

25 March 2025

Economic Regulation Authority
Level 4, Albert Facey House
469 Wellington Street
Perth WA 6000
Attn: Belinda Lee

Dear Belinda,

Re: Response to 2024/25 review of Audit and Review Guidelines - Public consultation

We are writing to provide our feedback on the 2024/25 review of Audit and Review Guidelines, as published on the ERA's website. Our contribution to this review is as follows:

- A. **Section 1.7 - Frequency of audits and reviews:** The frequency appears to be subjective. Suggest detailing criteria for either extending, maintaining and reducing the amount of time between audits and reviews.
- B. **Section 2.1.3.3 - Auditor rotation:** This section provides that an auditor can only conduct two consecutive audits or reviews. Suggest updating the below sentence by adding the words "on a licensee", so that it is clear that the limit applies to the licensee, i.e. *The number of consecutive audits or reviews that the same auditor may conduct on a licensee is limited to two.*
- C. **Section 2.2 - Documents required for auditor approval:** Suggest clarifying what 'business profile' means in the below sentence and providing some guidance on it. E.g. should it be a document providing a description of the business, the services they offer and their capabilities? *For audit companies, a business profile, or similar, demonstrating their capability and capacity to undertake the audit or review.*
- D. **Section 2.2 - Documents required for auditor approval:** This section states that a licensee is required to submit the below to the ERA when seeking approval of a proposed auditor: *A statement confirming that the auditor will conduct the audit or review in accordance with the guidelines.*

However, this requirement is not included under the Table 24, section B, number 5, which specifies auditor nomination requirements. Table 24, section C, number 9 includes the following requirement, which is slightly different to the one outlined above: *Statement that the audit or review report will comply with the guidelines.* Suggest that the ERA review section 2.2 and Table 24 to ensure that the audit requirements are reflected consistently in these sections.

- E. **Section 5.3 - Post-audit and post-review implementation plans:** Suggest providing timeframes/frequency for when ERA may seek an update from licensees on the progress of actions proposed in post-audit or post-review implementation plans.



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- F. **Section 6.2 – Repeat audit or review:** “The ERA may require the licensee to repeat the audit or review if the audit or review team changed during the course of the audit or review in a way that unacceptably compromised the conduct of the audit or review.”

Consider expanding on what is deemed as unacceptable. When asked to repeat the audit, are the same timeframes and process applicable? Or is there some leeway if certain audit areas were covered sufficiently, and do not require to be re-audited?

- G. **Appendix 4 - Process flowchart for audits and reviews:** The process flowchart is not consistent with Table 24 (Appendix 6). Suggest revisiting this to align.

- The chart does not account for steps required where there is a need for revisions/ revisits e.g. should ERA reject the nominated auditor.
- Suggest rephrasing ‘Auditor finalises reports and forwards to ERA’ to ‘Licensee or auditor (if consent given by licensee) finalises audit or review report and forwards to ERA’.
- Process No. 15 detailed in Table 24 seems to be missing from the flow-chart i.e. Licensee to provide draft audit or review report to the ERA.

- H. **Appendix 6 - Audit and review process summary:** Suggest re-aligning timeframes/ clarifying when the implementation plan is to be provided i.e. alongside the draft audit report, and or final audit report.

- Section 5.3 asks the licensee to submit a post-audit or post-review implementation plan, as appropriate, with the audit or review report.
- Process No.19 – asks the licensee to issue ERA a post-audit or post-review implementation plan ASAP with final audit report. Suggest a timeframe of 4 weeks be provided to accommodate internal consultation to develop robust rectification plans.

- I. **Other:** The terms ‘audit and review plan’ and ‘audit plan’ are used throughout the document. It appears that the terms are not used correctly in all locations. For example, in the flow chart in Appendix 4 the term ‘audit or review plan’ should be used instead of ‘audit plan’. Suggest reviewing the use of these terms and rationalising them where appropriate.

Thank you for considering the feedback. Should you have any questions, please contact us.

Yours sincerely,

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