

# ELECTRICITY AND GAS INFORMATION DISCLOSURE SEMINAR

JAMES COOK HOTEL GRAND CHANCELLOR, WELLINGTON  
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# ASSURANCE AND COMPLIANCE

Presentation to Information Disclosure Seminar  
March 2013



The requirement for director certification, assurance reports, our program of assisting compliance and our monitoring role are driven by our desire that:

**We want people to have confidence in the information provided under the Information Disclosure requirements**

- With the implementation of the new 2012 ID requirements there may be teething issues.
- We are looking to assist suppliers and encourage improved levels of compliance
- We will be pragmatic about the application of our requirements
- We would like to encourage continued open communication in regards to issues which suppliers are finding in meeting their compliance obligations

## Quality of information

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- We expect an appropriate standard of care has been taken in compiling and providing information to the Commission
- Over the past year, the quality of information received from various suppliers has differed greatly. The quality and accuracy of this information affects our decisions, the effectiveness of the regime and ultimately consumers
- Information regulated suppliers provide directly contributes to the outcomes in the Part 4 purpose statement. It is therefore critical that the Commission receives information that is accurate and robust

# Assurance and compliance contents

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- The role of director certification and audit assurance
- Assurance report requirements
- Expectations when completing / auditing schedules
- Enabling compliance
- Commission's focus on compliance with Information Disclosure requirements

# The role of certification and assurance

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- Directors' certifications
  - Express certification regarding the sourcing of some of the non-financial information and the objectivity and reasonableness of assumptions used for forecasts
- Audit certification
  - Independent auditor required
  - Prepared in accordance with ISAE (NZ) 3000, SAE 3100 (as appropriate for direct reporting engagement, reasonable assurance)
  - ID - Schedules 2 to 7 and the SAIDI and SAIFI statistics for network reliability in schedule 10(i) and 10a(i) (EDB & GDB)
- Change from 08 Requirements and initial drafts
  - Assurance of most non-financial information now provided by way of directors' certifications

- We require the assurance report to be addressed to the directors of the Supplier and to the Commission as the intended users of the assurance report
  - This approach reflects that we will rely on the assurance report, and ensures that the independent auditors will have some accountability to us
- The Commission has instated itself as an intended user to put auditors on notice that we expect to:
  - receive reports on matters that give rise to a qualified or adverse opinion. (Paragraph 62 of SAE 3100).
  - be advised of material deficiencies in the compliance system and material compliance breaches (Paragraph 65 of SAE 3100)

# Additional assurance requirements beyond SAE3100 and ISAE (NZ) 3000

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## Properly extracted information assurance requirement

- Information used in the preparation of the audited disclosure information has been properly extracted from the suppliers accounting and other records
- Intention of requirement
  - extraction of non-routine reports which are not part of the normal financial reporting suite may require extra care
  - information may be manipulated en route to disclosure within the audited disclosure schedules, we are looking for assurance that the information still properly reflects the underlying source data



## Additional assurance requirements beyond SAE3100 and ISAE (NZ) 3000

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### Proper records assurance requirement

- Proper records to enable the complete and accurate compilation of the audited disclosed information have been kept by the supplier
- Intention of requirement:
  - important that proper accounting records exist to allow the auditor to make an informed audit opinion, and that if such records do not exist this is identified and disclosed so interested persons can better understand the suppliers operational standards and the reliability of the disclosed information

Qualification of assurance opinion on additional assurance requirements is at the auditors discretion.

## Expectations when completing / auditing schedules

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### Application of materiality

- Is a matter for the assurance provider's professional judgement
- Should consider different sets of interested persons
- Coverage of assurance opinion on non-financial information has been reduced

### Over-riding of templates

- Our expectation is that these schedules would be completed "as-is"
- If you have concerns on cells driven by formulas not providing an accurate result please contact the Commission instead of over-riding the formulas
- As this is the first disclosure there may be issues with the template, please advise these to the Commission on a timely basis

## Schedule 1 – Analytical Ratios

- Ratios draw on schedules which are not part of the Audited Disclosure Information
- We do not expect that in requiring Schedule 1 to be audited information contained within unaudited schedules is also required to be audited.
- Assurance to cover that the numbers have been taken properly from the other schedules

## Free-form disclosures

- Not for submission on validity of information requirements , used for explaining variances, material items or classes of transactions and the application of the IM's

## Expectations when completing / auditing schedules

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### Provision of Electronic disclosures to the Commission

- We do not require hard copy versions of documents to be provided, only submitting electronic disclosures is acceptable

### Publication of ID schedules

- ID schedules should be made available on website in excel
- Robust processes should exist to ensure that what is publicly disclosed on the website is the same as disclosed to the Commission
- Required to disclose for at least 7 years

### Removal of some requirements from the 2008 EDB ID requirements

- No requirement to Gazette information
- Statutory declaration requirement

## Issuance of revised Determinations:

### ID issues register

- We have already made minor changes to some templates, and given our interpretations of some requirements in the issues register. These are not binding legal requirements until they are reflected in the determinations
- <http://www.comcom.govt.nz/current-electricity-information-disclosure-requirements/>
- <http://www.comcom.govt.nz/gas-information-disclosure/>
- Intention is that this will be used as a FAQ log and suppliers should review this if they have specific questions

## Exemption process

- Expectation is that suppliers will comply with all requirements of the ID Determination
- Exemptions should clearly outline why a supplier is unable to meet the ID requirements and should be submitted in writing to the Commission

## Reasons paper tables

- Attachment I tables contain disclosure timing requirements, form of the disclosure required and audit / director certification requirements

We plan to support suppliers and auditors in understanding ID Determinations including:

- this seminar on audited disclosure information
- issues register

Intending to hold other sessions but interested in hearing what is required:

- further sessions on schedules not covered at this seminar
- workshop meetings with auditors

Revised Schedule 16 linking definitions to schedules to be released

When contacting us please address emails to or cc:

[regulation.branch@comcom.govt.nz](mailto:regulation.branch@comcom.govt.nz)

## Our focus on compliance with Information Disclosure requirements

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### Non-compliance with information disclosure requirements

- Failing to disclose information required to be disclosed
- Failing to disclose information in the form or within the time required
- Disclosing information under an IDR that is false or misleading
  
- We are more likely to take high-level enforcement actions, the greater the likely level of detriment, the more deliberate and ongoing is the conduct or the more compelling is the public interest.
  
- Our priority in the initial years of the ID regulatory period is to assist suppliers in understanding the requirements



These slides formed the basis of the seminar presented to suppliers and auditors by Commission staff in March 2013. They are intended to be used as general guidance only, and do not replace or summarise the information disclosure determinations themselves. In order to comply fully with the requirements of the determinations, suppliers and auditors should read the EDB, GDB and GTB determinations published on 1 October 2012. These documents can be found at:

- <http://www.comcom.govt.nz/current-electricity-information-disclosure-requirements/> for EDBs; and
- <http://www.comcom.govt.nz/gas-information-disclosure/> for GPBs.

[www.comcom.govt.nz](http://www.comcom.govt.nz)

## CONTACT

To contact the Commission with information about false or misleading trading practices, or anti-competitive behavior by businesses:

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