

Draft Audit Rules for Switching

1. Industry body to commission performance audits

- 1.1 The **industry body** must arrange performance audits of the **registry operator** and **registry participants**, at intervals of no greater than five years.
- 1.2 The purpose of a performance audit under this rule is to assess in relation to the **registry operator** or a **registry participant**, as the case may be, –
 - 1.2.1 The performance of the **registry operator** or that **registry participant** in terms of compliance with these **rules**; and
 - 1.2.2 The performance of that **registry participant** in terms of their compliance with the rules that specify that **registry participant's** obligations around maintenance of ICP data in the registry.
 - 1.2.3 The systems and processes of the **registry operator** or that **registry participant** that have been put in place to enable compliance with these **rules**; and
 - 1.2.4 Whether, after the implementation of an intended change notified under rule 1.6, the **registry operator** or that **registry participant** will be, or will be able to be, compliant with these **rules**.
- 1.3 The **industry body** in its sole discretion will determine –
 - 1.3.1 When a performance audit under this rule is to be conducted, subject to rules 1.4 and 1.6;
 - 1.3.2 The person who is to be audited;
 - 1.3.3 Subject to rule 3, who will be appointed as the auditor; and
 - 1.3.4 Any terms and conditions for the performance audit.
- 1.4 If it is practicable to do so, the **industry body** may conduct the performance audit of a **registry participant** at the same time, and with the same auditor, as the performance audit of that same participant as an **allocation participant** under the Gas (Downstream Reconciliation) Rules 2008.
- 1.5 Within 24 months of these rules 1-10 coming into effect, the **industry body** will conduct performance audits of every **registry participant**.
- 1.6 If the **registry operator** or a **registry participant** intends to make a change to any of its systems, processes or procedures that could reasonably be considered to be likely to have a major impact on the **registry operator** or any **registry participant's** compliance with these **rules**, it must, at least 90 days before the change is to take place, advise the **industry body** of the proposed change.
- 1.7 Upon notification of a proposed change under rule 1.6, the **industry body** may arrange a performance audit of the **registry operator** or **registry participant** to be completed up to 30 days after the change is to take effect.

- 1.8 The purpose of a performance audit arranged under rule 1.7 shall be limited in scope to an audit of the impact of the proposed change on the **registry operator** or **registry participant's** systems, processes and procedures.
2. **Time restriction on audit material**
- In conducting an audit under rule 1, the auditor must not consider: any action, circumstance, event, or inaction that occurred 30 months or more before the date the audit was requested by the industry body;
3. **Who may be appointed as an auditor**
- 3.1 In appointing an auditor, the **industry body** must appoint a person who is independent to and not in a position of conflict of interest with the **registry operator** or the **registry participant(s)**, as the case may be, that are to be audited.
- 3.2 No officer or employee of the **industry body** may be appointed as an auditor.
- 3.3 The person or persons that are to be the subject of the audit may recommend one or more auditors for the **industry body's** consideration.
4. **Provision of information to auditor**
- 4.1 In conducting an audit under rule 1, the auditor may:
- 4.1.1 Request any information from the registry operator or **the registry operator** or the **industry body** and any **registry participant**; and
- 4.1.2 Request to examine any processes, systems, procedures and data of the **registry operator** or any **registry participant**, provided such processes, systems, procedures and data are directly relevant to the performance of the **registry operator** or the **registry participant** in terms of compliance with these **rules**.
- 4.2 Any request under rule 4.1 must be reasonable and strictly for the purposes of the audit.
- 4.3 The **registry operator**, the **industry body** and every **registry participant** must comply with a request under rule 4.1 but nothing in this rule limits any claim for legal professional privilege.
- 4.4 In providing information to the auditor, a **registry participant** or **the registry operator** may indicate to the auditor where such information is considered to be confidential.
- 4.5 For the purposes of this Part X of the **rules**, information is confidential if the **registry participant** or the **registry operator** who either owns or holds the information, considers that the information is commercially sensitive.
5. **Auditor to prepare draft audit report**
- 5.1 The auditor must prepare, in writing, a draft audit report on the conclusions reached and recommendations formulated as a result of conducting an audit under rule 1.
- 5.2 Subject to rule 7, the auditor must give a copy of the draft audit report to –

- 5.2.1 The person or persons that are the subject of the audit;
 - 5.2.2 The **registry operator**;
 - 5.2.3 Any other **registry participant** which the auditor considers has an interest in the report; and
 - 5.2.4 The **industry body**.
- 5.3 In providing the draft audit report under rule 5.2, the persons referred to in that rule, and the **industry body**, have 10 **business days** from the date the report is received to provide the auditor with comments on the report.

6. Auditor to prepare final audit report

- 6.1 Before the auditor prepares a final audit report on the conclusions reached and recommendations formulated as a result of conducting an audit under rule 1, the auditor must take into account any comments received on the draft audit report.
- 6.2 The final audit report must be in writing and, if so requested by the person or persons that are the subject of the audit, must include as an appendix any comments from that person or persons on the draft audit report.
- 6.3 Subject to rule 7, the auditor must give a copy of the final audit report to –
- 6.3.1 The person or persons that are the subject of the audit;
 - 6.3.2 The **registry operator**;
 - 6.3.3 Any other **registry participant** which the auditor considers has a material interest in the report; and
 - 6.3.4 The **industry body**.
- 6.4 Once the auditor has given a final audit report under this rule, the report may not be altered in any way.

7. Confidential information in audit reports

- 7.1 In providing a draft audit report or final audit report, the auditor must provide a complete version to the **industry body**.
- 7.2 However, at the discretion of the **auditor**, the versions of the draft audit report and the final audit report provided to any other person or **published** under these **rules** may exclude any confidential information obtained in the conduct of the audit.

8. Publication of final audit reports

Subject to rule 7, the **industry body** must **publish** all final audit reports.

9. Use of final audit reports

To avoid doubt, a final audit report may be used –

9.1 For the purposes of the Gas Governance (Compliance) Regulations 2008;

9.2 For the purposes of considering any amendments to these **rules**;

9.3 By the **industry body**;

9.3.1 For the purpose of reviewing the performance of the **registry operator** under the **registry operator service provider agreement**;

9.3.2 For the purpose of reviewing the performance of an auditor; and

9.3.3 For any other purposes that it considers necessary.

10. Responsibility for audit costs

10.1 In relation to an audit under rule 1, the person that is being audited must pay the costs of the auditor.

10.2 For the purposes of this rule, the costs of the auditor are those costs that have been agreed between the **industry body** and the auditor.

