are meeting their offset obligations
- monitoring and compliance work to oversee the management of BSA sites and support biodiversity outcomes
- oversight of sites created under previous schemes and transitioned to this Scheme.

Audit exclusions

The audit did not assess:

- the Biodiversity Assessment Method in detail
- processes to compile the biodiversity values map
- assurance processes for accreditation of Accredited Assessors
- specific credit transactions and retirements, or the management of individual BSA sites
- management of the Biodiversity Conservation Fund and Biodiversity Stewardship Payments Fund
- impacts of the Scheme on small landholders wishing to develop their sites
- rural offset sites (set asides) administered under the *Local Land Services Act 2016*
- the process of biodiversity certification or the application of the Scheme to land clearing that is approved by the NSW Native Vegetation Panel.

Audit approach

Audit procedures included:

- interviewing staff from audited agencies and relevant external stakeholders
- examining documents and reports provided by the audited agencies, including legislation and regulations, policy and procedures documents, and activity and performance reports
- analysing activity and performance data provided by audited agencies.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Audit Standard ASAE 3500 'Performance Engagements' and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

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In particular, we wish to thank our liaison officers and the staff who participated in audit interviews and provided materials relevant to the audit. We also gratefully acknowledge the range of government and non-government stakeholders who participated in interviews or provided information to the audit.

Audit cost

Including staff costs and overheads, the estimated cost of the audit is \$542,400.