



# Notice

22 April 2014

## Audit and Review Guidelines: Electricity and Gas Licences

The Economic Regulation Authority (**Authority**) has approved the publication of the Audit and Review Guidelines: Electricity and Gas Licences (**Guidelines**).

- [Audit and Review Guidelines: Electricity and Gas Licences \(clean version\)](#)
- [Audit and Review Guidelines: Electricity and Gas Licences \(marked up version\)](#)

The Authority developed draft Guidelines after consultation with a focus group comprising 15 licensees and 7 auditors. The draft Guidelines developed by the focus group were then released for public comment on 25 February 2014. The Authority received four submissions on the draft Guidelines:

- [Public Submission – Alinta Energy](#)
- [Public Submission – Community Electricity](#)
- [Public Submission – Western Power](#)
- [Public Submission – Synergy](#)

The purpose of the Guidelines is to inform electricity and gas service providers licensed by the Authority and external auditors about the Authority's requirements regarding the conduct of performance audits (**audits**) and asset management system reviews (**reviews**) of electricity and gas licensees.

The Guidelines are designed to promote consistency of audits and reviews through:

- informing licensees and auditors about the legislative framework applicable to auditing licensee's compliance with licence conditions;
- informing licensees and auditors about the approach to examine the effectiveness of the reviews;
- describing a framework for the conduct of audits and reviews based on Australian Auditing and Assurance Standards;
- adopting a risk based approach to planning audits and reviews using the risk assessment process in standard AS/NZS 31000:2009;



# Notice

- promoting consistency of reporting on audits by mandating a 4-point compliance rating scale. A 4-point adequacy of controls rating scale is mandated for higher risk obligations;
- promoting consistency of reporting on reviews by mandating separate adequacy and performance rating scales; and
- providing a framework for:
  - the criteria the Authority will consider when approving auditors;
  - the format and content of audit and review plans;
  - the conduct of audits and reviews with reference to the Australian Auditing and Assurance Standards; and
  - the format and content of the audit and review reports.

The use of common rating scales to measure compliance with licence conditions, and the effectiveness of asset management processes enables the Authority to benchmark individual licensees and groups of licensees over time. The Authority's policy is to extend the interval between audits and reviews for licensees who are demonstrating consistent and effective compliance with licence conditions, or asset management effectiveness, as applicable. This approach benefits the licensee through reducing the costs and resources needed for audit and review activities over time.

The Authority will publish separate Guidelines for water licenses because of the different legislative framework relating to the audits and reviews of water licences following the commencement of the *Water Services Act 2012*.

For further information contact:

**General Enquiries**

Paul Reid  
Economic Regulation Authority  
Phone: 08 6557 7900  
Email: [records@erawa.com.au](mailto:records@erawa.com.au)

**Media Enquiries**

Des Riley  
Riley Mathewson Public Relations  
Phone: 08 9381 2144  
Email: [admin@rmpr.com.au](mailto:admin@rmpr.com.au)