

1 February 2018

Michelle Flanagan
Audit & Compliance Officer, Energy
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

By email: energy.submissions@esc.vic.gov.au

Dear Michelle,

Submission on the Essential Services Commission's Draft Audit Guideline for Energy Businesses

The Essential Services Commission (ESC) has requested submissions around the Draft Audit Guidelines for Energy Business (the "Audit Guidelines").

RSM notes the Audit Guidelines make reference to *ASAE 3402 Assurance Report on Controls at a Service Organisation*. ASAE 3402 is the complementary standard to ASA 402 Audit Considerations Relating to an Entity Using a Service Organisation. It is RSM's understanding that ASAE 3402 is designed to provide assurance on controls at a service organisation that are likely to be relevant to the user entities' internal control as it relates to **financial reporting** (our emphasis). By applying ASAE 3402 for the energy retailer regulatory audits implies that:

- **ESC** is the user entity and relies on the information systems and business processes of the service organisation for its financial reporting;
- **Energy Retailers** are the service organisation and as defined within ASAE 3402, a third party organisation that provides services to the ESC that are likely to be relevant to the ESC's internal control as it relates to financial reporting;
- **Service Auditors** an assurance practitioner who, at the request of the service organisation, provides an assurance report on controls at a service organisation

It is RSM's understanding that ESC does not rely on Energy Retailer's information and systems for financial reporting. As a result, RSM would like question the applicability of ASAE 3402 to conducting these engagements, and in forming an opinion on overall assessment of compliance.

The Audit Guidelines state that the purpose of the Regulatory Audits is to provide the Commission with independent assurance that Licensees are complying with their Licence Obligations. Specifically the Audit Guidelines require an audit is to be conducted on the following:

1. Compliance with Licence Obligations, including obligations to comply with industry codes and guidelines; and
2. The reliability and quality of information report and whether the information is consistent with ESC's specification.

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This objectives above appear more aligned to an assurance engagement to be conducted in accordance with *ASAE 3100 Compliance Engagements*.

We hope this feedback is of assistance to the ESC in preparing the final Audit Guideline.

If you have any questions, or wish to discuss these matters further please contact Tim Pittaway, Partner
or Jacob Elkhishin, Principal

Your sincerely

TIM PITTAWAY
Partner