



NOTICE

Call for Submissions on Proposed Audit Guidelines for Electricity, Gas and Water Licensees

The Economic Regulation Authority, as the regulator responsible for administering licensing schemes under the *Electricity Industry Act 2004* (Electricity Act), the *Energy Coordination Act 1994* (Energy Act) and the *Water Services Licensing Act 1995* (Water Act) is seeking public comments on audit guidelines which are presented in the following two publications:

- 1) 'Audit Guidelines: Electricity, Gas and Water Licences' which guide service providers (licensees) and their independent auditors on the type of information required to demonstrate to the Authority that the licensees have in place effective systems and controls to ensure compliance with licence obligations and asset management 'best practice'; and
- 2) 'Audit Guidelines: Electricity, Gas and Water Licensing: Audit Template for Smaller Organisations' which recognise that smaller service providers have a different risk profile to larger organisations, depending on factors such as the types of services provided, numbers of customers and maturity of systems.

The audit guidelines set minimum requirements for selecting auditors and for scoping, conducting and reporting audits to ensure they are done in a consistent, rigorous and independent manner.

The legislation provides for two types of audits – a performance/operational audit and a review of the asset management system (Electricity Act ss 13-14, Energy Act ss 11 (Y) 11 (ZA) and Water Act ss 36-37).

The proposed audit guidelines:

- provide standard, structured scope documentation to assist licensees to satisfy the Authority's requirements concerning the scope, focus and presentation of performance audits and asset management reviews;
- allow a flexible audit cycle of all prescribed auditable areas;
- can be utilised for all levels of industry (eg power generation, gas distribution systems, water and wastewater services) wherever they are located in Western Australia and whatever the capacity of the plant. The documentation includes identification of all significant auditable areas;
- are based on a risk audit model which follows 'ASNZS 4360-004 Risk Management' guidelines (which is considered prudent for the three industries involved); and

- include an effective audit of information processing systems.

The audit guidelines also set out a proposal to provide incentives for businesses to achieve compliance by:

- allowing those that can demonstrate consistent and effective compliance to be audited less frequently than those businesses with lesser compliance; and
- maximising the cost-effectiveness of audits by adopting a risk-based approach to the frequency, scope and depth of the evidence required.

Further, the audit guidelines are modelled on the premise that risk assessment is commensurate with, and should take account of, the size and nature of the organisation.

The audit guidelines are available on the Authority's website at: www.era.wa.gov.au. Printed copies are also available directly from the Authority for \$10.00 per set.

Interested parties are invited to comment on the detail of the proposed audit guidelines, including:

- the appropriateness of the audit reporting arrangements; and
- the appropriateness of the audit scopes concerning the operational/performance audits and asset management reviews in terms of licence requirements.

Confidentiality

In general, all submissions from interested parties will be treated as in the public domain and placed on the Authority's website. Where an interested party wishes to make a submission in confidence, it should clearly indicate the parts of the submission in respect of which confidentiality is claimed, and specify in reasonable detail the basis upon which the claim is made.

The receipt and publication of any submission on the Authority's website shall not be taken as indicating that the Authority has knowledge, either actual or constructive, of the contents of a particular submission and, in particular, whether the submission in whole or part contains information of a confidential nature and no duty of confidence for the Authority will arise for the Authority in these circumstances.

Submissions should be in both printed and electronic form and should be received by 4:00pm WST on 05-May-06, addressed to:

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