



Economic Regulation Authority

2024/25 review of Audit and Review Guidelines

Decision

17 June 2025

Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

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1. Overview

The Economic Regulation Authority licenses providers of electricity, water and gas services in Western Australia. Licensees must undertake periodic audits of their compliance with their licence, as well as reviews of their asset management systems.

It is a condition of every electricity, gas and water licence that licensees and auditors must comply with the ERA's guidelines when undertaking a licence compliance audit or asset management system review. Separate guidelines have been developed for energy (electricity and gas) and water, as the legislative processes are different.

Since 2006, the ERA has published these guidelines to inform licensees and auditors about our requirements for conducting audits and reviews.¹ The guidelines inform licensees and external auditors of the criteria the ERA considers when approving auditors, audit and review plans, and audit and review reports. It also outlines the general principles licensees and auditors must follow when conducting an audit or review.

The last major review of the guidelines was in 2019. This review was undertaken to ensure the continued effectiveness of the guidelines. To ensure the guidelines remain fit-for-purpose, we considered factors such as relevant standards, areas that could be made more efficient and the removal of obsolete or unnecessary requirements.

Legislative obligations, such as the requirements to have regular audits and reviews and to comply with regulations and codes, were not amended as part of this review.

1.1 Review process

Table 1: Project overview

| Activity/Milestone | Completed |
|--|------------------|
| Survey sent to a stakeholder reference group of selected licensees and auditors to obtain feedback on improvements to the guidelines and the audit and review process. | 5 August 2024 |
| Feedback received from stakeholder reference group. | 23 August 2024 |
| Prepare draft new guidelines and provide to stakeholder reference group for comment. | 20 January 2025 |
| Publish consultation paper and draft guidelines for public consultation. | 5 March 2025 |
| Public consultation closed. | 26 March 2025 |
| Review submissions and prepare final guidelines. | April – May 2025 |
| Publish new guidelines with effective date 1 July 2025. | June 2025 |

¹ The guidelines were amended in 2009, 2010, 2014, 2019 and 2022.

1.2 Survey results summary

At the start of the review, we sent a survey to a select group of licensees and auditors seeking suggestions to improve the guidelines and the audit and review process.

Respondents were asked to provide feedback on:

- aspects of the audit and review process they found challenging
- what they liked about the current guidelines
- how to improve the guidelines.

The licensees selected by the ERA were a mix of large, small, government-owned and private electricity, gas and water licensees.

Where practicable, the ERA incorporated the suggestions into the draft guidelines; however, some suggestions were not adopted because they:

- were incompatible with existing legislation
- related to matters that are outside the scope of the guidelines.

1.3 Public consultation on draft new guidelines

On 5 March 2025, we published a [consultation paper](#) and proposed [draft new guidelines](#) for public comment. We received submissions from:

- Alinta Energy
- APA Group
- WA Expert Consumer Panel.

The submissions are attached as appendices.

1.4 Commencement of new guidelines

The new guidelines will apply from 1 July 2025. Audits and reviews with a period ending after 30 June 2025 will be required to apply the new guidelines.

2. Substantive changes in final new guidelines

2.1 Managing corrective actions to resolve non-compliances and asset management system deficiencies

Some surveyed licensees said they found it challenging to manage corrective actions to resolve non-compliances and asset management system deficiencies identified in audits and reviews. The current guidelines specify the format of post-audit and post-review implementation plans, but do not provide guidance on how to formulate and close out actions to resolve the auditor's recommendations.

We have also observed from past audits and reviews that licensees' proposed actions in post-audit and post-review implementation plans can be general in nature or difficult to measure, leading to problems closing out recommendations.

In our consultation paper, we proposed to amend the guidelines to include additional information for licensees on how to formulate corrective actions in their post-audit and post-review implementation plans to ensure they are achievable, address the auditor's recommendations and can be closed out effectively.

In its submission on the draft new guidelines, the Expert Consumer Panel supported the additional guidance. APA suggested we include in the guidelines how frequently we request updates on post-audit and post-review implementation plans. We did not include this suggestion in the final guidelines, as the frequency of update requests varies depending on the action items in the post-audit and/or post-review implementation plans. The date of the first update request is also specified in the licensee letter closing out an audit and/or review. When we acknowledge receipt of each update, we also provide the approximate time of the next update request, if required.

Decision 1

Update energy and water guidelines to include additional information for licensees on preparing post-audit and post-review implementation plans (see Section 5.3 of the guidelines).

2.2 Communications between licensees and auditors

Some surveyed licensees and auditors were unsure of what to do if they encountered problems during an audit or review.² For example, licensees were unsure how to report inadequate auditor performance to the ERA. In our consultation paper, we proposed to add more guidance on what licensees and auditors should do if they encounter problems during the audit or review.

² For energy audits and reviews, the licensees appoint the auditor, but for water audits and reviews, the ERA appoints the auditor; therefore, there is no direct contractual relationship between water licensees and auditors.

While the current guidelines include advice on what do if a licensee and auditor cannot agree on the auditor's observations or recommendations, we updated the guidelines to provide more guidance on how disagreements between the licensee and auditor should be addressed.

In its submission on the draft new guidelines, the Expert Consumer Panel supported the additional guidance.

Decision 2

Update the energy and water guidelines to include additional information on the process to follow if licensees or auditors encounter problems during an audit or review, or disagree on observations, ratings or recommendations (see Sections 4.5 and 5.2 of the guidelines).

2.3 References to audit standards

The guidelines require auditors to apply the audit principles outlined in the Auditing and Assurance Standards Board's Australian Auditing Standards and Standards on Assurance Engagements. Standards referenced in the current guidelines are:

- APES 110 Code of Ethics for Professional Accountants
- ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
- ASA 500 Audit Evidence
- ASA 530 Audit Sampling
- ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information
- ASAE 3100 Compliance Engagements.

The guidelines also refer to the Australian Standard on Risk Management AS ISO 31000:2018. We have updated the guidelines where there have been updates to standards.

Some surveyed licensees and auditors suggested referencing additional standards relevant to audits and asset management system reviews. While the current guidelines do not preclude the application of standards not referenced in the guidelines, we proposed in the draft new guidelines to include these for the avoidance of doubt. We updated the draft guidelines to:

- Include ASAE 3500 Performance Engagements in the list of standards auditors should apply in determining appropriate audit procedures.
- Reference the asset management system AS ISO 55000, 55001 and 55002 Asset Management standards in the asset management processes and effectiveness criteria.

The Expert Consumer Panel supported updating the guidelines to adopt changes to relevant audit and review standards.

Decision 3

Update the energy and water guidelines to reference additional standards relevant to an audit and review.

2.4 Sample testing

Surveyed auditors suggested that the guidelines could be improved by providing guidance on the size of the samples the auditor takes to test a licensee's compliance with an obligation. For example, an auditor may review a sample of the bills the licensee issued to customers to check whether the bills complied with the relevant licence obligations.

The current guidelines require auditors to comply with relevant accounting and auditing standards, including sampling procedures, but do not provide guidance on what the ERA considers an appropriate sample size to assess licensees' compliance.

Ultimately, each auditor is responsible for determining the sample size they consider appropriate to form an opinion on whether the licensee has complied with an obligation. However, in the draft guidelines we included information on sample sizing to assist auditors.

To improve transparency, the draft guidelines also require auditors to include details of the sample testing they have performed, such as the sample size, in their observations.

The Expert Consumer Panel supported the additional sample size guidance. Alinta submitted that the sample size recommendation could be broader and did not consider specific risks and mitigating controls. Instead of providing sample sizes, Alinta Energy suggested that the guidelines could reference Auditing Standard ASA 530 Audit Sampling, which recognises the need to apply professional judgement when considering sample sizes.

We considered Alinta's feedback and have decided to retain the sample size recommendation, as it assists auditors in quoting and audit planning. We recognise that sample sizes may be adjusted during an audit or review because of the auditor's findings. As the guidelines already require sample sizes to comply with ASA 530, we consider that the sample size recommendation does not override the requirement for auditors to exercise professional judgement.

Decision 4

Update the energy and water guidelines to provide information on sampling procedures and to require auditors to disclose sample sizes in audit reports (see Section 3.2.4.2 of the guidelines).

2.5 Auditor selection criteria - expertise and experience

The current guidelines state that it is "desirable" for auditors to have relevant experience and expertise within the previous three years, which has sometimes resulted in auditors with insufficient experience being nominated by licensees.

To address this, the draft guidelines made it mandatory for auditors to have relevant experience and expertise; however, the requirement for this experience to be within the

previous three years has been removed, as this time limit is considered unnecessarily restrictive. We will assess an auditor's previous experience on a case-by-case basis and it does not necessarily have to be within the last three years.

No submissions were received on this change.

Decision 5

Update the energy and water guidelines to require auditors to have relevant expertise and experience to conduct audits and reviews (see Section 2.1.1 of the guidelines).

2.6 Auditor selection criteria - threats to independence

Auditors and licensees must ensure there are no conflicts of interest that may threaten the auditor's independence. The current guidelines require auditor and licensees to pay particular attention to independence threats due to

- **Self-interest** – The auditor has a financial or other interest that could influence their judgement or behaviour.
- **Self-review** – The auditor may not appropriately evaluate something because they, or another member of their firm, has worked on it for the licensee.
- **Familiarity** – The auditor may be too sympathetic with an auditee due to a long or close relationship.

The current guidelines require auditors to assess self-review threats based on work the auditor or member of the audit or review team:

- has done for the licensee within the previous 24 months
- is currently doing for the licensee
- has offered to do for the licensee within the next six months.

A majority of audit and review periods are now longer than the minimum 24 months, increasing the likelihood of auditors assessing licensee systems and procedures that they may have helped develop or improve (self-review threat), because the current guidelines only require the auditor to consider work they have done for the licensee in the last 24 months.

To address the potential self-review threat, the draft guidelines increased the period over which auditors must assess self-review threats. For work the auditor or member of the audit or review team has:

- Done for the licensee - 24 months has been increased to the audit period (for example, if the audit period is 36 months, then the auditor must consider any work it has done for the licensee over the past 36 months).
- Offered to do for the licensee - the period to assess has been increased from six months to 12 months.

No submissions were received on this change.

Decision 6

Update the energy and water guidelines to increase the period of time over which auditors must assess threats to independence for work performed, and proposed work, for a licensee (see Section 2.1.3.2 of the guidelines).

2.7 Conducting audits remotely

The current guidelines do not allow auditors to conduct audits remotely. An audit must include a visit to the licensee's operational premises. However, during COVID, the ERA suspended this requirement to allow remote audits and did not experience any problems with this approach.

Considering the cost benefits, we proposed in the draft guidelines to allow entirely remote audits, provided auditors explain how the remote audit will be as effective as an audit that includes a site visit. Requests to conduct entirely remote audits will be approved by the ERA on a case-by-case basis.

There will be no change to the process for asset management system reviews, as to conduct a review effectively, the auditor needs to inspect a licensee's assets and asset management practices.

No submissions were received on this change.

Decision 7

Update the energy and water guidelines to allow entirely remote audits on a case-by-case basis, provided auditors can explain how a remote audit will be as effective as a site visit (see Section 3.2.2 of the guidelines).

2.8 Multiple versions of legislative instruments and compliance manuals during an audit period

As audit periods can be longer than 24 months, there is a likelihood that more than one version of a compliance reporting manual, legislative instrument (such as a code or regulations), or licence can be applicable during an audit period.

For example, there was a recent update to the *Water Services Code of Conduct (Customer Service Standards) 2024*, with the new code taking effect on 1 July 2024. The changes to the code required an update to the ERA's Water Compliance Reporting Manual.³ For water audits with an audit period starting before 1 July 2024, or ending after 30 June 2024, two versions of the code and manual will have been in effect and the auditor will be required to assess the licensee's performance against both versions.

The current guidelines do not provide guidance on how auditors should address licence obligations when they have changed during the audit period.

³ [Regulatory Guidelines - Economic Regulation Authority Western Australia](#)

To address this gap, guidance on how to assess and report on licence obligations that have changed during an audit period was proposed in the draft new guidelines.

No submissions were received on this change.

Decision 8

Update the energy and water guidelines to provide additional information on how to assess and report on obligations that have changed during the audit period (see Section 3.2.3 of the guidelines).

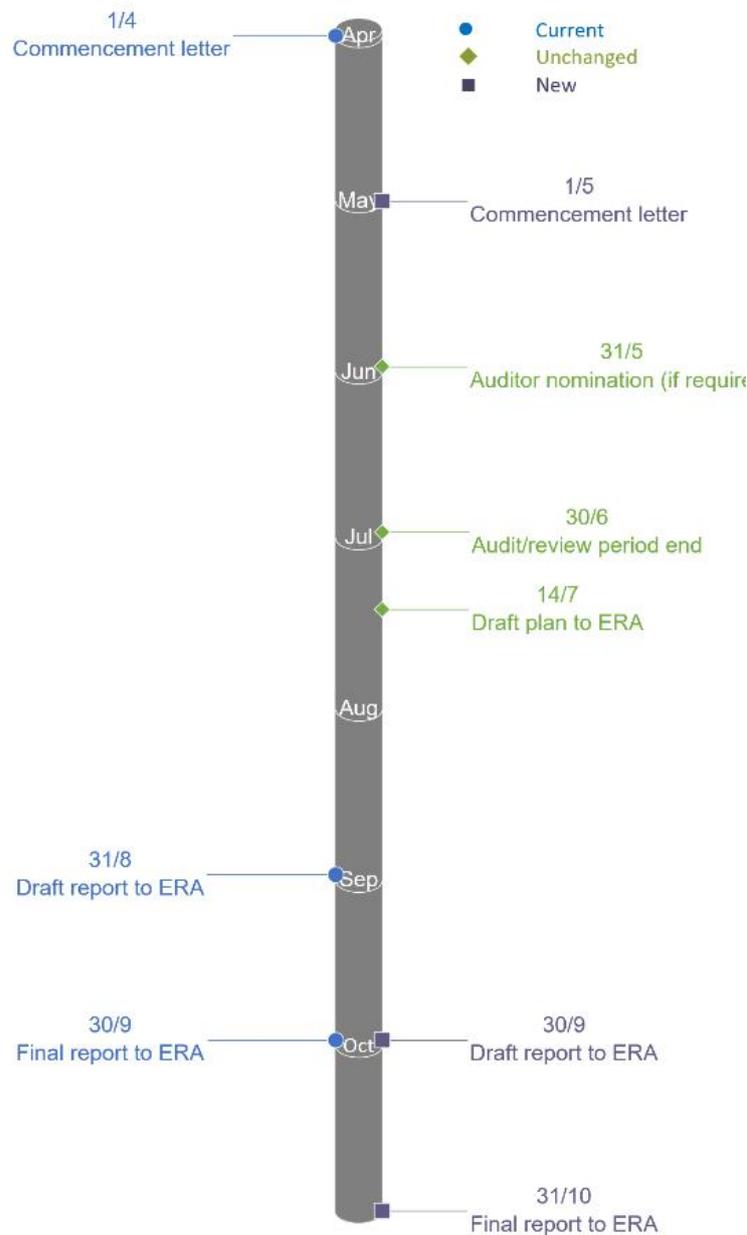
2.9 Audit and review timeline

Some surveyed licensees said meeting the deadlines within the audit and review process can be challenging, such as submitting the draft and final reports, and requested a review of the deadlines.

While we have always considered licensee requests to extend audit and review deadlines on a case-by-case basis and often agree to extend deadlines, we have changed our audit and review timelines to commence the audit and review two months before the end of the audit/review period (rather than the current three months) to allow more of the work to be done after the end of the audit/review period. This will give auditors four months, instead of three months, after the end of the audit period to prepare their report.

Deadlines for the audit and review process are not specified in the guidelines, so this was not added to the draft guidelines, but was addressed by changes to the ERA's internal processes and communicated to licensees at the commencement of their audit or review.

Figure 1 – Example of current and amended audit and review timeline



Alinta supported the change and suggested that Figure 1 above could be incorporated in the new energy guidelines.

We agree with Alinta's suggestion and have amended Appendix 4 of the energy guidelines to include the timeline in Figure 1. No amendment was made to the water guidelines, as the legislative process is different.

Decision 9

Update the energy guidelines to incorporate the new audit and review timeline (see Appendix 4 of the energy guidelines).

2.10 Criteria for determining next audit and review period

The ERA may increase, decrease or maintain an audit and/or review period when it sets the next period for a licence.

APA suggested that the frequency of audits and reviews appears to be subjective and the ERA's criteria for setting the next audit or review period should be explained in the guidelines.

Section 1.7 of the guidelines provides high level guidance on how the ERA decides what the next audit or review period will be. We have considered APA's suggestion and to provide greater transparency we have added section 1.7.3 to include further information on the factors the ERA considers when deciding the next audit or review period, which includes the:

- Seriousness of the non-compliances and deficiencies, including the effect of the non-compliances on customers.
- Licensee's compliance history.
- Services provided by the licensee.
- Number and type of customers a licensee has.

Decision 10

Update the guidelines to provide further information on the factors the ERA considers when deciding whether to increase, decrease or maintain an audit or review period (see Section 1.7.3 of the guidelines).

3. Stakeholder suggestions not adopted

We have not adopted some suggestions from the survey responses and public submissions in the final guidelines. These suggestions are detailed below.

3.1 Evidence to support a non-compliance finding

The current guidelines do not allow an auditor to rate a licensee non-compliant with an obligation unless there is supporting evidence of non-compliance.

A surveyed auditor suggested that the guidelines should be amended to allow auditors to rate a licensee non-compliant where there is no evidence to prove that a non-compliance occurred. For example, this could be when the licensee asserts that it has complied with an obligation but is unable to provide supporting proof of compliance (often because of poor record keeping).

The current approach in the guidelines may incentivise poor record keeping practices by licensees to avoid being found non-compliant or prevent the ERA from being able to take compliance enforcement action for poor performance. However, the licensee will likely have its controls rated deficient if it cannot provide evidence of complying with an obligation, so the auditor will still be required to make a recommendation, and the licensee will be required to resolve the deficiency after the audit, under the guidance of the ERA.

The audit provisions in the licensing legislation requires that there must be evidence to show that a non-compliance occurred for an obligation to be rated non-compliant.

To assist auditors to better manage these situations, in the draft guidelines we proposed amended ratings to provide for instances where there is insufficient evidence to rate compliance.

The current guidelines ratings are shown below, with the amendment in blue:

- 1: Compliant
- 2: Non-compliant – minor effect on customers or third parties
- 3: Non-compliant – moderate effect on customers or third parties
- 4: Non-compliant – major effect on customers or third parties
- N/R: Not rated – no activity took place during the audit period **or insufficient evidence to rate compliance.**

Under the current ratings, if a licensee is unable to demonstrate compliance (or non-compliance) then none of the current compliance ratings are compatible.

The Expert Consumer Panel supported the amended rating. However, Alinta suggested that there is a significant difference between “no activity took place during the audit period” and “insufficient evidence to rate compliance” and that the amended N/R compliance rating should be split into two separate ratings.

We acknowledge that the two parts of the amended N/R rating are different. However, it is rare that licensees are unable to provide auditors with sufficient evidence to rate compliance with an obligation. Auditors must provide reasons for their ratings in the audit report’s detailed

observations section and, for an N/R rating, they will need to state whether the rating is because no activity occurred or there was insufficient evidence to rate compliance. In addition, if there is insufficient evidence, the auditor must rate the controls deficient and provide a recommendation, so there should not be any confusion over why an auditor has rated an obligation N/R.

A secondary consideration is that the introduction of a new N/R rating would require changes to the guidelines' tables and auditors' template reports. We consider that the benefits of a separate rating for a rare occurrence do not outweigh the administrative burden the changes would impose on auditors.

Decision 11

Update the N/R compliance rating description to cover situations where there is insufficient evidence to rate compliance; for example, because the licensee does not have the records to prove compliance with an obligation (see Section 5.1.6.1 of the guidelines).

3.2 Conducting audits on a subset of obligations

Some surveyed licensees suggested that the ERA consider conducting audits on a subset of the total obligations that apply to a licensee. Our current approach is to require an audit to assess all obligations applicable to a licensee, regardless of the licensee's size or risk profile.

Licensees suggested that the current approach should be changed to allow a risk-based approach to reduce the audit burden for licensees. For example, the audit would include only high-risk obligations, such as payment, financial hardship, life support and family and domestic violence obligations.

In our consultation paper, we said that while there is merit in having the option to conduct audits on subsets of obligations, the current licensing legislation requires audits to include all the obligations under the licence.⁴

We acknowledge the costs that licensees incur when an audit or review is conducted and seek to minimise those costs where possible and within the limits of the legislation. We use a risk-based approach to audits and reviews by extending time between audits and reviews if the licensee demonstrates good compliance performance.⁵ Extending audit and review periods reduces the compliance burden on licensees, as audits and reviews are conducted less often.

The Expert Consumer Panel supported our position to maintain the current approach of conducting audits on all obligations applicable under a licence.

Decision 12

The audit process will not be changed to allow audits to be on subsets of obligations.

⁴ Section 13 of the *Electricity Industry Act 2004*, section 11ZA of the *Energy Coordination Act 1994* and section 25 of the *Water Services Act 2012*.

⁵ The risk-based approach includes the auditor giving each obligation a priority rating as part of the audit planning process, so the audit focusses on higher risk obligations. It means the auditor does less work on assessing a licensee's compliance with lower risk obligations that do not affect customers, such as administrative obligations.

3.3 Appointment of auditors

Some surveyed licensees suggested that the ERA should appoint auditors and spread the costs across all licensees.

In our consultation paper, we explained that section 25 of the *Water Services Act 2012* requires audits to be conducted by an auditor appointed by the ERA and provides for us to recover auditor costs from the licensee. However, section 13 of the *Electricity Industry Act 2004* and section 11ZA of the *Energy Coordination Act 1994* only require that the audit is conducted by an auditor “acceptable” to the ERA and does not provide for the recovery of auditor costs from the licensee. Therefore, the ERA cannot appoint auditors for energy audits and apportion those costs across all licensees.

Decision 13

Retain the current auditor appointment process for energy audits and reviews.

3.4 Separate audit and review guidelines

Some surveyed licensees suggested splitting the energy guidelines and water guidelines into separate guidelines for compliance audits and asset management system reviews.

In our consultation paper, we explained that the guidelines are currently separated by licence type rather than by audit or review, due to the different auditor procurement requirements.⁶ Except for electricity retail and gas trading licences (that have to have an audit only), all licensees are required to have an audit and review, and where licensees have the same audit and review period, these are often conducted together for efficiency.

Splitting the guidelines into separate audit and review documents would result in four documents. As many licensees have combined audits and reviews, separating the audit and review guidelines further is considered impractical.

No submissions were received on this matter.

Decision 14

Keep the audit and review guidelines separated by licence type.

3.5 Opportunities for improvement for the licensee

A surveyed auditor suggested that the guidelines could include a requirement for the auditor to provide “opportunities for improvement” for licence obligations, asset management processes or effectiveness criteria that did not receive a rating requiring a recommendation.

⁶ Under the *Water Services Act 2012*, the ERA procures and appoints the auditor. Under the *Electricity Industry Act 2004* and *Energy Coordination Act 1994*, the auditor is nominated by the licensee and approved by the ERA (the ERA does not manage the procurement process for the electricity or gas auditor, unlike in water).

In our consultation paper, we explained that the current guidelines require auditors to provide recommendations for:

- Audit obligations that were non-compliant (compliance rating of 2, 3 or 4) or have deficient controls (controls rating of C or D).
- Asset management effectiveness criteria that require corrective action (performance rating of 3 or 4) or policies and procedures that require substantial improvement or are inadequate (process and policy rating of C or D).

These are critical matters that licensees must resolve, and the guidelines require that auditors make recommendations for licensees to address in their post-audit and post-review implementation plans.

The current guidelines allow for opportunities for improvement to be provided directly to the licensee, but at the discretion of the auditor. Opportunities for improvement apply to obligations that already have generally adequate controls; therefore, we give the licensee discretion to decide if they will adopt the auditor's suggestions. This approach means that the ERA and licensees focus on the most important matters that need to be addressed following an audit or review, which is where the licensee has been found non-compliant or to have deficient processes and procedures.

Taking the above into account, the ERA will not amend the guidelines to make it mandatory for licensees to address opportunities for improvement that the auditor makes. It will remain at the licensee's discretion whether it implements the auditor's suggestions.

No submissions were received on this matter.

Decision 15

Keep "opportunities for improvement" as discretionary for licence obligations, asset management processes and effectiveness criteria that did not receive a rating requiring a recommendation.

3.6 Matters raised in submissions that are outside the scope of the review

In its submission, the Expert Consumer Panel raised several matters that are outside the scope of this review. These were:

- A suggestion that the ERA publishes information annually on licensee compliance with certain electricity retail licence obligations.
- Retailer compliance with overcharging provisions in the *Code of Conduct for the Supply of Electricity to Small Use Customers 2022* and whether they are subject to civil penalty provisions in the *Electricity Industry Act 2004*.

These matters are outside the scope of the review because:

- The role of the guidelines is to provide guidance to licensees and auditors on the audit and review process. Audit reports are published on the ERA website, which provide an independent assessment of the licensee's compliance with all its obligations, and the

ERA publishes annual performance data collected from electricity and gas distributors and retailers.

- The inclusion of civil penalty provisions in the *Electricity Industry Act 2004* is a matter for the State Government, as it administers the Act.

The ERA has responded to the Expert Consumer Panel directly on these matters.

4. Minor amendments

The ERA has made some minor amendments to the guidelines to provide more clarity to auditors and licensees on our requirements. These amendments provide additional information or remove obsolete or unnecessary information, ensuring the guidelines are easy to follow and remain fit for purpose.

In its submission, APA suggested some minor amendments to the guidelines. Where appropriate, the ERA has accepted these amendments.

The tables below provide a summary of the minor amendments made to the guidelines and suggestions made by APA that have not been adopted.

Table 2: Minor amendments made to the guidelines

| Minor amendment | Reason | Guideline section | |
|--|--|---------------------------|---------------------------|
| | | Electricity and Gas | Water |
| Changes to tables: Formatting, numbering and colour coding. | To improve readability. | Throughout the guidelines | Throughout the guidelines |
| Removed sentences on the ERA choosing an auditor if the licensee fails to nominate an auditor. | No express provision in the Electricity Industry Act or Energy Coordination Act allowing the ERA to recover the cost of auditor appointments from licensees. | 1.4.2 | N/A |
| “Environmental analysis” asset management process renamed “operational environment”. | To remove confusing terminology. The asset management process refers to the asset management system environment and external factors affecting the asset management system, not the “natural environment”. | 1.5.2, Appendix 4 | 1.5.2, Appendix 5 |
| Footnote edited to state reminder letter to be sent two months before the end of audit or review period. | To reflect new audit and review timeline. | 1.6.3 | 1.6.3 |
| Footnote added to state ERA may request evidence of audits and reviews. | To allow ERA to determine the quality of auditors’ previous work. | 2.1.2 | 2.1.2 |
| Minor wording changes to auditor rotation policy. | To improve readability. | 2.1.3.3 | 2.1.3.3 |
| The word “licensee” has been changed to “licence”. | In its submission, APA suggested updating the guidance on auditor rotation so that it is clear that the limit applies to the licensee. The auditor rotation limits apply to a | 2.1.3.3 | 2.1.3.3 |

| Minor amendment | Reason | Guideline section | |
|--|---|--------------------------|---------------------|
| | | Electricity and Gas | Water |
| | <u>licence</u> rather than a licensee therefore this has been amended. ⁷ | | |
| Footnote added to require qualifications/affiliations on audit and review team CVs. | To clarify documents required for auditor approval. | 2.2 | 2.2 |
| Added wording to require declarations of independence to comply with section 2.2.1, | To remove doubt on the requirements of the declaration of independence. | 2.2 | 2.2 |
| The requirement for a statement confirming that the auditor will conduct the audit or review in accordance with the guidelines has been added to Table 24, section B5. | In its submission, APA noted an inconsistency in the documentation for auditor approval between section 2.2 and Table 24. | Section 2.2 and Table 24 | N/A |
| Added wording to state that audit plans sent before the end of the audit period will not be accepted or approved. | To ensure all events occurring during the audit period are covered in the plan. | 3 | 3 |
| Added wording and footnote to require a status update for previous recommendations. | To remove doubt on the requirements for review of previous recommendations. | 3.2.2 | 3.2.2 |
| Changed “persons” to “personnel”. | To improve readability. | 3.2.2 | 3.2.2 |
| Footnotes combined. | To improve readability. | 3.2.3.1 | 3.2.3.1 |
| Changed “on the basis of” to “based on”. | To improve readability. | 3.2.3.2 and 3.2.3.3 | 3.2.3.2 and 3.2.3.3 |
| Changed “their” to “58” associated effectiveness criteria. | To improve readability. | 3.2.3.3 | 3.2.3.3 |
| Removed “at a high level” and “at a low level” from sample procedures. | No longer required as sample size guidance has been provided in section 3.2.4.2. | 3.2.4.3 | 3.2.4.3 |
| Added footnote to specify required report formats. | To remove doubt on the report formats required by the ERA. | 5 and 5.4 | 5 and 5.4 |
| Changed the word “plans” to “reports”. | To correct typographical error. | 5.1.3 | 5.1.3 |
| Changed “representatives” to “personnel”. | To improve readability. | 5.1.3 | 5.1.3 |

⁷ If a licensee had multiple licences, an auditor that has performed consecutive audits or reviews on one licence is not excluded from audits or reviews on the other licences if the auditor rotation limits have not been met.

| Minor amendment | Reason | Guideline section | |
|---|---|-------------------------|------------|
| | | Electricity and Gas | Water |
| Reworded paragraph three. | To improve readability. | 5.1.4 | 5.1.4 |
| Deleted obsolete footnote. | To improve readability. | 5.1.6.1 | 5.1.6.1 |
| Added footnote to specify when controls ratings are required. | To remove doubt on the ERA's controls rating requirements. | 5.1.6.1 | 5.1.6.1 |
| Removed the requirement for Table 7 'Performance Summary' to be in the audit report. | To improve report readability and reduce unnecessary work for auditors. This table only repeated information found elsewhere in the report. | 5.1.6.1 | 5.1.6.1 |
| Reworded paragraph five. | To improve readability. | 5.1.7 | 5.1.7 |
| Added wording calculation of overall effectiveness rating. | To clarify how to calculate the overall effectiveness rating for each asset management process. | 5.1.7 | 5.1.7 |
| Added footnote to specify when no recommendation is required. | To clarify how to address non-compliance or ineffective asset management criteria where no further recommendations are required. | 5.1.8 | 5.1.8 |
| Reworded paragraph one. | To improve readability. | 5.1.8 | 5.1.8 |
| Reworded paragraph three. | To improve readability. | 5.3 | 5.3 |
| Removed references to documents on USB or CD-ROM. | These formats are considered obsolete and are no longer accepted by the ERA. | 5.4 | 5.4 |
| Updated list of tables. | To reflect updates to guidelines. | Appendix 1 | Appendix 1 |
| Updates and additions to standards. | To reflect updates to guidelines. | Appendix 2 | Appendix 2 |
| Changed "risk" to "risks" | To correct typographical error. | Appendix 3 | Appendix 3 |
| Reworded paragraph 2 of <i>Identify and assess the strength of the existing internal controls mitigating the inherent risk.</i> | To improve readability. | Appendix 3 | Appendix 3 |
| The process flowchart in Appendix 4 and wording in Table 24 has been amended. | In its submission, APA noted that the process flowchart in Appendix 4 is not consistent with Table 24 (Appendix 6). | Appendix 4 and Table 24 | N/A |
| Changed "audit" to "Audit/Review" in flowchart. | In its submission, APA noted that 'audit plan' should be 'audit or review plan' in Appendix 4. | Appendix 4, Flowchart | N/A |

| Minor amendment | Reason | Guideline section | |
|---|---|---|------------|
| | | Electricity and Gas | Water |
| Changed “attestation” to “verification”. | To improve readability. | Appendix 5 | Appendix 4 |
| Changed “Licensee” to “Auditor” in <i>Approval of the audit or review plan</i> flowchart. | To correct typographical error. | N/A | Appendix 5 |
| Changed “requires” to “request” in <i>Approval of the audit or review report</i> flowchart. | To correct typographical error. | N/A | Appendix 5 |
| Amended timing for communication of audit plan approval/rejection. | To reflect current practice. | Appendix 6 Table 24 step 13. | N/A |
| Moved provision of post-audit or post review implementation to correct step in Table 24. | In its submission, APA noted an inconsistency between section 5.3 and Table 24 as to when the post-audit or post-review implementation plan is to be submitted. | Appendix 6 Table 24 steps 15 and 19. | N/A |
| Add PAIP/PRIP to documents published on ERA website. | To reflect current practice. | Appendix 6 Table 24 step 20. | N/A |

Table 3: APA minor amendments not adopted

| Public submission feedback | ERA response | Guideline section | |
|---|---|---------------------|-------|
| | | Electricity and Gas | Water |
| Suggest clarifying and providing guidance on what a business profile means. | Most audit companies will submit information highlighting their competitive advantages when providing quotes. We consider this to be normal business practice and that providing further information to be unnecessary in the guidelines. | 2.2 | 2.2 |
| Table 24 B5 requires auditors to “comply with the guidelines” whereas C9 requires the “report to comply with the guidelines”. | Table 24 B5 refers to auditor nominations whereas C9 refers to the audit and review plan | Table 24 | N/A |
| Consider expanding on what is deemed as unacceptable and may cause an audit to be repeated. What are the | Repeating an audit is very rare and the ERA will decide on a case-by-case basis whether to repeat an audit or not. Our preference, as stated in the guidelines, is for licensees, | 6.2 | N/A |

| Public submission feedback | ERA response | Guideline section | |
|--|---|---------------------|-------|
| | | Electricity and Gas | Water |
| timeframes and processes for repeating an audit? | auditors, and the ERA to resolve any concerns with the audit or review before requiring the licensee to repeat the audit or review. Amending the guidelines to address a rare occurrence is not considered necessary. | | |
| The flowchart does not account for steps required where there is a need for revision/revisits. | The flowchart is a high-level overview only therefore the steps for revision/revisits is considered unnecessary. | Appendix 4 | N/A |

Appendix 1 List of Tables

| | | |
|----------|---|----|
| Table 1: | Project overview | 1 |
| Table 2: | Minor amendments made to the guidelines | 16 |
| Table 3: | APA minor amendments not adopted | 19 |

Appendix 2 2025 Audit and Review Guidelines: Water Licences (marked up version)

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Appendix 3 2025 Audit and Review Guidelines: Electricity and Gas Licences (marked up version)

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Appendix 4 2025 Audit and Review Guidelines: Water Licences (clean version)

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Appendix 5 2025 Audit and Review Guidelines: Electricity and Gas Licences (clean version)

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Appendix 6 Alinta Energy Submission

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Appendix 7 APA Group Submission

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Appendix 8 WA Expert Consumer Panel Submissions

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