

Our Reference: DMS #3272935
Enquiries: Simon Thackray
Telephone: (08) 6212 1433

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Mr Harry Hilton
Assistant Director Monitoring
Economic Regulation Authority
Level 6
197 St Georges Terrace
Perth WA 6000

Dear Mr Hilton

AUDIT GUIDELINES: ELECTRICITY, GAS & WATER DRAFT MAY 2009

Thank you for the opportunity to comment on the revised Audit Guidelines: Electricity, Gas and Water draft May 2009 (**revised audit guidelines**).

Synergy has reviewed the revised audit guidelines and makes the following comments:

- It would be useful when the Economic Regulation Authority (**ERA**) publishes revisions to draft documents or issues final guidelines that licensees are also provided with marked versions of the documents to enable them to easily identify any amendments.
- Synergy supports a risk based approach to the planning and conduct of a performance audit whereby greater focus and depth of testing occurs for higher risk areas relative to medium and lower risk areas.
- In order to keep audit costs reasonable, Synergy requests the ERA to consider the results of internal audits of licence conditions, rather than replicating this work by the external auditor. For example, if an internal audit of 20 controls has occurred, rather than the external auditor undertaking the same review of the same controls, the external auditor could sample the high risk controls as well as a random sample of medium to low risk controls to determine whether the results of the internal audit were valid. Based on the outcome of this work, further testing would or would not be undertaken. This approach was successfully adopted as part of Synergy's electricity retail licence performance audit.

- Synergy supports the ERA's proposed incentive based regulation whereby the interval between performance audits can be extended for licensees who are assessed as having a strong compliance framework that is achieving a high level of regulatory compliance.
- Synergy supports the ERA's proposal to permit aggregated audit priority assessment.
- The audit guideline specifies various ERA objectives in the document. (Refer fifth paragraph page 6 and last paragraph page 13.) It would be useful to a licensee if the ERA's objectives with respect to the audit guideline and the conduct of an audit were stated in a central location within the document.

Please do not hesitate to contact me should you wish to discuss any aspect of the above.

Yours sincerely

SIMON THACKRAY
MANAGER RETAIL REGULATORY AND COMPLIANCE