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Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

publicsubmissions@erawa.com.au

2024/25 review of Audit and Review Guidelines

Alinta Energy is pleased to provide comment on the ERA's proposed revised *2025 Audit and Review Guidelines – Electricity and Gas Licences (Guidelines)* and on the recommendations set out in the *Consultation paper on draft new guidelines (Consultation Paper)*.

We have been actively involved in the 2024/25 review, providing responses to the ERA's online survey in July 2024, followed by informal comments on a pre-release of the Guidelines and Consultation Paper in January 2025. We are pleased to see that the ERA has incorporated several of our comments in the proposed revised Guidelines and, as such, we only have a few additional comments to make as part of this formal consultation process.

Audit and review timeline

We support the proposal to change the audit and review timeline to provide auditors more time (an additional month) to prepare and submit their draft report to the ERA, as depicted in Figure 1 of the Consultation Paper. The current two-month timeframe is extremely tight, often leading to licensees requesting, on behalf of their auditor, additional time to complete the necessary fieldwork and prepare the draft report.

It would be useful to provide an example of the new audit/review timeline in the Guidelines, similar to Figure 1 in the Consultation Paper, to assist licensees and auditors understand the audit/review time frame. Alternatively, the process flowchart in Appendix 4 could be revised to include the time frame for each step.

Recommendation 4

The ERA proposes to amend the Guidelines to recommend sample sizes for any testing that may be performed, with sample sizes to be disclosed by the auditor in the audit or review report. We support the addition of the requirement to disclose the sample size in the audit/review report. However, we consider the sample size recommendation of a minimum of 10% of the population, up to a maximum number of 20, could be broader.

Whilst we note that the sample size is a recommendation only, we would instead advocate for a reference to Auditing Standard ASA 530 *Audit Sampling*, which recognises the need to apply judgement when considering sample sizes. We consider:

- The recommendation of 10% up to a maximum of 20 is reasonable for instances where there are large volumes of transactions and where there is a heightened risk of a breach or failure of a control. However, for large populations with a low risk of material misstatement i.e. where controls are tight and/or there is little risk of an isolated deviation or breach, a smaller sample, selected randomly, would suffice;
- A good auditor will consider other mitigating controls, such as system exception reports and quality assurance functions, and use their judgement on where the risk lies – higher sampling is not necessary where there is little to no chance of the testing showing anything different. The main focus can be to simply confirm that the control or process operated for the duration of the audit period; and
- Testing 100% of a small population may be appropriate if the risk is critical.

Alinta Sales Pty Ltd ABN 92 089 531 984

PO Box 8348, Perth BC, WA 6849

T +61 8 9486 3170 **F** +61 8 9266 4688 **W** alintaenergy.com.au

Recommendation 5

The N/R (Not Rated) compliance rating description in the Guidelines has been expanded to include situations where there is insufficient evidence to rate compliance. The Consultation Paper gives the example of where a licensee does not have records to prove compliance with an obligation.

We consider there is a significant difference between the current N/R compliance rating description of “no activity took place during the audit period” and “insufficient evidence to rate compliance”.

Whilst the Consultation Paper notes that controls are likely to be rated deficient if evidence of complying with an obligation cannot be provided, the considerable difference between no activity taking place and activity taking place but without sufficient evidence to determine its compliance status, warrants (we believe) two separate compliance ratings.

Please contact me if you have any questions regarding this submission.

Yours sincerely,

Catherine Rousch
Manager WA Retail Regulation
Alinta Energy