

TRADER AND DISTRIBUTOR FORUM

NEW AUDIT REGIME

Jonathon Staite Advisor Market Operations

9 February 2017

COMPETITION • RELIABILITY • EFFICIENCY

Overview

Code amendments come into force 1 June 2017

Key Code amendments:

- Variable audit period
- Audit reports published
- Removed need for quality certification

Variable audit period

Next audit date determined by the Authority – between 3 and 36 months

In order to make an informed decision operational (non-Code) changes to:

- Clarify purpose and goals of the regime
- Improve governance of auditors
- Increase focus on risk and improved assessment of materiality
- Clarify what information we need from audited participants

Variable audit period

Draft purpose of regime (not purpose of Part 16A of the Code):

The purpose of the audit regime is to:

- *evaluate participants' compliance with the Code provisions that are audited under the regime*
- *enable the Authority to make informed decisions regarding the certification, approval, and audit frequency of participants*
- *support the efficient operation of the electricity industry.*

Variable audit period

Improve governance of auditors

Developed an auditor protocol to set the “ground rules” for auditing

- How to conduct an audit
- Professional and ethical requirements

Variable audit period

Increased focus on risk and assessment of materiality

Focus on risk:

- Inherent risk: what risk is the Code addressing?
- Residual risk: how is the participant managing those risks?

Assessment of materiality.

- Actual impact (financial and non-financial)
- Potential impact (financial and non-financial)

Risk and materiality focus

Information we need from participants

The compliance plan:

Auditor completes sections in **blue**. Participant completes sections in **yellow**.

Non-compliance		Description	
With: <CLAUSE BREACHED>		< DESCRIPTION OF THE NON-COMPLIANCE>	
From/to:<DATES BREACH OCCURED>		Potential impact: <AUDITOR TO COMPLETE>	
		Actual impact: <AUDITOR TO COMPLETE>	
		Audit history: <AUDITOR TO COMPLETE>	
		Controls: <AUDITOR TO COMPLETE>	
		Breach risk rating: <AUDITOR TO COMPLETE>	
Audit Risk Rating		Rationale for audit risk rating	
<Audit Risk Rating>		<AUDITOR TO COMPLETE>	
Actions taken to resolve the issue		Completion date	Remedial action Status
[1. Participant comments]		[2. proposed or actual completion date]	<AUDITOR TO COMPLETE>
Preventative actions taken to ensure no further issues will occur		Completion date	
[3. Participant comments]		[4. proposed or actual completion date]	

Audit reports published

Clause 16A.15 requires Authority to publicise the audit report and compliance plan (if any)

Authority has to publicise the report and plan no more than 20 BD's after next audit date is determined

The Authority is not required to publicise the information if doing so—

(a) would disclose a trade secret; or

(b) would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information.

Quality certification

Reconciliation participants no longer need to hold quality certification before they can be certified

Replaced by an audit focus on controls and future risk

Other changes to note

- “Decoupling” DUML audits from reconciliation participant audits
- New entrant retailers
- Agent audits
- Transitional provisions

Conclusion

Audit code changes come into force 1 June 2017

Key changes

- Variable audits
- Audits published
- Quality certification removed

Other changes

- DUML audits
- New entrant retailers