

25 January 2018



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Networks (Vic) Ltd  
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Sarah McDowell  
Acting Director, Energy  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne 3000

Dear Sarah

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### **Audit guideline for energy businesses (draft), November 2017**

Jemena Electricity Networks Vic Ltd (**JEN**) welcomes the opportunity to respond to the Essential Services Commission's (**Commission**) draft Audit guideline for energy businesses (**Guideline**).

JEN supports the draft audit guideline. The Guideline provides sufficient direction on how to process with a regulatory audit when the Commission requests one from an energy licensee. We request the Commission to consider three broad set of comments that would improve the practical application and interpretation of the Guideline:

- the 30 days period for planning of the audit;
- the 90 days period from the start of the audit field work to the final audit deliverables<sup>1</sup>;
- other suggested changes to clauses 8.1.2 and 7.14.1.

#### ***30 days period for planning of the audit***

The overall timeframes specific in the Guideline is extremely tight and should be amended to 30 business days. To assist in clarifying why this is the case, we set out the steps required in this process.

Our procurement policy mandates at least three quotes be obtained prior to engagement of auditor. The timeframe for the engagement of an auditor is 'within 15 business days' after the indicative audit scope is issued. As JEN requires at least 10 business days to comply with its procurement policy and recommend an auditor to the Commission for approval, which would only leave the Commission 5 business days to make a decision on the in-principle approval of the auditor.

The scope preparation session needs to be completed within 25 business days after the indicative audit scope is issued. If the engagement of an auditor takes up all of the 15 business days, it leaves 10 business days to complete the session, which we believe is feasible. In circumstance where all of the '25 business days' are used up in the engagement of the auditor and scope preparation session, the proposed

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<sup>1</sup> *Audit guideline for energy businesses (draft), November 2017* clause p 21.

timeframe of 'no more than 30 days' for the overall planning of the audit will be breached because a '25 business days' period is at least 33 days.

Therefore, JEN proposes the '30 days' reference be changed to '30 *business days*'. The suggested change would provide additional time for the Commission to consider approval of auditors and finalisation of the audit scope.

### ***90 days period between the start of the audit fieldwork to issue of the final audit report***

The communication timeframes for some of the deliverables in the 90 days period between the start of the audit fieldwork and issue of the final audit deliverable requires clarification. There are two timeframes for a licensee to provide management comments on page 21 of the Guideline.

Clause 8.1.2 states "...within 30 business days of receiving the final Audit Report, the Licensee must provide to the commission a *written statement from management* as specified in clause 7.14.1".

However, clause 7.14.1 requires the licensee must provide *management comments* in the Audit Report at least 5 business days before the closing meeting with the Commission. Whilst the written statement from management provided under clause 8.1.2 and management comments provided under clause 7.14.1 are the same, it appears that there are two timeframes for the delivery of a licensee's response to the audit.<sup>2</sup>

We believe the differences noted above may have arisen when parts of the old clause 8.1.2 were moved to clause 7.14.1. Consequently, the new clause 7.14.1 require a licensee to provide managements comments in the Audit Report and that the report be forwarded to the Commission at least 5 business days *before* the closing meeting (not after receiving the Audit Report as required in new clause 8.1.2).

### ***Suggested changes to the Guideline:***

There are a number of proposed changes that we consider, if implemented, would improve the Guideline, including:

- a) In new clause 8.1.2, delete the word "within 30 business days of receiving the final Audit Report" and replace "a written statement" with "management comments".
- b) On page 21, expand "Submission of final deliverables" to "Submission of final deliverables including Licensee's management comments". The proposed expansion is to accommodate the requirement of clause 7.14.1.
- c) The timeframe for "Submission of draft deliverable" is 15 business days before the closing meeting with the Commission, which allows 10 business days between draft and final deliverables. JEN considers 10 business days is insufficient for the inclusion of the licensee's management comments in the

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<sup>2</sup> *Audit guideline for energy businesses (draft), November 2017* clause p 21.

final Audit Report. We propose the 15 business days period in the Guideline be expanded to 30 business days.

- d) Given the licensee's management comments have already been included in the Audit Report, there is no further need to again provide management comments. Consequently that requirement a licensees to respond to audits can be removed on page 21.<sup>3</sup>
- e) JEN proposes the '30 days' reference be changed to '30 *business days*'.
- f) Sub clause 7.14.1 (f) (c) states, "Where management disagrees with the non-compliance identified, explain why and describe the alternative corrective action (s) that will be in response to mitigate the risk identified;" JEN considers that where management disagrees with the non-compliance, there should not be a requirement to describe alternative corrective action(s). We suggest all words after "explain why" be deleted in the clause and it be moved to below subclause (a).
- g) The numbering of the sub clauses in clause 7.14.1 needs correction.

If you require have any questions in relation to this submission, please contact me

Yours sincerely

*[Signed]*

Siva Moorthy  
**Manager Network Regulation**

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<sup>3</sup> Ibid, Responding to audits within 30 business days after the final deliverables are issued.