

# Audit Report

Performance Audit

Prepared for Newmont AP  
Power Pty Ltd  
15 October 2014



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# Executive Summary

## **General**

Newmont AP Power Pty Ltd (the licensee) holds an electricity retail licence (ERL 13) which commenced on 2 June 2009 and expires on 1 June 2024. The licence allows the licensee to retail electricity to customers in the south west of Western Australia. However, the licensee has had no customers for the reporting period. There have been no changes to the licence.

## **Audit objectives**

This audit has been conducted in order to assess the licensee's level of compliance with the conditions of its electricity licence.

This audit report outlines the findings of an audit of the licensee to fulfil the above objectives, conducted on 25 August 2014. The audit covers the operating period of 1 July 2011 to 30 June 2014.

## **Performance Audit - Findings**

The previous audit identified one non-compliance relating to the timeliness of audit report submission. This was rectified prior to the current audit.

There are no issues from the current audit. All aspects of the licence are compliant.

## **Performance Audit - Effectiveness of controls**

We consider that the licensee has adequate controls in place that are appropriate to the nature and scale of its activities.

## **Performance Audit - Overall compliance**

The overall compliance of the licensee with its licence is summarised in Section 4.2 of this report. All items were assessed as compliant, not applicable or not able to be rated.

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### Appendix A Risk Management Framework

# 1 Introduction

## 1.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating licencing schemes for gas, electricity and water services in Western Australia. The primary objective of regulation is to ensure the provision of a competitive and fair environment, particularly where businesses operate as natural monopolies.

Newmont AP Power Pty Ltd (the licensee) holds an electricity retail licence (ERL 13) which commenced on 2 June 2009 and expires on 1 June 2024. The licence allows the licensee to retail electricity to customers in the south west of Western Australia. However, the licensee has had no customers for the reporting period.

## 1.2 Purpose of this report

As a condition of its licence, the licensee is required to conduct a performance audit at regular intervals. The purpose of the audit is to assess the effectiveness of measures taken by the licensee to meet the conditions referred to in the licence including the legislative obligations called up by the licence.

The licensee provide services in accordance with a retail licence issued by the ERA. This licence, which is granted under the Electricity Industry Act 2004 (WA), sets out the conditions under which the licensee supplies electricity.

Version 3 of the Licence was issued on 19 September 2012. A performance audit was last performed for the period up to 30 June 2011. This report covers the period from the previous audit up to 30 June 2014. The previous audit identified one minor non-compliance against Clause 24.1 (Clause 16.1 in the new licence) being a failure to provide reports the ERA on time.

## 2 Audit Scope

### 2.1 Audit Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the licensee's compliance with all of the relevant obligations under the licences
2. Identify, where appropriate, recommendations to address non-compliance and improvement opportunities.

### 2.2 Scope of Works

The audit encompassed an assessment of the following four key areas using a risk based approach (to ISO 31000:2009):

- ▶ Process compliance: assessment of the effectiveness of systems and procedures
- ▶ Outcome compliance: assessment of actual performance against the prescribed licence standards
- ▶ Output compliance: assessment of records to indicate procedures are followed and controls are maintained
- ▶ Integrity of reporting: assessment of the completeness and accuracy of the compliance and performance reports.

The scope of works of this audit included:

- ▶ Interview with key staff members from the licensee to:
  - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
  - Performance against licence conditions for ERL 13
- ▶ Review of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Electricity and Gas Licences (April 2014).

### 2.2.1 Performance Audit

The audit of the distribution and retail licences covered the entire licences, and contained the following key areas as outlined in Table 2-1 below.

**Table 2-1 Licence Performance Audit Areas**

Clause	Licence Requirements
4	Fees
5	Compliance
12	Accounting Records
13	Individual Performance Standards
14	Performance Audit
15	Reporting change in circumstances
16	Provision of Information
17	Publishing Information
18	Notices
19	Review of the Authority's Decisions
21	Approved Scheme
23	Marketers
24	Customer Contracts
25	Amending the Standard Form Contract
26	Directions by the Authority
27	Supplier of Last Resort
28	Notification of Default Supply

### 2.2.2 Performance Audit Excluded Conditions

Some of the reporting obligations for distribution and retail have been excluded from the audit because they are not applicable to the licensee. In particular, the licensee has no small use customers, it is excluded from the electricity industry customer transfer code based on its current customer profile and it is not one of the businesses covered in the licence specific conditions.

**Table 2-2 Excluded conditions**

2014 Compliance Manual Reference	Reference	Reason for exclusion
1-71	Electricity Industry Customer Transfer Code	No retail transfer available/ Only one customer is supplied
78-100	Electricity Industry (Customer Contracts) Regulations 2005	No small use customers
108-109	Electricity Industry Act: Section 54	No small use customers
110	Electricity Industry Act: Section 76	The licensee is not a retailer of last resort
111	Electricity Industry Act: Section 101	No small use customers
114-118	Electricity Industry Act: Section 11	No small use customers

2014 Compliance Manual Reference	Reference	Reason for exclusion
120	Electricity Industry Act: Section 11	There are no individual performance standards
127-337	Electricity Industry Act: Code of Conduct	Code of conduct does not apply because there are no small use customers
375	Electricity Industry Metering Code	No small use customers
469 and 477	Electricity Industry Metering Code	The licensee does not have any access contracts
507-517	Electricity Industry(Licence Conditions) Electricity Industry Act section 61 and 11 Electricity Industry (Customer Contracts) Regulations 2005	Licensee Specific Conditions that don't apply

### 2.3 Methodology and Approach

This audit was undertaken in accordance with ASAE3000. Our approach to the reporting work was to work closely with the licensee so that comments and challenges could be responded to and addressed before the audit report was finalised. The key areas of our approach included:

- ▶ A start-up discussion (by telephone) with the licensee to:
  - Discuss the main issues to be addressed at audit
  - Identify any issues from the previous audit
  - Identify any new issues arising from changes to the Licence or operating environment requirements
  - Discuss the audit plan.
- ▶ Preparation of a draft audit plan for comment by the licensee. The audit plan will identified the number and location of audits, the information to be addressed and the auditor responsible.
- ▶ Submission of the draft audit plan to the ERA for approval
- ▶ A start-up meeting on-site at the beginning of our audit work
- ▶ On site audit work comprising:
  - Face-to-face interviews with licensee staff responsible for the audit area
  - Demonstration of key systems
  - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
  - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
  - Controls assessment on obligations that are found to be non-compliant
- ▶ Preliminary audit feedback at the audit close-out meeting
- ▶ Preparation of a draft report for the licensee's review and comment;
- ▶ Preparation of a final report for submission to the ERA.



Our methodology for completing this audit assignment was based on:

- ▶ A risk assessment that determined the priority of each audit area, using the risk management framework in Appendix A
- ▶ Our understanding of the licensee's business
- ▶ The experience of our audit team in undertaking regulatory audits which has been gained in several jurisdictions in Australia and in the United Kingdom
- ▶ The outcome of the previous audit completed at the licensee

Our audit methodology, including the key documents reviewed and the supporting systems that were demonstrated, is detailed in Table 2-3.

**Table 2-3 Performance Audit Methodology**

Audit Area	Priority	Approach	Systems	Key Documents
<b>Licence Audit</b>				
Clause 4 Fees	5	<ul style="list-style-type: none"> <li>Review invoices from Authority and receipts of payment</li> </ul>		<ul style="list-style-type: none"> <li>Invoices and receipts</li> </ul>
Clause 5 Compliance	Various	<ul style="list-style-type: none"> <li>Review legislative requirements and confirm compliance</li> <li>Identify any corrective action applied to correct / prevent breaches of compliance</li> </ul>	<ul style="list-style-type: none"> <li>Work scheduling system</li> </ul>	<ul style="list-style-type: none"> <li>Performance standards</li> <li>Compliance Summary Reports (record of breaches)</li> </ul>
Clause 12 Accounting Records	4	<ul style="list-style-type: none"> <li>Check that 2011/12 and 2012/13 financial statements are signed off as being to appropriate standards</li> </ul>	<ul style="list-style-type: none"> <li>Finance system</li> </ul>	<ul style="list-style-type: none"> <li>2010/11 Financial statement</li> <li>2011/12 Financial statement</li> <li>2012/13 Financial statement</li> </ul>
Clause 13 Individual Performance Standards	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 14 Performance Standards	4	<ul style="list-style-type: none"> <li>Review information reported to the Authority</li> <li>Confirm methodology used to determine performance conforms to legislation and procedures.</li> </ul>		<ul style="list-style-type: none"> <li>Performance Audit</li> <li>Annual Performance Reports</li> <li>Procedures / Policy Manual</li> <li>Post Implementation Audit Reports / Status since previous audit</li> <li>Correspondence between the licensee and Authority regarding review requirements</li> </ul>
Clause 15 Reporting change in circumstances	5	<ul style="list-style-type: none"> <li>Review any correspondence with the Authority</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>
Clause 16 Provision of Information	4	<ul style="list-style-type: none"> <li>Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Annual compliance reports</li> <li>Correspondence register</li> </ul>
Clause 17 Publishing Information	4	<ul style="list-style-type: none"> <li>Check if any requests have been issued by the Authority to publish any information relating to the performance of the Licensee and correlating response</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Letters of notification / requests from the Authority</li> <li>Response to the Authority</li> </ul>

Audit Area	Priority	Approach	Systems	Key Documents
Clause 18 Notices	4	<ul style="list-style-type: none"> <li>Confirm all notices are issued in writing</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Issued notices</li> </ul>
Clause 19 Review of the Authority's Decisions	4	<ul style="list-style-type: none"> <li>Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response</li> </ul>		<ul style="list-style-type: none"> <li>Requests for review of decision (Correspondence)</li> </ul>
Clause 21 Approved Scheme	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 23 Marketers	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 24 Customer Contracts	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 25 Amending the Standard Form Contract	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 26 Directions by the Authority	5	<ul style="list-style-type: none"> <li>Confirm that directions from the authority have been complied with.</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence register</li> </ul>	<ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>
Clause 27 Supplier of Last Resort	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		
Clause 28 Notification of Default Supply	NA	<ul style="list-style-type: none"> <li>Confirm that it's not applicable</li> </ul>		

## 2.4 Time Period Covered by the Audit

This audit covers the period from 1 July 2011 to 30 June 2014.

## 2.5 Time Period of the Audit Process

The audit commenced in August 2014 with preparation of the draft Audit Plan. Interviews with the licensee's staff were carried out on 25 August 2014 at the licensee's office in Subiaco, WA.

## 2.6 Details of the Licensee Representatives Participating in the Audit

Details of representatives from the licensee who participated in the audit and review process are provided in Table 2-5.

Table 2-4 Details of Licensee Representatives

Name	Organisation	Role
Tim Gordon	Newmont AP Power	Senior Advisor, Power and Joint Ventures
David Lyne	Powranna Consulting	Energy Consultant to Newmont AP Power Pty Ltd

## 2.7 Details of Key Documents and Other Information Sources

- ▶ Electricity Retail License Newmont AP Power Pty Ltd ERL13, Version 3, 19 September 2012
- ▶ Email dated 11 July 2014 between Tim Gordon and Stephen Walker showing licence fee payment transaction for previous three years
- ▶ Annual Financial Report for the year ending 31 December 2011
- ▶ Annual Financial Report for the year ending 31 December 2012
- ▶ Annual Financial Report for the year ending 31 December 2013
- ▶ Newmont AP Power Pty Ltd Compliance Report dated August 2011
- ▶ Newmont AP Power Pty Ltd Compliance Report dated August 2012
- ▶ Newmont AP Power Pty Ltd Compliance Report dated June 2013

## 2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised

The audit/review team comprised two staff members from Cardno.

Details of their roles and hours utilised in the audit/review process are provided in the table below.

**Table 2-1 Details of Audit / Review Team Members**

Name	Organisation	Role	Summary of Task	Hours Utilised
Simon Martin	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"><li>▪ Audit preparation</li><li>▪ Audit</li><li>▪ Preparation of Report</li></ul>	20 hours
Stephen Walker	Cardno	Auditor/Reviewer	<ul style="list-style-type: none"><li>▪ Audit preparation</li><li>▪ Audit</li><li>▪ Review of Report</li></ul>	15 hours

### 3 Licensee's Response to Previous Audit Recommendations

In the previous operating licence audit and asset management review, a series of actions were recommended or suggested to improve the existing controls.

Details of the actions completed by the licensee against each recommendation are presented in Table 3-1 below.

**Table 3-1 Previous Audit Non-compliances and Recommendations**

A. Resolved before end of previous audit period				
Reference (no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
Nil				
B. Resolved during current Audit period				
Reference (no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
110/2012	<i>Non-compliant - 2</i> <i>Distribution Licence condition 21.1, Retail Licence Condition 24.1</i> Not all reports have been on time.	Implement a procedure to recognise all regulatory obligations and the required response times	Advised to ERAWA 30/5/12	No
C. Unresolved at end of current Audit period				
Reference (no./ year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
Nil				

## 4 Performance Summary

This section summarises the compliance ratings determined by the performance audit. The scale used to assign compliance ratings is set out in the following section. An adequacy of controls rating is only awarded where a non-compliance is identified.

### 4.1 Assessment Rating Scales

In accordance with the Audit Guidelines, an assessment of the performance of the licensee has been completed using the rating scale in Table 4-1.

**Table 4-1 Audit Compliance and Controls Rating Scales**

Adequacy of Controls Rating				Compliance Rating		
Rating	Description			Rating	Description	
A	Adequate	controls	– no improvement needed	1	Compliant	
B	Generally adequate	controls	– improvement needed	2	Non-compliant – minor impact on customers or third parties	
C	Inadequate	controls	– significant improvement required	3	Non-compliant – moderate impact on customers or third parties	
D	No controls evident			4	Non-compliant – major impact on customers or third parties	

### 4.2 Performance Audit Compliance Summary

Table 4-4 provides a summary of the licensee’s compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant.

Na = Not applicable - Determined during the audit that the compliance obligation does not apply to the Licensee’s business operations

Nr = Not rated - No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

**Table 4-2 Audit Obligation Ratings**

Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating								
			A	B	C	D	NP	1	2	3	4	Na	Nr			
105	Electricity Industry Act section 17(1)	5														✓
106	Electricity Industry Act section 31(3)	5														✓
107	Electricity Industry Act section 41(6)	4														✓

Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Compliance Rating											
			A	B	C	D	NP	1	2	3	4	Na	Nr	
113	Electricity Industry Act section 115(2)	4												✓
360	Electricity Industry Metering Code clause 3.11(3)	4												✓
385	Electricity Industry Metering Code clause 3.27	4												✓
392	Electricity Industry Metering Code clause 4.4(1)	5												✓
393	Electricity Industry Metering Code clause 4.5(1)	4												✓
394	Electricity Industry Metering Code clause 4.5(2)	5												✓
409	Electricity Industry Metering Code clause 5.4(2)	5												✓
422	Electricity Industry Metering Code clause 5.16	4												✓
423	Electricity Industry Metering Code clause 5.17(1)	4												✓
426	Electricity Industry Metering Code clause 5.18	4												✓
427	Electricity Industry Metering Code clause 5.19(1)	5												✓
428	Electricity Industry Metering Code clause 5.19(2)	5												✓
429	Electricity Industry Metering Code clause 5.19(3)	4												✓
431	Electricity Industry Metering Code clause 5.19(6)	5												✓
437	Electricity Industry Metering Code clause 5.21(5)	4												
438	Electricity Industry Metering Code clause 5.21(6)	4												✓
456	Electricity Industry Metering Code clause 5.27	4												✓
472	Electricity Industry Metering Code clause 7.2(1)	4												✓
474	Electricity Industry Metering Code clause 7.2(4)	4												✓
475	Electricity Industry Metering Code clause 7.2(5)	4												✓
476	Electricity Industry Metering Code clause 7.5	4												✓



Compliance Obligation Ref No.	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Compliance Rating												
			A	B	C	D	NP	1	2	3	4	Na	Nr		
478	Electricity Industry Metering Code clause 8.1(1)	5													✓
479	Electricity Industry Metering Code clause 8.1(2)	5													✓
480	Electricity Industry Metering Code clause 8.1(3)	4													✓
481	Electricity Industry Metering Code clause 8.1(4)	5													✓
482	Electricity Industry Metering Code clause 8.3(2)	4													✓
119	Retail Licence condition 12.1	4								✓					
101	Electricity Industry Act section 13(1)	4								✓					
121	Retail Licence condition 14.2	4								✓					
123	Retail Licence condition 15.1	5													✓
124	Retail Licence condition 16.1	4								✓					
125	Retail Licence condition 17.1 and 17.2	4													✓
126	Retail Licence condition 18.1	4													✓

## 5 Observations and Recommendations

### 5.1 Performance Audit

Table 5-1 Performance Audit Observations and Recommendations

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
105	Distribution Licence condition 4.1 Generation Licence condition 4.1 Integrated Regional Licence condition 4.1 Retail Licence condition 4.1 Transmission Licence condition 4.1	Electricity Industry Act section 17(1)	A licensee must pay to the Authority the prescribed licence fee within one month after the day of grant or renewal of the licence and within one month after each anniversary of that day during the term of the licence.	<ul style="list-style-type: none"> <li>▪ Licence fees have been paid regularly, and within the required timeframes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Tim Gordon and David Lyne.</li> <li>▪ Transaction records for previous three years viewed.</li> </ul>	1
106	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 31(3)	A licensee must take reasonable steps to minimise the extent or duration of any interruption, suspension or restriction of the supply of electricity due to an accident, emergency, potential danger or other unavoidable cause.	<ul style="list-style-type: none"> <li>▪ There is no supply of electricity to manage as the licensee has no customers.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Tim Gordon and David Lyne.</li> </ul>	Na
107	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 41(6)	A licensee must pay the costs of taking an interest in land or an easement over land.	<ul style="list-style-type: none"> <li>▪ There are no land or easement requirements related to the assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Tim Gordon and David Lyne.</li> </ul>	Na
113	Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Act section 115(2)	A licensee that has, or is an associate of a person that has, access to services under an access agreement must not engage in conduct for the purpose of hindering or prohibiting access.	<ul style="list-style-type: none"> <li>▪ The licensee is not party to any access agreement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
360	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 3.11(3)	A Code participant who becomes aware of an outage or malfunction of a metering installation must advise the network operator as soon as practicable.	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
385	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 3.27	A person must not install a metering installation on a network unless the person is the network operator or a registered metering installation provider for the network operator doing the type of work authorised by its registration.	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
392	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.4(1)	If there is a discrepancy between energy data held in a metering installation and data held in the metering database, the affected Code participants and the network operator must liaise together to determine the most appropriate way to resolve a discrepancy.	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
393	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 4.5(1)	A Code participant must not knowingly permit the registry to be materially inaccurate.	<ul style="list-style-type: none"> <li>The licensee does not have any customers and therefore no registry.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
394	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 4.5(2)	Subject to subclause 5.19(6), if a Code participant, other than a network operator, becomes aware of a change to, or an inaccuracy in, an item of standing data in the registry, then it must notify the network operator and provide details of the change or inaccuracy within the timeframes prescribed.	<ul style="list-style-type: none"> <li>The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
409	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.4(2)	A user must, when reasonably requested by a network operator, assist the network operator to comply with the network operator's obligation under subclause 5.4(1).	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
422	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.16	If a user collects or receives energy data from a metering installation then the user must provide the network operator with the energy data (in accordance with the communication rules) within the timeframes prescribed.	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
423	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.17(1)	A user must provide standing data and validated, and where necessary substituted or estimated, energy data to the user's customer to which that information relates where the user is required by an enactment or an agreement to do so for billing purposes or for the purpose of providing metering services to the customer.	<ul style="list-style-type: none"> <li>The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
426	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.18	If a user collects or receives information regarding a change in the energisation status of a metering point then the user must provide the network operator with the prescribed information, including the stated attributes, within the timeframes prescribed.	<ul style="list-style-type: none"> <li>The licensee does not own any meters.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
427	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(1)	A user must, when requested by the network operator acting in accordance with good electricity industry practice, use reasonable endeavours to collect information from customers, if any, that assists the network operator in meeting its obligations described in the Code and elsewhere, and provide that information to the network operator.	<ul style="list-style-type: none"> <li>The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
428	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(2)	A user must, to the extent that it is able, collect and maintain a record of the prescribed information in relation to the site of each connection point with which the user is associated.	<ul style="list-style-type: none"> <li>The licensee does not have any connection points.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
429	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(3)	Subject to subclauses 5.19(3A) and 5.19(6), the user must, within 1 business day after becoming aware of any change in an attribute described in subclause 5.19(2), notify the network operator of the change.	<ul style="list-style-type: none"> <li>The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
431	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.19(6)	The user must use reasonable endeavours to ensure that it does not notify the network operator of a change in an attribute described in subclause 5.19(2) that results from the provision of standing data by the network operator to the user.	<ul style="list-style-type: none"> <li>The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
437	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.21(5)	A Code participant must not request a test or audit under subclause 5.21(1) unless the Code participant is a user and the test or audit relates to a time or times at which the user was the current user or the Code participant is the IMO.	<ul style="list-style-type: none"> <li>No requests for test or audit have been made. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Nr
438	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.21(6)	A Code participant must not make a request under subclause 5.21(1) that is inconsistent with any access arrangement or agreement.	<ul style="list-style-type: none"> <li>No requests have been made. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
456	Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1	Electricity Industry Metering Code clause 5.27	Upon request from a network operator, the current user for a connection point must provide the network operator with customer attribute information that it reasonably believes are missing or incorrect within the timeframes prescribed.	<ul style="list-style-type: none"> <li>No requests have been made. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
472	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(1)	Code participants must use reasonable endeavours to ensure that they can send and receive a notice by post, facsimile and electronic communication and must notify the network operator of a telephone number for voice communication in connection with the Code.	<ul style="list-style-type: none"> <li>Capability of required format of communications satisfied. However, the licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
474	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(4)	If requested by a network operator with whom it has entered into an access contract, the Code participant must notify its contact details to a network operator within 3 business days after the request.	<ul style="list-style-type: none"> <li>There is no access contract. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
475	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.2(5)	A Code participant must notify any affected network operator of any change to the contact details it notified to the network operator under subclause 7.2(4) at least 3 business days before the change takes effect.	<ul style="list-style-type: none"> <li>There is no network operator. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
476	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 7.5	A Code participant must subject to subclauses 5.17A and 7.6 not disclose, or permit the disclosure of, confidential information provided to it under or in connection with the Code and may only use or reproduce confidential information for the purpose for which it was disclosed or another purpose contemplated by the Code.	<ul style="list-style-type: none"> <li>There is no confidential information. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
478	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(1)	If any dispute arises between any Code participants then (subject to subclause 8.2(3)) representatives of disputing parties must meet within 5 business days after a notice given by a disputing party to the other disputing parties and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no disputes. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
479	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(2)	If a dispute is not resolved within 10 business days after the dispute is referred to representative negotiations, the disputing parties must refer the dispute to a senior management officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no disputes. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
480	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(3)	If the dispute is not resolved within 10 business days after the dispute is referred to senior management negotiations, the disputing parties must refer the dispute to the senior executive officer of each disputing party who must meet and attempt to resolve the dispute by negotiations in good faith.	<ul style="list-style-type: none"> <li>There have been no disputes. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
481	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.1(4)	If the dispute is resolved by representative negotiations, senior management negotiations or CEO negotiations, the disputing parties must prepare a written and signed record of the resolution and adhere to the resolution.	<ul style="list-style-type: none"> <li>There have been no disputes. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
482	Distribution Licence condition 5.1 Generation Licence condition 5.1 Integrated Regional Licence condition 5.1 Retail Licence condition 5.1 Transmission Licence condition 5.1	Electricity Industry Metering Code clause 8.3(2)	The disputing parties must at all times conduct themselves in a manner which is directed towards achieving the objective in subclause 8.3(1).	<ul style="list-style-type: none"> <li>There have been no disputes. The licensee does not have any customers.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Na
119	Electricity Industry Act section 11	Distribution Licence condition 12.1 Generation Licence condition 12.1 Integrated Regional Licence condition 12.1 or 24.1 Retail Licence condition 12.1 Transmission Licence condition 12.1	A licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	<ul style="list-style-type: none"> <li>Compliant accounting records are being maintained.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> <li>Annual reports for previous three years viewed.</li> </ul>	1
101	Distribution Licence condition 14.1 Generation Licence condition 14.1 Integrated Regional Licence condition 14.1 Retail Licence condition 14.1 Transmission Licence condition 14.1	Electricity Industry Act section 13(1)	A licensee must, not less than once every 24 months, provide the Authority with a performance audit conducted by an independent expert acceptable to the Authority.	<ul style="list-style-type: none"> <li>A performance audit conducted by an independent expert is being provided regularly to the Authority, and within the required timescales.</li> <li>The previous performance audit was reported on in November 2011 and the subsequent audit is currently being undertaken (this audit).</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> <li>Previous performance audit report dated November 2011 viewed.</li> <li>Subsequent performance audit currently being undertaken (this audit).</li> </ul>	1



2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
121	Electricity Industry Act section 11	Distribution Licence condition 14.2 Generation Licence condition 14.2 Integrated Regional Licence condition 14.2 Retail Licence condition 14.2 Transmission Licence condition 14.2	A licensee must comply, and require its auditor to comply, with the Authority's standard audit guidelines dealing with the performance audit.	<ul style="list-style-type: none"> <li>The licensee has previously complied with, and continues to comply with the Authority's standard audit guidelines dealing with the performance audit.</li> <li>The previous performance audit was reported on in November 2011 and the subsequent audit is currently being undertaken (this audit).</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> <li>Previous performance audit report dated November 2011 viewed.</li> <li>Subsequent performance audit currently being undertaken (this audit).</li> </ul>	1
123	Electricity Industry Act section 11	Distribution Licence condition 15.1 Generation Licence condition 15.1 Integrated Regional Licence condition 15.1 Retail Licence condition 15.1 Transmission Licence condition 15.1	A licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a significant change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	<ul style="list-style-type: none"> <li>The licensee is not under external administration nor has there been a change in circumstances upon which the licence was granted which could affect its ability to meet its obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Nr
124	Electricity Industry Act section 11	Distribution Licence condition 16.1 Generation Licence condition 16.1 Integrated Regional Licence condition 16.1 Retail Licence condition 16.1 Transmission Licence condition 16.1	A licensee must provide the Authority, in the manner prescribed, any information the Authority requires in connection with its functions under the Electricity Industry Act.	<ul style="list-style-type: none"> <li>The licensee has provided information to the Authority, such as Compliance Reports on time.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> <li>Compliance Reports for financial year ending 2013 viewed.</li> </ul>	1

2014 No.	Licence Condition	Obligations under Condition	Description	Observations	Evidence (Include Contact)	Compliance Rating
125	Electricity Industry Act section 11	Distribution Licence condition 17.1 and 17.2 Generation Licence condition 17.1 and 17.2 Integrated Regional Licence condition 17.1 and 17.2 Retail Licence condition 17.1 and 17.2 Transmission Licence condition 17.1 and 17.2	A licensee must publish any information it is directed by the Authority to publish, within the timeframes specified.	<ul style="list-style-type: none"> <li>No directions have been made by the Authority for the licensee to publish information.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Nr
126	Electricity Industry Act section 11	Distribution Licence condition 18.1 Generation Licence condition 18.1 Integrated Regional Licence condition 18.1 Retail Licence condition 18.1 Transmission Licence condition 18.1	Unless otherwise specified, all notices must be in writing.	<ul style="list-style-type: none"> <li>No notices have been issued.</li> </ul>	<ul style="list-style-type: none"> <li>Interview with Tim Gordon and David Lyne.</li> </ul>	Nr

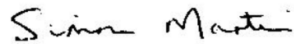
## 6 Recommendations

### 6.1 Performance Audit

There are no recommendations from the current audit.

## 7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at Newmont AP Power Pty Ltd on 25 August 2014 and recorded in this report is an accurate presentation of our findings and opinions.



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Simon Martin BEng(Hons) CPEng MIEAust  
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515 St Paul's Terrace  
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30 September 2014

Performance Audit

**APPENDIX A**  
RISK  
MANAGEMENT  
FRAMEWORK



## Types of Compliance Risk

Type of Risk	Examples
Supply quality and reliability	Delays in new connections, excessive supply interruptions, supply quality standards not met.
Consumer protection	Customer service levels not met, incorrect bills, disconnection and reconnection standards not met, customers unable to access financial hardship assistance.
Legislation/licence	Breach of industry Acts, regulations and codes, contravention of licence conditions.

## Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Audit and Review Guidelines: Electricity and Gas Licences, (Economic Regulation Authority), April 2014.

### Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	<p>Breaches of supply quality or reliability standards – affecting small number of customers.</p> <p>Delays in providing a small proportion of new connections.</p>	<p>Customer complaints procedures not followed in a few instances.</p> <p>Small percentage of disconnections or reconnections not completed on time.</p> <p>Small percentage of bills not issued on time.</p>	<p>Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties.</p> <p>Compliance framework generally fit for purpose and operating effectively.</p>
2 Moderate	<p>Supply quality breach events that significantly impact customers; large number of customers affected and/or extended duration and/or damage to customer equipment.</p> <p>Supply interruptions affecting significant proportion of customers on the network for up to one day.</p> <p>Significant number of customers experiencing excessive number of interruptions per annum.</p> <p>Significant percentage of new connections not provided on time/ some customers experiencing extended delays.</p>	<p>Significant percentage of complaints not being correctly handled.</p> <p>Customers not receiving correct advice regarding financial hardship.</p> <p>Significant percentage of bills not issued on time.</p> <p>Ongoing instances of disconnections and reconnections not completed on time, remedial actions not being taken or proving ineffective. Instances of wrongful disconnection.</p>	<p>More widespread breaches of legislative obligations or licence conditions over time.</p> <p>Compliance framework requires improvement to meet minimum standards.</p>
3 Major	<p>Supply interruptions affecting significant proportion of customers on the network for more than one day.</p> <p>Majority of new connections not completed on time/ large number of customers experiencing extended delays.</p>	<p>Significant failure of one or more customer protection processes leading to ongoing breaches of standards.</p> <p>Ongoing instances of wrongful disconnection.</p>	<p>Wilful breach of legislative obligation or licence condition.</p> <p>Widespread and/or ongoing breaches of legislative obligations or licence conditions.</p> <p>Compliance framework not fit for purpose, requires significant improvement.</p>

## Likelihood Ratings

The likelihood rating scale is described below.

Level	Description
A	Likely Non-compliance is expected to occur at least once or twice a year
B	Probable Non-compliance is expected to occur once every three years
C	Unlikely Non-compliance is expected to occur once every 10 years or longer

## Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

## Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Controls that mitigate the identified risks to an appropriate level
Moderate	Controls that only cover significant risks; improvement required
Weak	Controls are weak or non-existent and have minimal impact on the risks

## Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1	Audit Priority 2	
Medium	Audit Priority 3	Audit Priority 4	
Low	Audit Priority 5		