

GUIDELINE NO. 22

REGULATORY AUDITS OF ENERGY BUSINESSES

ENERGY INDUSTRIES

MARCH 2013

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ELECTRICITY AND GAS INDUSTRIES

GUIDELINE No. 22

C/13/1023

This guideline replaces:

- Electricity Industry Guideline No.9 in relation to compliance audits of electricity retail licensees
- Gas Industry Guideline No. 8 in relation to compliance audits of gas retail licensees.
- Guideline 16: Regulatory Audits of Distribution Businesses

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AMENDMENT RECORD

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1. DEFINITIONS

'Audit' means an audit conducted under a Licence or Relevant Guideline, or which is required under a Licence or Relevant Guideline to be conducted

'Auditor' means the Audit Firm engaged by the Licensee, and approved by the Commission. The Auditor will be a party to the Audit Deed

'Audit Deed' means the standard tripartite Deed signed by the Commission, the Auditor and the Licensee that confirms each party's obligations arising from the Audit.

'Audit Team' means, at any time, the group of persons engaged by the Auditor in accordance with this Guideline to undertake the audit.

'Commission' means the Essential Services Commission

'COSO' means the Committee of Sponsoring Organisations of the Treadway Commission.

'Information Specifications' means the Commission's published requirements for energy licensee reporting.

'Obligation' means anything the energy licensee is required to do pursuant to its licence; in particular complying with performance requirements and reporting regulatory information to the Commission (regulatory information may include performance information for comparative reporting).

2. INTRODUCTION

2.1. Purpose of the guideline

- 2.1.1. *Guideline 22 – Regulatory Audits of Energy Businesses, Electricity and Gas Industries, March 2013* (the Guideline) sets out the requirements of the Essential Services (the Commission) when requesting that energy licensees undertake regulatory audits. The Guideline outlines how the regulatory audit scope will be determined, how the auditor will be approved, what governance arrangements will apply during the audit process and the form and format of the audit report.
- 2.1.2. The Guideline is published by the Commission under the *Essential Services Commission Act 2001* and applies to licensed energy businesses (energy licensees) under the *Electricity Industry Act 2000* (the Electricity Act) and the *Gas Industry Act 2001* (the Gas Act). Under the terms of a licence, energy licensees are required to:
- a) comply with the Guideline and any other guideline relevant to the audit process; and
 - b) appoint an independent auditor to conduct an audit of:
 - 1) their compliance with their licence obligations, including the obligation to comply with industry codes and guidelines; and
 - 2) the reliability and quality of the information reported by them to the Commission, and whether that information is consistent with the Commission's specifications.
- 2.1.3. The Commission requires that any regulatory audits of energy licensees must be based on the general principles stated in *Standard on Assurance Engagements ASAE 3100 Compliance Engagements*. It is also expected that, where appropriate, auditors will apply the principles and guidelines recommended by relevant standards including: *AS 3806-2006 Compliance programs*; *AS/NZS ISO 31000:2009 Risk management – Principles and guidelines*; and *COSO Enterprise Risk Management – Integrated Framework*
- 2.1.4. The purpose of the Guideline is to:
- a) *make sure that audits are conducted in an independent, thorough way to aid comparison across sectors*. This will be achieved by establishing the minimum requirements for conducting audits, the level of independence and expertise required of auditors, and the conduct and reporting of audits;

- b) *encourage a culture of continuous improvement in the energy industry.* This will be achieved by minimising the likelihood that significant non-compliance will remain undetected, and providing licensees with an opportunity to resolve non-compliance before the Commission considers enforcement action; and
- c) *maximise the cost-effectiveness of audits.* The Commission will achieve this by taking a risk-based approach to defining the scope of audits.

2.1.5. Nothing in the Guideline is intended to limit the Commission in the exercise of its powers. This includes, without limitation, the specification of terms of any agreement or deed to be entered into by the Commission with a licensee, or an auditor, in relation to matters relating to an audit.

2.2. Regulatory audits under the Electricity Act and Gas Act

2.2.1. The Commission requires audits to be conducted on the performance of energy licensees under the Electricity Act and the Gas Act. The audits must be carried out against a number of key licence obligations, which include a requirement to provide operating and regulatory information as the Commission requires.

2.2.2. The audits are also designed to assist energy licensees' with their understanding of their compliance with key licence conditions, and provide a basis for implementing performance improvements and innovations.

2.2.3. Multiple energy licensees may engage the same auditor to conduct their audits for the purpose of the Guideline.

3. KEY REGULATORY AUDIT CONCEPTS

3.1. Purpose of regulatory audits

- 3.1.1. The purpose of regulatory audits is to provide the Commission with independent assurance that energy licensees are complying with their licence obligations.
- 3.1.2. To make sure that audits are independent, a three party relationship must exist between the Commission, the energy licensee, and the approved auditor. This should be the case where:
- a) the Commission is the intended recipient of the audit and user of the reported information;
 - b) the audited body is responsible for reporting their compliance with their licence obligations; and
 - c) the auditor is responsible for independently forming a view as to whether the energy licensee has met their licensing obligations.
- 3.1.3. The standard for the Commission's regulatory audits, *ASAE 3100 Compliance Engagements* states that the auditor is to express a conclusion on compliance with requirements, as measured by suitable criteria. The criteria for the purpose of an audit conducted under the Guideline are the following:
- a) all relevant aspects of the applicable energy licences;
 - b) all relevant aspects of the Electricity Act and the Gas Act; and
 - c) all relevant aspects of each code, order or guideline applicable to the licensee under a licence or a relevant Act.
- 3.1.4. Regulatory audits will generally include an assessment of an energy licensee's compliance framework against *AS 3806–2006 Australian Standard Compliance Programs*.

3.2. Frequency and timing of audits

- 3.2.1. The frequency and timing of audits will be decided by the Commission based on the Commission's assessment of risk.
- 3.2.2. As a general principle the Commission's will classify all energy licensees as:
- a) High risk entities – to be audited no more than once a year;

- b) Medium risk entities – to be audited no more than once every two years; or
 - c) Low risk entities – to be audited no more than once every three years.
- 3.2.3. In determining whether an energy licensee is a high, medium or low risk entity, the risk associated with non-compliance is a product of the *likelihood* of non-compliance and its *consequences*.
- 3.2.4. A number of generic 'consequence factors' will be considered by the Commission in assessing risk. Where relevant, these include:
- a) cost to customers or the public;
 - b) danger to public health or safety;
 - c) damage to property;
 - d) loss or reduction of energy supply or customer service;
 - e) environmental damage;
 - f) adverse public reaction; and
 - g) threat to actual or comparative competition (e.g. — making invalid comparisons between licensees' performance).
- 3.2.5. The Commission will consider the likely or known extent of an energy licensee's non-compliance with licence conditions when assessing risk. This may include assessment of previous audit results.
- 3.2.6. Risk assessment will be used by the Commission, in consultation with the energy licensees, to identify the minimum set of obligations to be audited. This will constitute the minimum audit scope. Priority will be given to auditing high risk obligations. Low to medium risk obligations may be audited less intensively and less frequently than high risk obligations.
- 3.2.7. While the Commission will conduct a risk assessment to make sure that the audit meets its information needs, energy licensees must conduct their own risk assessments to make sure that all high risk obligations are identified. Energy licensees should make sure that all high risk obligations are audited, not only those identified by the Commission.
- 3.2.8. The Commission will seek to minimise the potential for unnecessary or overlapping audit by having regard to the extent to which a licensee's performance of an obligation is already audited under a separate regulatory requirement.

4. APPOINTING THE AUDITOR

4.1. Licence condition to appoint an auditor

- 4.1.1. The energy licence conditions require a licensee to appoint an auditor at the Commission's request. The energy licensee must also comply with relevant aspects of this or any other relevant Guideline.
- 4.1.2. The auditor and the energy licensee must enter into a tripartite deed (**Audit Deed**) with the Commission in the form of the Commission's standard Audit Deed, or in such other form as the Commission may require.

4.2. Empanelment of auditors

- 4.2.1. Suitably qualified, skilled and experienced auditors will be empanelled by the Commission.
- 4.2.2. The Commission will appoint auditors to the panel having been satisfied that the auditor has demonstrably relevant qualifications, skill and experience. The Commission will provide guidance on the process and criteria for the appointment of an auditor to the panel.

4.3. Licensees to appoint an auditor from the panel

- 4.3.1. A licensee must select an auditor from the panel when the Commission requests a licensee to appoint an auditor as provided in clause 4.1.1.

4.4. The Commission's approval

- 4.4.1. A licensee must obtain the Commission's in-principle approval of the auditor selected from the panel of approved auditors for the purposes of the Guideline having regard to:
 - a) the firm's field of work, core expertise, experience and corporate structure, having regard to the information provided to the Commission in the process of empanelling the auditor;
 - b) work that the firm has done for the licensee in the previous two years, and work that the firm is currently doing for the licensee or has bid for;
 - c) the work history and skills of each team member, and the role s/he would play in the audits;
 - d) advice of any potential conflict of interest and, if so, the way in which the potential conflict of interest is proposed to be managed; and

- 4.4.2. Final approval will be conditional on satisfactory execution of the Audit Deed. If an Audit Deed is terminated, any approval of the relevant auditor lapses.
- 4.4.3. The Commission may reject the nomination, if for any reason it is dissatisfied with the nomination.

4.5. Conditions

- 4.5.1. The Audit Deed between the energy licensee, the auditor and the Commission will include, amongst other things, the following conditions:
- a) Members of the audit team must not perform any other fee-earning work for the licensee during the term of the audit deed, other than services in respect of an audit carried out under the licence or financial auditing services carried out under the Corporations Act 2001 (Cth).
 - b) The auditor must make sure that members of the audit team are not influenced by commercial interests arising from other work or prospective work undertaken by the auditor (subject to the application of protocols agreed with the Commission and other qualifications specified in the Audit Deed).
 - c) After an audit report has been submitted, specific obligations may be re-audited at the request of the Commission (subject to any qualifications on the right to require a re-audit agreed by the Commission in the Audit Deed).
- 4.5.2. The auditor is to keep:
- a) a record of all contacts with the energy licensee in relation to each audit;
 - b) a record of all significant and material changes made to any draft audit report and reasons for the changes; and
 - c) any other records and material required to be kept under the audit deed.
- 4.5.3. The auditor is to certify that it is capable of completing the audit and an authorised executive officer of the auditor is to sign off the audit report.

5. APPROVING THE AUDIT SCOPE

5.1. Identifying licence obligations to be audited

- 5.1.1. Before each audit, the Commission, in consultation with the energy licensee, will review and nominate the regulatory obligations for the licensee which will be included in the audit.
- 5.1.2. The audit scope will specify the:
- a) nature of the obligations and any other matters to be audited;
 - b) period over which compliance with each relevant obligation or matter is to be audited; and
 - c) details of the process and relevant timelines for undertaking and completion of the audits, and for the provision of final audit reports.
- 5.1.3. In determining the audit scope, the Commission will have regard to such matters it considers relevant, including:
- a) the risk assessment process (set out in section 3.2 of the Guideline);
 - b) its objectives under the Essential Services Commission Act 2001, the Electricity Act and the Gas Act.

5.2. Licensee's compliance risk appetite

- 5.2.1. The auditors will be required to assess and report on the licensee's compliance risk appetite by reviewing the licensee's compliance program and framework with reference to *AS 3806–2006 Australian Standard Compliance Programs*.

5.3. Compliance issues

- 5.3.1. Where specific compliance issues have been identified for an obligation that is included in the minimum audit scope, those issues must be addressed by the auditor in its report.

5.4. Audit period

- 5.4.1. For some obligations, auditors will be required to assess compliance over a period of time, as well as at the time of the audit. This is particularly important, for example, in assessing regulatory information to be published by the Commission. The reliability of the information should be assessed over the period to be covered by the Commission's report.

- 5.4.2. The audit period to be covered will be specified by the Commission in the minimum audit scope.

5.5. Approval of licensees' submissions

- 5.5.1. Following consultation, the Commission will advise energy licensees of the minimum audit scope — including the obligations to be audited, compliance issues and the time frame for undertaking and completion of the audit.
- 5.5.2. The energy licensees should then submit their proposed audit scope to the Commission. It should comply with the minimum scope and specify any additional obligations to be audited. In particular, it should state any obligation that the energy licensee or its auditor has identified as high risk, and that has not been included by the Commission in its minimum scope.
- 5.5.3. In cases where the energy licensee or the auditor has not identified any high risk obligations, the Commission may request a copy of the risk assessment prepared by the licensee or the auditor for review.
- 5.5.4. If an energy licensee's audit proposal meets the Commission's minimum requirements, the Commission will approve the proposal.

5.6. Briefing the auditor

- 5.6.1. When the auditor has been appointed and the audit scope has been approved, the Commission will brief the auditor's audit team in the presence of the energy licensee, prior to the audit commencement to make sure that the Commission's requirements are clearly understood.
- 5.6.2. Energy licensees must give the auditor a copy of the approved audit scope at or before the briefing.
- 5.6.3. The auditor will provide regular updates to the Commission on the progress of the audits as and when required by the Commission.

6. CONDUCTING THE AUDIT

6.1. Audit methodology

- 6.1.1. The methodology employed must comply with the general principles of the *Standard on Assurance Engagements ASAE 3100 Compliance Engagements* and the generic minimum requirements specified in item 1 of schedule 2 of the Audit Deed or such other requirements specified by the Commission.
- 6.1.2. The Commission may set out its expectations of minimum requirements for the conduct of audits.

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7. ASSESSING AND REPORTING ON COMPLIANCE

7.1. Standard compliance grades

- 7.1.1. It is important that compliance is assessed using standard confidence and compliance grades, thereby maximising the comparability of the results reported to the Commission.
- 7.1.2. The Commission uses a specific grading system in order to assess compliance. Auditors must use the prescribed standard grades for the regulatory information and compliance with licence obligations.

7.2. Regulatory information

- 7.2.1. The grades used to assess regulatory information focus on the reliability of the energy licensee's procedures for generating the information and the quality of the data produced by those procedures.
- 7.2.2. The auditor must determine the data quality by having regard to:
 - a) the systems and processes used to generate the data;
 - b) the methods used, if any, to extrapolate or estimate data; and
 - c) the way in which reports are prepared and the extent to which reports are communicated, reviewed and acted upon.
- 7.2.3. The auditor must assign a two-part confidence grade (e.g. B2, DX) to each category of relevant information (including each category, if any, identified by the Commission in the audit scope provided by it) as follows:

- A** All data is based on robust information systems that support the compliance program, and documented policies, practices and procedures, which are:
- updated as required and endorsed by the energy licensee's management;
 - consistent with the Commission's information specifications;
 - communicated and readily available to all staff; and
 - fully understood and followed by staff to support compliance outcomes and acted upon at all levels of the organisation, including the Board and senior executive management.
- B** Most data conforms with Grade A. Data integrity is compromised due to compliance failures and inadequate controls over information systems. For example, a minority of data may be based on:
- information specifications that are different to those published by or reported to the Commission;
 - outdated policies and procedures;
 - inconsistent compliance practices;
 - minor deviations from documented operating policies and procedures;
 - policies and procedures that are not properly communicated or that are misunderstood by staff;
 - system upgrades and changes that have resulted in loss of data; or
 - estimation or extrapolation of data that conforms with Grade A.
- C** In many cases, but not all, data does not conform with Grade A. Data integrity is significantly compromised due to compliance failures and lack of controls over information systems. For example, the majority of the data may be based on:
- information specifications that are materially different to those published by or reported to the Commission;
 - policies and procedures that are not documented and endorsed by the licensee's management;
 - documented operating policies and procedures that are significantly out of date, incomplete or not followed;
 - policies and procedures that are not communicated to or fully understood by staff;
 - processes that do not retain source documentation for verification purposes;
 - processes that increase the risk of manual intervention or data that is manually managed outside a major system; or
 - estimation or extrapolation of data that conforms with Grade A or B.
- D** Data is not relevant, suitable or adequate to form an objective determination of regarding its quality.
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<i>Grade</i>	<i>Accuracy</i>
1	± 1%
Where a performance indicator is relevant to operations in principle but no data exists and none is reported in the audit period, this should be graded 1.	
2	± 5%
3	± 10%
4	± 25%
5	± 50%
6	± 100%
X	For small samples where an error would be more than 100%, or data that is not relevant, suitable or adequate.

7.3. Compliance with licence obligations, including any relevant information reporting obligation

7.3.1. The auditor must assess compliance using the following two step grading system.




7.4. Step One

7.4.1. To ensure reliable and demonstrable compliance with regulatory obligations in the scope of the audit, the licensee requires appropriate processes and controls. These may be considered in five areas: Policies / procedures; Skills / training; Systems / maintenance; Monitoring / feedback; Culture / practices. Harvey Balls must be used to indicate the existence and adequate operation of these processes and controls in each area for each obligation. For example:

<i>Grade</i>	<i>Description</i>	<i>Required Action</i>
	Non-Compliance	Full revision or development of processes and controls is required in two areas: Policies / procedures; Skills / training; specifically <auditor's comments>.
	Non-Compliance	Significant revision or development of key processes and controls is required in the area of Monitoring / feedback; specifically <auditor's comments>.
	Non-Compliance	Revision of some key processes and controls is required in the area of Culture / practices, specifically <auditor's comments>.
	Needs Improvement	Improvement opportunities exist in some processes and controls in the area of Systems / maintenance, specifically <auditor's comments>.
	General Compliance	Minimal or no action required.

7.5. Step Two

- 7.5.1. A traffic light system must be used to indicate overall compliance with an obligation, taking into account all five areas for which the separate Harvey Balls have been given.

<i>Grade</i>	<i>Description</i>	<i>Definition</i>
	Non-Compliance	The requirements of the condition 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.
	Partial Compliance	Key requirements of the condition have been met but minor achievements in compliance have been demonstrated. Findings noted are considered significant and require substantial effort to correct.
	General Compliance	Most requirements of the condition 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.

7.6. Current and period compliance

- 7.6.1. The auditor is required to assign grades:
- for current compliance at the time of the audit); and
 - for specified obligations, compliance over the audit period.

The grade for current compliance and compliance over the period can be taken as being the same if the auditor has identified no significant changes to procedures or systems over the audit period. If significant change has been identified, however, the auditor must also assign a grade to represent compliance over the audit period.

- 7.6.2. For example, if a particular data set was of poor quality for half the audit period and, following procedure and system changes, was more reliable and accurate for the remainder of the period, compliance over the period should be assessed as lower than current compliance.

7.7. Level of confidence

- 7.7.1. Compliance grades should be assessed by the auditor to a 90% level of confidence, based on statistical methods where possible and judgement in other cases. The Commission may direct that specified obligations be assessed to a 95% level of confidence. For non-numeric and non-statistical grades that may be used by the auditor, the Commission will require the auditor to provide documentation for the basis of the auditor's overall opinion (e.g. a matrix considering outdated documentation, lack of training, etc.).

7.8. Continuous improvement

- 7.8.1. The auditor is required review the adequacy and effectiveness of action plans and the schedule for their completion to address compliance issues. This review will also include an assessment of the energy licensee's continuous improvement activities to ensure the sustainability of its compliance program.

7.9. Signed statement

- 7.9.1. The report must include a statement signed by the team leader which states:
- a) that the auditor has complied with the Guideline and the Audit Deed in conducting the audit, making audit findings and preparing the report;
 - b) that the audit findings reflect the professional opinion of the auditor to the level of confidence specified in the Guideline;
 - c) that the audit findings have not been unduly influenced by the energy licensee or any of its associates; and
 - d) the auditor's professional opinion on overall assessment of compliance.

7.10. Content of reports

- 7.10.1. The purpose of the audit report is to provide a context and conclusion for the audit. The report must include the auditor's signed statement and should comply with the audit report template specified by the Commission. Detailed information on findings beyond those required to be included in the audit report are to be reported separately to the Commission.
- 7.10.2. The auditor must prepare the audit report to meet the requirements of the Guideline and with reference to the reporting standards set by *Standard on Assurance Engagements ASAE 3100 Compliance Engagements*.

7.11. Executive Summary

- 7.11.1. The executive summary is intended for publication on the Commission's website. The summary should include the following items as a minimum:
- a) A brief description of the audit scope and methodology, which should reflect those approved by the Commission;
 - b) Significant non-compliance issues arising from the audit; and
 - c) A brief description of the compliance plan proposed by the licensee to address the key issues arising from the audit.

7.12. Detailed Report

- 7.12.1. The detailed report should include the following items as a minimum:
- a) A brief description of the systems and procedures that have been established to comply with each obligation, including the identification of relevant documentation and responsible staff.
 - b) A discussion of compliance addressing each generic compliance issue and each obligation-specific compliance issue identified by the Commission for that audit.
 - c) Compliance grades for each obligation and performance indicator included in the audit scope. The report should also identify the reasoning for a final audit grade where there is disagreement between the auditor and licensees as to the final grade.
 - d) Non-compliance issues that are less significant than the issues noted in the executive summary.
 - e) Details of compliance plan (if any) for all non-compliance issues that have been identified:
 - 1) A description of the compliance plan.
 - 2) An evaluation of the adequacy of the plan, including a projected compliance grade or level at the conclusion of the plan.
 - f) A brief statement of the regulatory obligations in the scope that were assessed as generally compliant, and information reporting obligations with a reliability and accuracy assessment of 'B2' or better.

- g) Other key observations that the auditor believes are necessary to support the audit conclusion such as the extent to which compliance risk is articulated, treated or managed in the organisation, or the extent to which the licensee manages its compliance program in accordance with relevant standards (i.e., AS ISO 10002–2006 Customer satisfaction - Guidelines for complaints handling, AS 31000 Risk Management or AS 3806–2006 Compliance Programs.
- h) Acknowledgement that the audit report may be published at the Commission's discretion, in summary or as a whole on the Commission's website.

7.13. Draft report

- 7.13.1. From time to time and with prior written notice to the auditor and the energy licensee, the Commission may require draft audit reports or briefings to be provided.
- 7.13.2. The auditor must provide to the Commission an electronic copy of the draft audit report on the same day that it is provided to the energy licensee, and within 15 business days before the closing meeting with the Commission. This allows the Commission an opportunity to consider the significance of the report in a timely way. A request for extension must be made in writing by the auditor and is subject to approval of the Commission.

7.14. Reporting procedures

- 7.14.1. The energy licensee must make sure that its board considers the audit report and forwards it to the Commission (in both the summary and full versions) within five days before the closing meeting with the Commission. This allows the energy licensee an opportunity to:
 - a) assess whether the report accurately reflects the licensee's performance; and
 - b) begin taking corrective action if non-compliance has been identified.
- 7.14.2. The energy licensee must not, however:
 - a) require or seek changes to be made to the auditor's report that conflict with the auditor's professional judgement and its primary responsibility to the Commission. This includes requiring a change to be made that would, in effect, remove or obscure any adverse finding of the auditor;
 - b) unreasonably withhold payment or terminate the audit contract over a disputed audit finding; or
 - c) significantly delay the forwarding of the report to the Commission.

7.14.3. A request for extension must be made in writing by the energy licensee to the Commission and is subject to the Commission's approval.

7.15. Copy of final report

7.15.1. The energy licensee should provide to the Commission:

- a) a hard copy and an electronic copy (in PDF form to allow publication on the Commission's website) of the audit report at least five business days before the closing meeting with the Commission; and
- b) a copy of each publicly available report, record or document on which the auditor has relied in arriving at a finding in the audit report promptly after being requested by the Commission to do so.

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8. RESPONDING TO THE AUDITS

- 8.1.1. The energy licensee must make sure that its Board or a delegated officer considers the audit report as soon as possible after it is received.
- 8.1.2. In addition to its obligation under clause 8.1.1 of the Guideline, within 30 business days of receiving the final audit report, the energy licensee must provide to the Commission a written statement that indicates:
- a) the actions that the energy licensee proposes to take in response to the audit findings; and
 - b) specifically, where the auditor has identified non-compliance, the actions that the regulated energy licensee proposes to take, and the schedule by which it will achieve compliance.
- 8.1.3. In response to an audit report, the Commission may (without limiting its powers and rights):
- a) obtain and analyse the auditor's record of its contacts with the energy licensee. For example, to obtain more details of reported non-compliance, or to investigate whether significant changes have been made to drafts of the report;
 - b) require further auditing to be undertaken (whether by the relevant auditor or another) where it considers the report is or may be unsatisfactory in a material respect. For example, where the Commission has independent information contradicting an assessment made by the auditor;
 - c) require that the energy licensee arrange for another auditor approved by the Commission to undertake any such further auditing work;
 - d) conduct its own audit of the full audit report(s) where:
 - 1) it is not satisfied that the individual audits provide adequate assurance that the audits of the energy licensee produce results that are validly comparable; or
 - 2) it requires better information on which to assess whether compliance or other action should be taken;
 - e) require termination of any contract by which the auditor was engaged to conduct the relevant audit;
- 8.1.4. Where the audit identifies non-compliance, the Commission may (without limiting its powers and rights):

- a) require action to be taken by an energy licensee to address any non-compliance, or to mitigate the risk or consequences of future non-compliance upon review of provisions of regulatory instruments that appear to be unclear, inadequate, excessive or trivial; or
- b) exercise the enforcement powers available to it under relevant legislation.

8.1.5. The Commission will report publicly and comment on the results of any audits undertaken (and the steps, if any, required to achieve compliance). This may include reporting the results of the audit as part of its performance reporting function.

A summary of reporting procedures is outlined below. The Commission reserves the right to re-consider the time frame. A request for extension is subject to Clause 6.2(d).

<i>Reporting Procedures</i>	<i>Time Frame</i>	<i>Comments</i>
Total allowable time frame of audit	From start of audit fieldwork to issue of final report	No more than 90 days
Audit briefing	During or after the development of the minimum audit scope	To be advised by the Commission
Start of audit fieldwork	The date when the auditor commences its review on the licensee's premises, or on a date agreed with the Commission	To be advised by the Commission
Frequency of status updates to the Commission	Based on the nature or complexity of the audit	To be advised by the Commission
Audit de-briefing	May be required by the Commission depending on the status updates and nature or complexity of the audit	To be advised by the Commission
Closing meeting	No more than 90 days from the start of the audit fieldwork, or on a date agreed with the Commission	To be advised by the Commission
Submission of draft report	Within 15 business days before the closing meeting with the Commission, or on a date agreed with the Commission	To be advised by the Commission
Submission of final report	At least five business days before the closing meeting with the Commission, or on a date agreed with the Commission	To be advised by the Commission
Responding to audits	Within 30 business days after the Final Report is issued	

9. AMENDMENTS

- 9.1.1. The Commission may amend or revoke the Guideline.
- 9.1.2. The Commission will not make material amendments to the Guideline until energy licensees and other stakeholders have had an opportunity to comment on the nature of any proposal to amend or revoke the Guideline and those comments have been considered, in accordance with the Commission's Charter of Consultation and Regulatory Practice.

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