



Independent Reasonable Assurance Report

To the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd

Conclusion

In our opinion, Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd's ("Evoenergy") Statement of Compliance that the entity, with the exception of breaches set out in the emphasis of matter paragraph below, has complied with the Ring-fencing Guidelines ("Ring-fencing Guidelines") published by the Australian Energy Regulator ("AER") on 3 November 2021 is, in all material respects, fairly presented for the period 1 January 2023 to 31 December 2023 ("Regulatory period").

Emphasis of Matter

Without qualifying our conclusion, we draw attention to section 5.4, 5.5, and 5.6 of Evoenergy's Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified in the Regulatory period 1 January 2023 to 31 December 2023.

Breach of Clause 6.2.3 of the Ring-fencing Guideline – Regulated Stand-Alone Project Systems (SAPS)

The Ring-fencing Guideline requires Evoenergy to maintain a SAPS register and publish an updated version of the register on its website on a quarterly basis, no later than 15 January, 15 April, 15 July and 15 October each year.

Consistent with our findings from the 2022 Annual compliance Report, we identified a breach of clause 6.2.3 of the Guideline as information in the SAPS register published in March 2023 for quarter 1 (January – March 2023) was not accurate. In line with recommendations made in 2022, management implemented a revised process to monitor, update and review registers published on its website on a quarterly basis from April 2023 onwards.

Breach of Clause 3.1(b) of the Ring-fencing Guideline – Legal Separation

Clause 3.1(b) prohibits a Distribution Network Service Provider ("DNSP") from providing services other than distribution services. Evoenergy identified that it had been providing operational maintenance, inspection, and emergency response services at a limited set of premises in the ACT. Evoenergy self-reported to the AER and is currently seeking a two-year waiver to be exempted from clause 3.1(b) of the Guideline in relation to these services.

Breach of Clause 4.3.1(b) of the Ring-fencing Guideline – Protection of Ring-fenced Information

Evoenergy identified that its IT access controls failed to prevent Evoenergy from keeping ring-fenced information confidential. Certain ring-fenced information, whilst not accessed, was found to be accessible by employees of a Related Electricity Service Provider (RESP) of Evoenergy. Evoenergy self-reported the matter to the AER on 7 August 2023.



Scope

The subject of our reasonable assurance engagement is whether Evoenergy's Statement of Compliance that the entity has complied with the Ring-fencing Guidelines published by the Australian Energy Regulator on 3 November 2021 (with the exception of breaches identified in section 5.4, 5.5 and 5.6 of the Annual Compliance Report) is, in all material respects, fairly presented for the regulatory period ended 31 December 2023. This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd and the AER.

Basis of Conclusion

We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* (ASAE 3100). We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ASAE 3100 we have:

- used our professional judgement to plan our procedures and assess the risk of material misstatements in Evoenergy's Statement of Compliance as evaluated against the Ring-fencing Guidelines;
- considered internal controls implemented to meet the compliance requirements of the Ring-fencing Guidelines; however, we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

Summary of procedures performed, findings and observations

In Appendix A, we provide an overview of the key procedures, observations and findings in relation to each of the Ring-fencing Guideline requirements. This overview is provided at the request of the AER to provide greater transparency over the work we performed. Our conclusion is not modified in this respect.

In Appendix B, we have summarised performance improvement observations. Our conclusion is not modified in respect of these observations.

How we define reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect a material misstatement in Evoenergy's Statement of Compliance when it exists.

Instances of misstatement in Evoenergy's Statement of Compliance are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of Evoenergy's compliance with the requirements of the Ring-fencing Guidelines.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or material misstatement in Evoenergy's Statement of Compliance may occur and not be detected.

A reasonable assurance engagement for the Regulatory period ended 31 December 2023 does not provide assurance on whether compliance with the requirements of the Ring-fencing Guidelines will continue in the future.



Use of this assurance report and matters relating to electronic publication

This report has been prepared for the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd and the AER for the purpose of compliance with the Ring-fencing Guidelines and may not be suitable for another purpose.

We understand that the AER intends to publicly release our assurance report via its website. The AER is responsible for the integrity of AER's website where our report is presented alongside the Annual Compliance Report. We have not been engaged to report on the integrity of the AER's website. This report refers only to the Statement of Compliance and does not provide an opinion on any other information which may have been hyperlinked to/from the Annual Compliance Report. If users of the Annual Compliance Report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the Annual Compliance Report to confirm the information contained in this website version of the Annual Compliance Report.

We disclaim any assumption of responsibility for any reliance on this report, or the Annual Compliance Report to which it relates to any person other than the Directors of Icon Distribution Investments Ltd and Jemena Networks (ACT) Pty Ltd and the AER, or for any purpose other than for which it was prepared.

Management's responsibility

Management are responsible for:

- the compliance activities undertaken to meet the compliance requirements of the Ring-fencing Guidelines;
- identification of risks that threaten the compliance with the Ring-fencing Guidelines from being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance;
- providing an Annual Compliance Report that includes a Statement of Compliance with respect to the outcome of the evaluation of the compliance activity against the Ring-fencing Guidelines, which accompanies this Independent Assurance Report; and
- identification of the Ring-fencing compliance requirements if not identified by law and regulation.

Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to Evoenergy's Statement of Compliance with the Ring-fencing Guidelines, for the regulatory period ended 31 December 2023, and to issue an assurance report that includes our conclusion.

Our independence and quality control

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants (including Independence Standards) issued by the Australian Professional and Ethical Standards Board and complied with the applicable requirements of Australian Standard on Quality Management 1 to design, implement and operate a system of quality management.

KPMG

24 April 2024



Appendix A – Summary of procedures performed, observations and findings

In this section, we present an overview of key procedures performed, observations and findings as part of our reasonable assurance engagement in respect of Evoenergy’s compliance activities with the relevant requirements of the Ring-fencing Guideline for the regulatory period 1 January 2023 to 31 December 2023.

This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our conclusion reported in the Independent Reasonable Assurance Report.

We performed the following general procedures to assess Evoenergy’s overall compliance with the Guideline:

- Read the Ring-fencing Annual Compliance Statement to confirm that Evoenergy’s overall compliance measures and internal controls for Ring-fencing had been documented for the purposes of this assessment;
- Conducted inquiries to obtain an understanding of changes to the regulatory business activities and related compliance management approach;
- Inspected supporting evidence which included policies, procedures and practices undertaken to embed Ring-fencing compliance measures during the regulatory period; and
- Performed sample testing (where considered appropriate) to test effectiveness of the compliance measures for the regulatory period.



The following table provides a summary of procedures, observations and findings for each Ring-fencing guideline requirement:

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<p>3.1 Legal Separation and provision of other services</p>	<ul style="list-style-type: none"> • Organisation Legal Structure • Classification of Services Flowchart • Evoenergy is established as a separate registered Australian business with a distinct ABN. 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We assessed the legal entity status of Evoenergy and its Related Electricity Service Provider (RESP) affiliates, ActewAGL Retail ("AAR"), Ovida Pty Ltd and Smart Renewables Pty Ltd. • During our independent audit in connection with the regulatory information templates of Evoenergy prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 30 June 2023, we tested a sample of Opex and Capex projects undertaken by Evoenergy and assessed the nature of services provided. 	<p>The Evoenergy brand has been established for the DNSP, to provide direct control services. The ActewAGL brand has been established to provide contestable electricity services.</p> <p>We have provided a recommendation to management under appendix B-2 for formalising a policy on identification of RESPs that elaborates on frequency of review, scope of testing and action plan.</p> <p>We performed an ABN search noting that Evoenergy and its RESPs, AAR, Ovida Pty Ltd and Smart Renewables Pty Ltd have separate active ABNs and that businesses are located in the Australian Capital Territory (ACT), and Victoria (VIC), Australia.</p> <p>Breach</p> <p>Clause 3.1(b) prohibits a DNSP from providing 'other services'. Management has self-reported to the AER that Evoenergy has been providing other services to a customer, including operational maintenance, inspection and emergency responses to a limited set of premises in the ACT.</p> <p>We understand that the AER acknowledged that this is a breach of obligation under clause 3.1(b) of the Guideline and is currently working with Evoenergy to implement a two year waiver.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<p>3.2.1 Separate Accounts</p> <p>3.2.2 Cost Allocation</p>	<ul style="list-style-type: none"> • Intercompany and Related Party Accounting Policy • Cost Allocation Flowchart • AER decision – ActewAGL Distribution (“AAD”) Cost Allocation Methodology • Preparation and audit of Evoenergy Electricity Distribution Regulatory Information Notices (RINs) • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately addressed ring-fencing requirements. • KPMG are the independent auditors in connection with Evoenergy’s Electricity Distribution RINs prepared for the regulatory year ended 30 June 2023. • We considered the appropriateness of Evoenergy’s approved Cost Allocation Methodology (CAM) as part of the RIN audit engagement for the 12-month period ending 30 June 2023. • We made inquiries of management, performed a walkthrough and tested a sample of cost allocation drivers to assess whether the drivers were being calculated consistent with the Evoenergy AER-approved CAM for the financial period commencing 1 July 2023 to 31 December 2023. 	<p>On 30 October 2023, we issued unqualified audit reports (reasonable and limited assurance scopes) for the 12-month period ended 30 June 2023, in connection with our audits of the Evoenergy Electricity Distribution RINs.</p> <p>Based on our inquiries of management and walkthrough performed no changes to the CAM post 30 June 2023 were identified.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.1 Obligation to not discriminate	<ul style="list-style-type: none"> • Procurement Guidelines • Obligation not to Discriminate Flowchart • Ring-fencing Fact Sheet • Ring-fencing Staff Information Manual • Annual compliance training 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the ring-fencing online training module provided to staff within AAD and AAR to ascertain whether it accurately described Evoenergy’s ring-fencing obligations, including the obligation not to discriminate. • We inspected training completion records for the period from 1 January 2023 to 31 December 2023 to ascertain the completion rate of ring-fencing training in the regulatory period. 	<p>Annual Compliance Training</p> <p>Our inspection and testing of training completion records showed that annual ring-fencing training module was conducted to AAR and AAD employees. KPMG noted that the completion rate for trainings was 91% had not reached full 100%. In some but not all cases, valid reasons were identified for non-completion, such as employees being on long-service leave . We have raised a related performance improvement point in Appendix B-3 in relation to having a formal framework for monitoring training completion which sets out follow-up action points for non-completion of training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.1 Physical Separation	<ul style="list-style-type: none"> • Security Pass and ID Card Procedure • Physical Separation and Staff Sharing Flowchart • Office and Staff register • Ring-fencing Staff Information Manual • Annual compliance training • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the population of access permissions to Evoenergy’s ring-fenced offices (Fyshwick Building D and Greenway) throughout the regulatory period to assess whether any RESP staff had access to the ring-fenced offices. • We inspected the staff register to determine the positions that were shared across entities. 	<p>Physical separation</p> <p>We noted the office register was appropriately updated. Kindly refer to recommendation made in appendix B-5 for to monitor and review the process for providing and revoking access to office for staff in acting-up roles.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Evoenergy’s obligations in ensuring physical separation between itself and RESP staff. Refer to section 4.1 above for procedures performed, observations and findings on the annual compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.2 Staff sharing	<ul style="list-style-type: none"> • Staff Register • Physical Separation and Staff Sharing Flowchart • Ring-fencing Staff Information Manual • Personal Performance Development Plans • Annual Compliance Training • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We considered the appropriateness of staff roles and responsibilities, in line with our understanding of the business structure, that ensure compliance with staff sharing restrictions as per the Ring-fencing guidelines. • We tested a sample of Evoenergy Personal Performance Development Plans to assess whether the bonus criteria created an incentive for staff to contravene ring-fencing obligations. • We made inquiries with the Regulatory team and People and Legal team to obtain an understanding of the staff sharing and secondment process and determine whether there were any staff transfers or secondments between Evoenergy and its RESPs during the regulatory period. 	<p>Staff incentive plans</p> <p>We reviewed a sample of Evoenergy staff's personal performance and development plan and did not identify any metrics where Evoenergy staff had incentive to contravene the guidelines.</p> <p>Secondments</p> <p>We noted a secondment that took place from an RESP staff to the DNSP. Based on the procedures performed, we did not note any exceptions where such seconded staff was involved in the provision or marketing of direct control services and contestable electricity services at the same time. Evoenergy followed its processes to ensure necessary physical and IT access were disabled from Retail before the secondment to DNSP.</p> <p>We noted Evoenergy has a quarterly control to check on staff transfers and secondments with the People and Legal team. Management was unable to provide evidence of the control being effective for all quarters. We have made a recommendation to management in this regard. Refer to Appendix B-1.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing module adequately explained Evoenergy's obligations regarding staff sharing between Evoenergy and its RESPs.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.3 Branding and Cross Promotion	<ul style="list-style-type: none"> • Branding and Cross Promotion Flowchart • Organisation legal structure • Ring-fencing Staff Information Manual • Annual Compliance Training • Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We accessed the websites of Evoenergy and its RESPs to determine if there were any instances of cross-advertisement or cross-promotion. • We made inquiries with management regarding the functional separation of the AAD and AAR marketing teams. 	<p>Brand separation</p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Evoenergy and the RESPs.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing module adequately explained Evoenergy’s obligations regarding branding and cross promotion.</p> <p>Refer to section 4.1 above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.4 Office and staff registers	<ul style="list-style-type: none"> Staff register Office register Annual compliance training ARIA Compliance and Risk Management Database 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We obtained a copy of the staff register published on Evoenergy’s website and inspected the register to check it contained the nature of the staff position , the description of their role, functions and duties and the applicable exemptions under the Ring-fencing Guidelines. We further checked for accuracy of information mentioned in the staff register. We obtained a copy of the office register published on Evoenergy’s website and checked whether the register was prepared accurately and updated appropriately based on our inquiries with management and physical separation testing. We checked a sample of access reports to Velocity and Oracle as well as a sample of physical access to ring-fenced offices to ensure there were no RESP staff having access to Evoenergy information or Evoenergy ring-fenced offices. We assessed Evoenergy’s process for reviewing and updating the staff register. 	<p>Staff register</p> <p>No issues were noted with respect to our testing of shared role descriptions in the published staff and office register.</p> <p>We noted Evoenergy has a quarterly control to check on staff transfers and secondments with the People and Legal team as part of periodic checks on staff register. Management was unable to provide evidence of the control being effective for all quarters. We have made a recommendation to management in this regard. Refer to Appendix B-1.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.3 Information access and disclosure	<ul style="list-style-type: none"> Confidential Information Flowchart Information Sharing Procedure Information Sharing Protocol Information Register Information Request form Register Inclusion Form Listed Legal Entities Disclosing confidential information Fact Sheet Ring-fencing Staff Information Manual Annual Compliance training Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We assessed Evoenergy's overall approach to restricting access to ring-fenced information by making inquiries with the Regulatory Compliance team. We inspected annual access permission reports for Velocity and Oracle system to assess whether RESP staff had access to ring-fenced information throughout the regulatory period. We obtained an understanding of management's periodic reviews of compliance with Ring-fencing Guideline in relation to staff access permissions to the Velocity and Oracle system. We inspected the Information Register on Evoenergy's website and performed inquiries to understand the process for updating the Information register. 	<p>Oracle and Velocity Access</p> <p>From our testing of access permissions, we did not note any instances of RESP staff having access to Evoenergy Velocity and Oracle systems.</p> <p>We observed that management's quarterly review of Velocity and Oracle access permissions is in place throughout the regulatory period.</p> <p>Information Register</p> <p>There was one request made from RESP to access ring-fenced information during the regulatory period. The information had been shared with other legal entity for research purpose (which is permissible under clause 4.3.2(f) of the Guideline). Under clause 4.3.3(a) of the Guideline, this is not a breach of obligation as the information has been disclosed to other legal entities and the information request has been made available in Evoenergy's register on its website.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Evoenergy's obligations in protecting confidential electricity information. Refer to section 4.1b above for procedures performed, observations and findings on the annual compliance training.</p> <p>Breach</p> <p>We noted that certain ring-fenced information was accessible by a RESP of Evoenergy due to deficiency in IT access controls. Evoenergy undertook a full access log review and confirmed to AER that no access from the RESP was found. Nevertheless, this is a breach of clause 4.3.1(a) in the Guideline as Evoenergy had failed to keep ring-fenced information confidential.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.4.1 Service providers conduct	<ul style="list-style-type: none"> Conduct of Service Providers Flowchart Ring-fencing Fact Sheet Procurement Guidelines Corporate Ring-fencing Guide 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We tested a sample of contracts Evoenergy entered into with service providers during the regulatory period to assess whether ring-fencing clauses were included within the contracts. 	<p>Contract with service providers</p> <p>From our testing of contracts with service providers, we noted ring-fencing clauses were included in contracts that Evoenergy entered into with its external service provider during the regulatory period.</p> <p>We have provided management a recommendation under Appendix B-4 for updating its policy and procedures for more clarity around provision of services and provision of goods.</p>
5 Waivers			
5.7 Waiver	<ul style="list-style-type: none"> Waiver Register Ring-fencing Staff Information Manual ARIA Compliance and Risk Management Database 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. We considered the completeness of Evoenergy's unregulated activities for which waivers are required based on our knowledge obtained as part of our audit of the regulatory reporting templates (RINs) and through inquiries with management. We accessed Evoenergy's website to sight whether the waiver register was published. 	<p>We observed that the current waiver register was published on Evoenergy's website.</p> <p>We noted that two waivers were in place in relation to clause 3.1(b) to allow Evoenergy to own and operate its:</p> <ul style="list-style-type: none"> natural gas distribution pipelines located in ACT and the Queanbeyan-Palerang council area in ACT; and natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area in the NSW south coast.

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
6 Compliance and Enforcement			
6 Compliance	<ul style="list-style-type: none"> • ARIA Compliance and Risk Management Database • Compliance Management Manual • Incident Management Manual • SAPS Register 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements. • We inspected the internal documents relating to Evoenergy's compliance with the Ring-fencing Guideline, including Evoenergy's Annual Compliance Report, and considered it as part of preparing this independent assurance report. • We considered the adequacy of Evoenergy's breach management and reporting policies and procedures. • We tested a sample of inquiries from Evoenergy's ring-fencing inquiries register to assess whether ring-fencing matters were appropriately addressed. • We accessed Evoenergy's website to sight whether the SAPS register was published. • We inquired on the policy and procedures in place for maintaining and updating the SAPS register. • We performed inquiries to assess completeness and accuracy of information in the SAPS register. 	<p>Monitoring Compliance</p> <p>We inspected internal correspondence and noted that Evoenergy had addressed matters raised via the ring-fencing mailbox in a timely manner.</p> <p>One out of the ten inquiries tested were not appropriately addressed in line with the ring-fencing guidelines, which we had reported as a breach in relation to clause 4.3.1(b).</p> <p>We have made a recommendation to management in appendix B-3 regarding annual compliance training to enhance Evoenergy's awareness and understanding of ring-fencing guideline.</p> <p>We have also made a recommendation to management in appendix B-6 on enhancing documentation of breach assessments.</p> <p>SAPS Register (Breach)</p> <p>We inspected the SAPS register published on Evoenergy's website every quarter throughout the regulatory period and noted that the register published for quarter 1 (January – March 2023) was not accurate. Based on our inquiries, management have identified the number of premises and annual consumption data mentioned in the regulated SAPS register published on Evoenergy's website was incorrect.</p> <p>We noted the SAPS register published at the remaining required intervals throughout the regulatory period was updated correctly after the management updated its process of reviewing data to validate the accuracy and ensuring updated information is included in the SAPS register.</p>



Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to Evoenergy’s compliance activities for the regulatory period 1 January 2023 to 31 December 2023 (RY2023). We have also mentioned matters from RY2022 where performance improvement observations still remain in RY2023. All other matters from RY 2022 were resolved by management.

The above information has been provided at the request of the AER. This information should not be construed as providing an opinion or conclusion on the separate compliance activities noted, nor that the aggregation thereof modifies our opinion or conclusion reported in the Independent Reasonable Assurance Report.

S. No	RY2022 Recommendation	Management’s Responses	RY2023 Update/Follow-up	RY2023 Management’s Responses
B-1	<p>Maintenance of Staff Register</p> <p>The staff register is generally updated following an inquiry or notification of staff movements made to the Regulatory team.</p> <p>We recommend management formalise the review of staff movements through ARIA and articulate responsible owners, scope of testing, due dates and frequency (including incorporating this control as part of a formalised compliance testing plan). This will assist management in ensuring that compliance is monitored on a timely basis, as well as providing evidence of compliance in future periods.</p> <p>Management have advised they implemented action items within ARIA post the regulatory period which includes reporting on staff movements within the business on a quarterly basis.</p>	<p>Management acknowledges the recommendation. Following completion of the audit, Management have implemented controls to monitor compliance with ringfencing guideline 4.2.4.</p>	<p>We acknowledge an action plan has been set up in ARIA for periodic checks with responsible parties to generate a report which identified intra/intercompany transfers or promotions between Evoenergy and RESPs. However we did not see evidence of periodic checks for the period from April to December 2023.</p> <p>We recommend management to articulate the frequency, scope of testing, action plan and stipulated timelines with responsible owner for review of staff movement.</p>	<p>Management have designed and implemented additional controls within existing compliance management systems to monitor continued compliance with ringfencing guideline 4.2.4.</p>

S. No	RY2022 Recommendation	Management's Responses	RY2023 Update/Follow-up	RY2023 Management's Responses
B-2	<p>Identification of Related Electricity Service Providers</p> <p>We recommend that management develop a procedure which describes the process for ensuring timely identification of RESPs, including identification of RESPs of Evoenergy, the ring-fencing obligations relevant to each RESP and the controls in place to ensure compliance in relation to RESPs.</p>	<p>Management acknowledges the recommendation for the regular assessment of RESP obligations with an action to develop and implement a procedure by 30 September 2022. This is to be assigned, coordinated, and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p>	<p>We noted that Evoenergy had set up an action plan within ARIA for timely identification of RESPs. However, we did not see evidence of periodic checks throughout the regulatory period.</p> <p>We recommend management to articulate the frequency, scope of testing, action plan and stipulated timelines with responsible owner for identification of RESPs.</p>	<p>Management will review the action plan to ensure compliance with the ringfencing guideline.</p>
B-3	<p>Annual Compliance Training</p> <p>We note that Evoenergy conducted mandatory Annual Compliance Training on Ring-fencing Guidelines in March 2022 (RY22) and May 2023 (RY23).</p> <p>We recommend management implement and action a policy surrounding employees who were unable to complete such training. We further recommend management to implement a mechanism in place to monitor, follow-up and potential disciplinary actions for non-compliance with ring-fencing training.</p>	<p>Management will implement improved training processes.</p>	<p>We noted that Evoenergy has not implemented an improved training process in RY23. This has resulted in only 91% completion rate in ring-fencing training. We noted some valid reasons such as extended service leave. There was no explanation available for other employees who did not complete training and we observed a lack of broader monitoring and enforcement action to ensure completion of the annual ring-fencing training module.</p> <p>We recommend management to put in place a policy or mechanism to monitor the completion of ring-fencing training across Evoenergy and set out follow-up action points for employees who do not complete trainings with potential disciplinary actions for non-completion on ring-fencing training.</p>	<p>Management will review the control within the existing system to improve completion rates of annual ringfencing training in line with the AAD policy.</p>

S. No	RY2022 Recommendation	Management's Responses	RY2023 Update/Follow-up	RY2023 Management's Responses
B-4	<p>Ring-fencing Compliance Documents</p> <p>Evoenergy has put a Compliance Manual in place with effect from November 2022. The next review for the Compliance Manual has been set out for November 2024. From our inspection of ring-fencing compliance documents, we noted the group structure within Ring-fencing Staff Information Manual was not updated when compared to the group structure provided by the legal team.</p> <p>RY2022 Recommendation</p> <p>We recommend that management review and update compliance documents on more regular basis and implement a mechanism for periodic checks with other source information across the organisation.</p>	<p>Management acknowledge the recommendation and will implement by 30 June 2023</p>	<p>We recommend management consider whether updates to policies and procedures on external service providers are required to provide more clarity on how Evoenergy differentiates between provision of services and provision of goods for its existing contracts with external service providers and whether such service arrangements are in relation to direct control services.</p>	<p>Management sought guidance from the AER on the ESRI contractual agreement on 10 October 2023.</p> <p>AAD's view on the ESRI contract is consistent with previous advice from the AER dated 20 July 2021 that a 'standard form software license' does not give rise to a breach of clause 4.4.1 of the Guideline.</p>

S. No	RY2023 Recommendation	Management's Responses
B-5	<p>Periodic review of Physical access controls</p> <p>We noted certain staff were requested to step up in acting-officer roles for a limited period during the reporting year. As a result, such staff were provided with necessary physical access to additional building. Evoenergy were unable to provide evidence that this access was revoked once the staff member returned to their original designation.</p> <p>Whilst in this instance the access provided to the acting office was not in contravention of the guideline, we recommend management formalise a control to monitor and review the process for providing and revoking of physical access for staff in acting-roles in order to ensure compliance with physical separation clauses of the Guidelines.</p>	<p>Management has designed and implemented additional controls within existing systems to monitor continued compliance with ringfencing guideline 4.2.1.</p>
B-6	<p>Breach identification and assessment process</p> <p>Management were able to provide evidence that they reviewed all potential breaches identified during the reporting year. However, we recommend management enhance their process to undertake a timely and more comprehensive, documented breach assessment for all matters identified. This would include a robust analysis demonstrating consideration of the matter against specific clauses in the Guideline, a root cause analysis, and consideration of any pervasive impacts or identification of similar risks to achieving compliance.</p>	<p>Management agrees with the finding.</p>