

# AGL AUDIT REPORT SUMMARY AND COMMISSION RESPONSE

## RETAIL AUDIT PROGRAM

The Essential Services Commission ("the Commission") commenced the retail audit program in late 2014. The purpose of the audit program is to provide the Commission and energy consumers with independent assurance that energy retail licensees have appropriate policies, systems and processes in place to comply with their regulatory obligations, that they are complying with their regulatory obligations and that when breaches occurs, the retailer is able to quickly identify and remedied that breach.




Under the conditions of their licence, retail businesses are required to appoint independent auditors to conduct compliance audits when the Commission requires them to do so.

The auditors assess the retailer's compliance with the regulatory obligations set out in the audit scope set by the Commission. In conducting the audit, the auditors are required to adhere to the requirements in the *Standard on Assurance Engagements ASAE 3100 Compliance Engagements*.

The role of the auditor is to test and assess processes and controls and to form an overall view of the retailer's level of compliance in each of the areas audited. In order to do this, auditors are required to obtain sufficient appropriate evidence on which to base their conclusions. Such evidence could be gathered through enquiry and observation, tests of controls and representations received from management. In conducting the audit, auditors may also identify specific instances of non-compliance.

## BASIS FOR REPORTING

A traffic light system is used to report the auditor's assessment of overall compliance with obligation areas as follows:

Grade	Description	Definition
	Non-compliant	The requirements of the obligation have not been met, or adequate, relevant and suitable information to form an objective determination on compliance was not available to demonstrate compliance. Findings noted are considered material in nature and require urgent remedial action.
	Partially Compliant	Key requirements of the obligation have been met but only minor achievements in compliance have been demonstrated. Findings noted are considered significant and require substantial effort to correct.
	Generally Compliant	Most requirements of the obligation have been met with some minor failures or breaches. Findings noted are considered minor and require routine efforts to correct in the normal course of business.

## AGL AUDIT

Ernst & Young (EY) were engaged to conduct the compliance audit for AGL (also comprising of APG) and Powerdirect. The audit consisted of 11 key areas.

One area, Performance Indicators, was assessed as Partially Compliant.

All other areas were assessed as Generally Compliant. These were:

- Advanced Metering Infrastructure,
- Compliance Program,
- Tariff Variation,

- Deemed Customer Arrangements,
- Billing,
- Disconnection and Reconnection,
- Financial Hardship Program,
- Marketing,
- Life Support, and
- Complaints and Dispute Resolution.

No areas were graded Non-Compliant.

The section below outlines the key findings, the actions taken by AGL to address each issue and the Commission's response.

#### **(a) Performance Indicators**

The audit identified that there were variances in the Complaints, Disconnection and Reconnection, Hardship and Customer Numbers performance data submitted to the Commission for the January 2015 to June 2015 period. Reasons for the discrepancies included system logic issues and errors in the calculation methodology used to compile data. The auditors recommended that AGL ensure the calculation methodology is remediated and is accurate in future, resubmit updated KPI data for the period January to June 2015 and save a version of the data extraction to support their submission. AGL has now resubmitted performance data. We will monitor future submissions of performance indicators and AGL's progress with system updates to address the audit findings.

#### **(b) Advanced Metering Infrastructure**

The auditors identified a potential weakness in the process of reporting prices to the price comparator website. The auditors recommended that AGL and Powerdirect implement a sign off form for updates to the price comparator website. AGL and Powerdirect believe their current practices of referencing approved documents, peer reviews and formal email approval are adequate and that a sign off form will only

introduce unnecessary administrative burden. We will not require AGL to implement this additional control; instead we will recommend they consider it further.

## **COMMISSION RESPONSE**

The Commission is satisfied that AGL and Powerdirect are implementing the required improvements necessary to ensure ongoing compliance with their obligations pertaining to the reporting of performance indicators.

The Commission will continue to monitor the completion of the outstanding actions arising from the audit.

Finally, the Commission would like to thank AGL, Powerdirect and EY for their collaborative approach whilst working on this audit.