

Memo

To Certified Reconciliation Participants
Distributors
Metering Equipment Providers
Approved Test Houses

Copies Approved auditors

From Jonathon Staite

Date 30 October 2019

Subject Trial of simplified approach for some agent material change audits

For your information

Following an internal review of the material change process the Authority is trialling a simplified approach for some agent material change audits.

The simplified approach affects the following scenarios:

- changing agents
- material change within an agent.

The Authority expects the simplified approach will reduce material change audit costs. The Authority does not expect the change to materially impact how the risk these changes pose to the market is monitored and managed.

Material change when changing agents

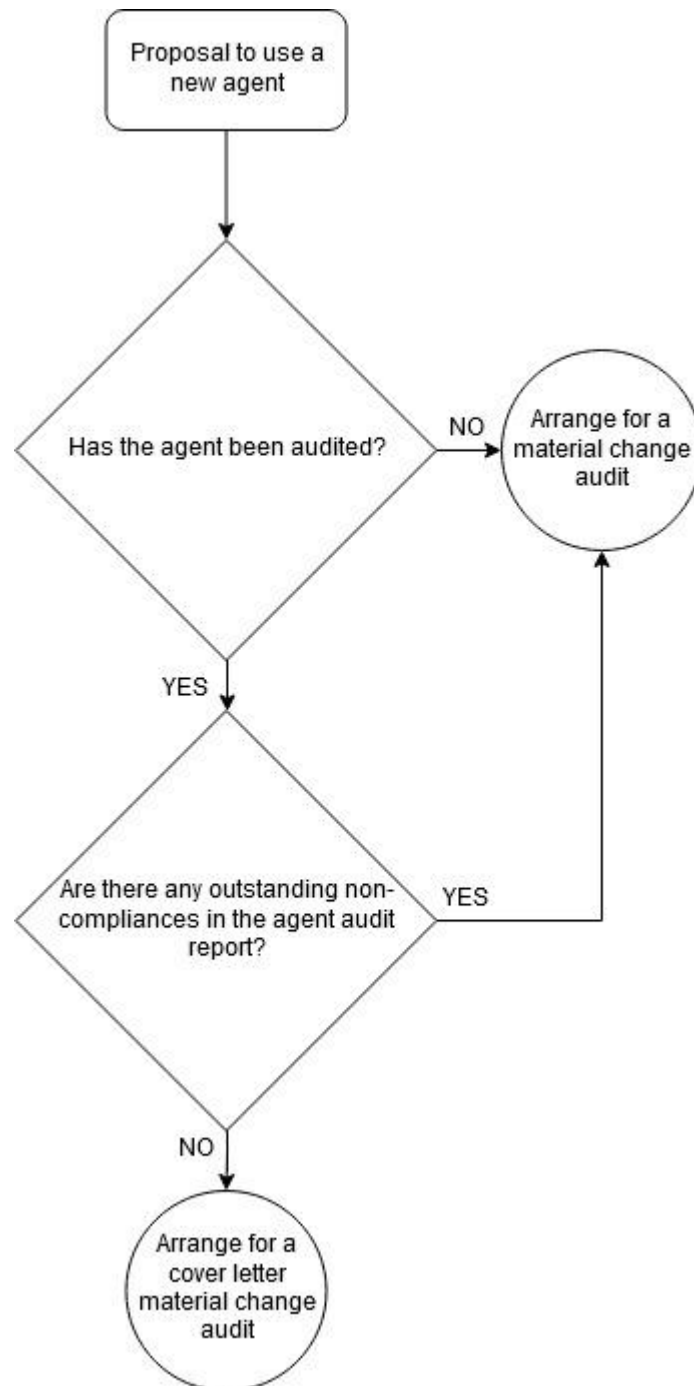
In this scenario a participant is using an agent for a suite of services, and engages a new agent to provide the same suite of services.

Because the new agents systems and processes are materially different from what was audited in the participants audit, this is a material change for that participant. Historically the Authority has required the participant to arrange for a material change audit outlining all of the changes and the impact this change could have on the participants' ability to comply with the Code.

Where participant is changing agents, and the agent has been audited

This simplified approach applies when the only change being made is to use a new agent, and the new agent:

- has been audited (has an agent audit report); and
- the audit has no outstanding non-compliance of the Code.



When this applies, rather than submitting a material change audit as well as the agent audit, the participant will submit:

- a letter from an approved auditor confirming:
 - what change is occurring, and when it will occur
 - transitional arrangements (such as how wash-ups will be handled and how data will be transferred between agents)
 - how this new agent will ensure compliance with the Code
- a copy of the new agents audit report.

This information will be submitted via the [audit portal](#), with the letter being substituted for the material change audit report.

Material change within an agent

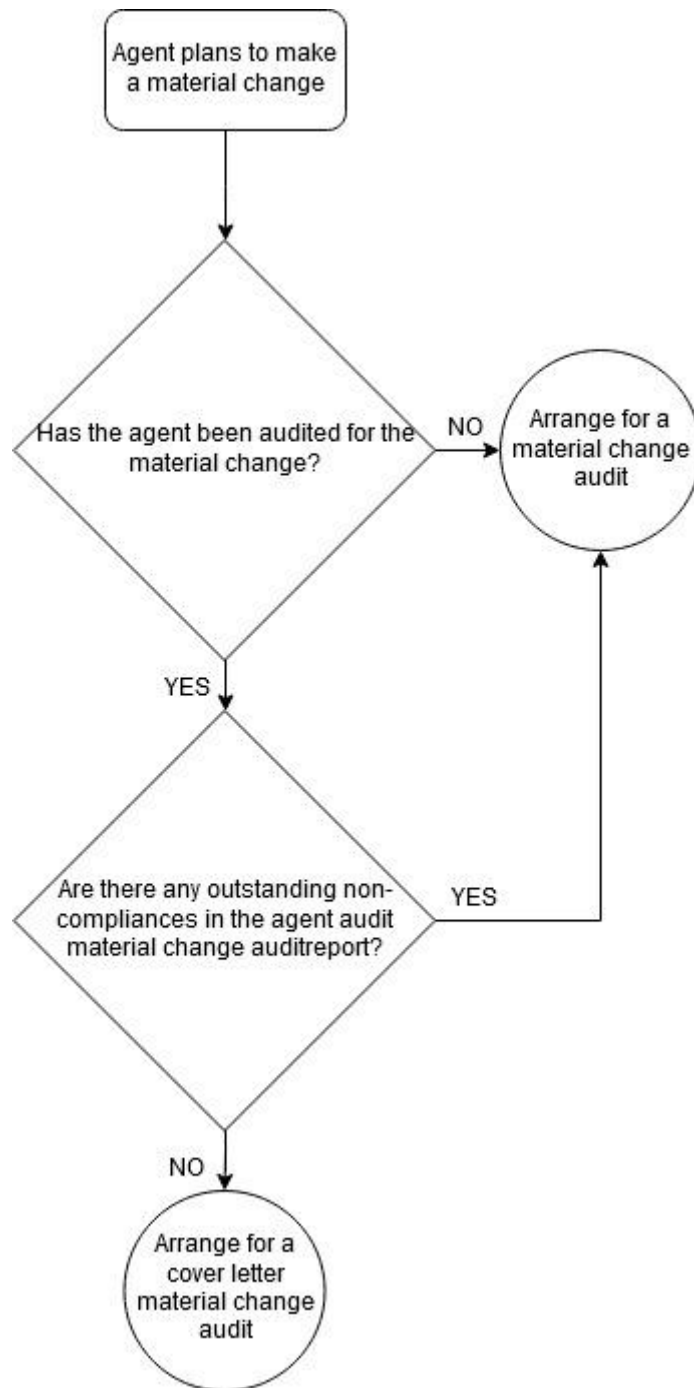
In this scenario a participant is using an agent for a suite of services and that agent undergoes a material change to its systems or processes.

Because the agents systems and processes are materially different from what was audited at the time of the participant audit, this is a material change for that participant. Historically the Authority has required the participant to arrange for a material change audit outlining all of the changes and impact this change could have on the participants' ability to comply with the Code.

As agents normally provide services to multiple participants, we would expect this type of change to trigger multiple material change audits to be submitted to the Authority.

Where agent has a material change and the change has been audited

This simplified approach applies when the only change being made is to the agents systems or processes.



When this applies, rather than submitting a material change audit as well as an accompanying agent material change audit, the participant will submit:

- a letter from an approved auditor confirming:
 - what change is occurring, and when it will occur
 - what checks have been done to ensure this change will not affect the participants compliance with the Code
 - how this change will impact the participants compliance with the Code
- a copy of the agent's material change audit report.

This information will be submitted via the [audit portal](#) by each participant, with the letter being substituted as the material change audit.

If the trial is successful, we will investigate opportunities to extend the simplified approach

Full material change audits will still be required in most cases. These give us the information we need to understand the potential impact the change will have on the participant's level of compliance and on the market. However, we are aware there are other low risk change scenarios that may benefit from a simplified approach.

If we receive the information we need to make an informed decision through the letters, we will formalise this approach and look at other scenarios which could benefit from being simplified.



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