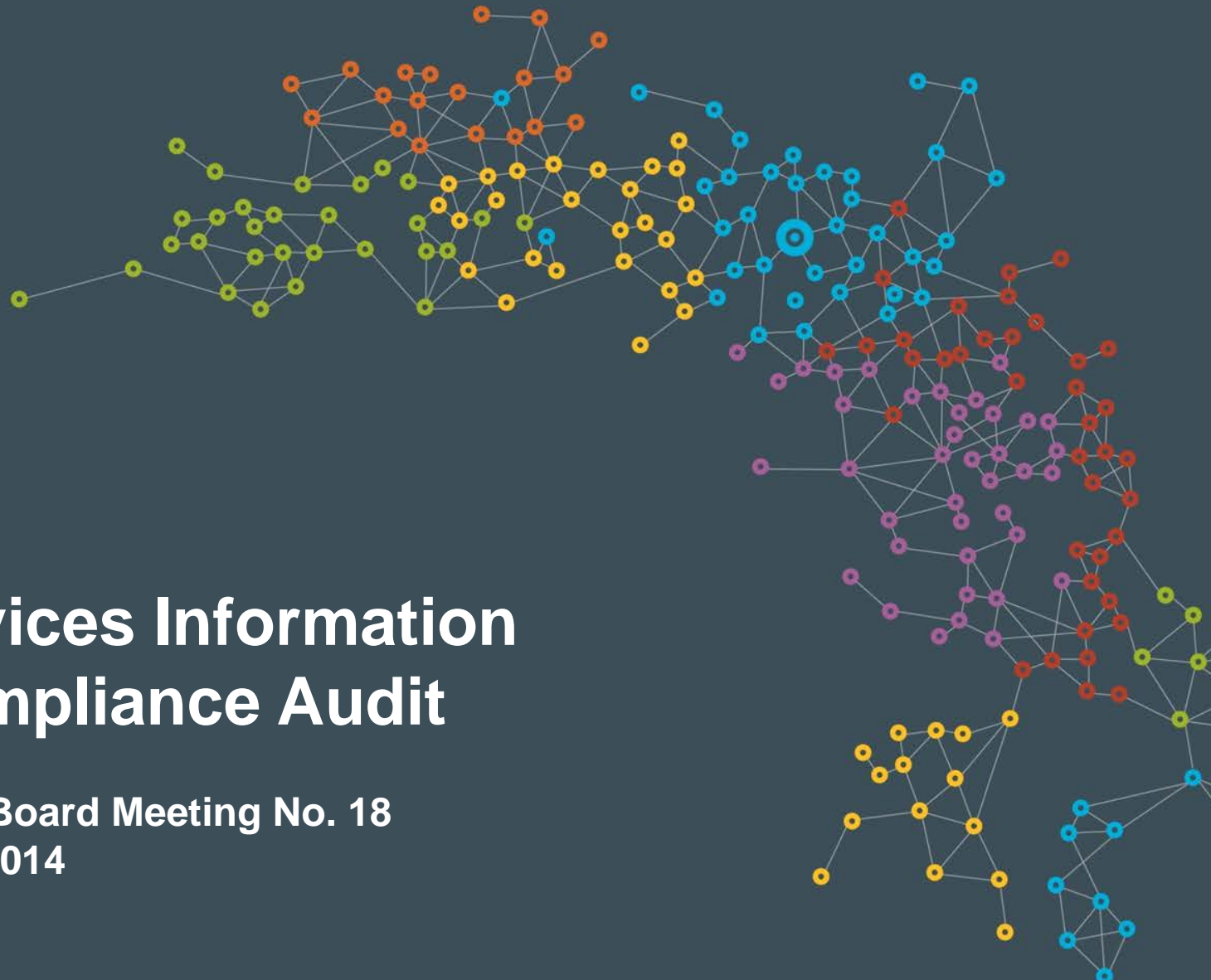




INDEPENDENT
MARKET
OPERATOR



Gas Services Information 2014 Compliance Audit

Gas Advisory Board Meeting No. 18
16 December 2014

What this session will cover

- Audit formalities
- Appointment of auditor
- Scope of the 2014 audit
- Key findings and approach of auditor

Audit formalities

- Appointment of auditor – PA Consulting Group
- Annual requirement – 2014 first audit
- Audit of the IMO must cover the following matters:
 - the compliance of the IMO's internal procedures and business processes with the GSI rules
 - the IMO's compliance with the GSI Rules and GSI Procedures
 - the IMO's software systems for the Gas Bulletin Board and the calculation of GSI Fees
 - the IMO's processes for software management
- Audit report:
 - accept or prepare own report
 - published on the IMO's website
- Report to the Minister

Scope

- Comprehensive audit
 - comprehensive assessment of whether the IMO has complied with its obligations under the GSI Rules and GSI Procedures during the audit period
 - comprehensive assessment of whether the IMO's tool for calculation of GSI Fees complies with the GSI Rules
 - areas of recorded breaches
- Limited exception - incremental audit of software system for the Gas Bulletin Board
 - for the purposes of an incremental software systems compliance audit, the focus is on obligations that are new or have been amended since the software systems were initially certified
- Audit period 1 August 2013 to 31 July 2014
- IMO has approximately 275 obligations under the GSI Rules

Audit approach and key findings

Compliance of the IMO's internal procedures and business processes with the GSI Rules, and the IMO's compliance with the GSI Rules and GSI Procedures

- Audit approach:
 - examined the GSI Rules to identify the obligations on the IMO
 - reviewed the GSI Procedures for compliance with the GSI Rules
 - reviewed the IMO's internal procedures for compliance with the GSI Rules and GSI Procedures
 - sought evidence the IMO follows those procedures
 - examined the IMO's log of self-reported breaches

- No material breaches – minor breaches of five GSI Rules

Type	Clause	Issue	Comments
GSI Rules: Part 2, Division 1	28(1)(c)&(d)	Failure to update the GSI Register and publish notices	<ul style="list-style-type: none"> • Multiple incidents • Consequential breaches of 51(1)&(4)
GSI Procedure: Operation of the GBB and EMF	4.3.5	Early publication of reports on the GBB	<ul style="list-style-type: none"> • Self-reported • Consequential breach of 154(3)
GSI Rules: Part 6	103(1)	Late publication of Gas Statement of Opportunities	<ul style="list-style-type: none"> • Self-reported
GSI Rules: Part 8, Division 7	143	Failure to notify Minister of changes to Protected Provisions	<ul style="list-style-type: none"> • Occurred on two occasions • On both occasions, the changes were fully described in the relevant Rule Change Report; the omission was in the list of affected Protected Provisions in the covering letter • Changes were not controversial

Audit approach and key findings

- 2 GSI Procedures

GSI Procedure Title	Version	Date
Registration, Deregistration, Exemptions and Transfer	v1	29 June 2013
Operation of the Gas Bulletin Board and the Emergency Management Facility	v1	29 June 2013

- 17 internal procedures
- PA observed that the IMO's GSI Procedures and internal procedures comply with the GSI Rules in all material respects
- PA observed the IMO has good controls in place to manage non-compliance risk

Audit approach and key findings

IMO's software systems for the Gas Bulletin Board

- Audit approach:
 - reviewed the certification status of the system
 - reviewed all rule changes commencing since PA's initial certification
 - assessed whether a rule change required a change to the system
 - reviewed all system changes implemented during the audit period
 - assessed whether those changes have potential for material impact on the submission, calculation, or publication of information on the Gas Bulletin Board
 - reviewed whether or not those changes were certified under the GSI Rules
- Software changes do not need to be certified where the IMO considers the change will not have a material impact on, for example:
 - the provision of information to the IMO by Gas Market Participants
 - the processing and publication of information on the Gas Bulletin Board or Emergency Management Facility
 - the calculation and processing of GSI invoices

Audit approach and key findings

- Software for the Gas Bulletin Board first certified as complying with the GSI Rules by PA on 26 June 2013
- Some relatively minor changes since the initial certification – none needed to be certified

System	Version number	Release date	Material impact under 19(2)?	Certification status
GBB	1.0.9	20/08/2013	No	Not required
GBB	1.1.3	11/12/2013	No	Not required
GBB	1.1.4	19/12/2013	No	Not required
GBB	1.2.0	23/01/2014	No	Not required
GBB	1.2.38	30/01/2014	No	Not required
GBB	1.2-57.7	25/06/2014	No	Not required

- PA has observed that the software used by the IMO in the operation of the Gas Bulletin Board complies with the GSI Rules in all material respects

Audit approach and key findings

IMO's GSI Fees Calculation Tool

- Audit approach:
 - reviewed the tool and associated procedures
 - tested the tool against the calculations in the GSI Rules
- No requirement for independent certification under the GSI Rules, but IMO included it in the audit scope
- GSI Fees Calculation Tool is an Excel workbook with additional manual checks by IMO
- PA considers the use of Excel to be appropriate given the simple nature of the relevant calculations
- PA tested the tool and certified that the GSI Fees Calculation Tool complies with the GSI Rules

Audit approach and key findings

IMO's processes for software management

- Audit approach:
 - examined the documented processes for software management
 - compared them to actual operational practices
 - reviewed the compliance of operational practices with the GSI Rules
- IMO has continued to improve its software management processes, and has increased the level of automation in the build and release process, which reduce the risk of non-compliance
- IMO's change, test and release processes continue to perform well
- PA identified some relatively minor issues regarding release notes for some software changes
- PA observed that the IMO's processes for software management were compliant with the GSI Rules in all material respects

Summary

2014 Audit

- No material breaches by the IMO
- Relatively small number of minor breaches
- IMO has either identified or implemented actions that reduce the risk of similar non-compliance occurring in the future
- IMO's GSI Procedures and internal procedures comply with the GSI Rules in all material respects
- Gas Bulletin Board software complies with the GSI Rules
- The core calculations in the GSI Fees Calculation tool comply with the GSI Rules
- IMO has good software management processes

2015 Audit

- Incremental audit - focus will be on changes since the end of the 2014 audit (ie 31 July 2014)