



Independent Reasonable Assurance Report

To the Directors of Jemena Electricity Networks (Vic) Ltd

Conclusion

In our opinion, Jemena Electricity Networks (Vic) Ltd's (JEN) Statement of Compliance that the entity has, with the exception of breaches identified and reported to the Australian Energy Regulator (AER), complied with the Ring-fencing Guidelines published by the AER on 17 October 2017 is, in all material respects, fairly presented for the regulatory year ended 31 December 2020.

Emphasis of Matter – Breaches of Ring-fencing guideline

Without qualifying our conclusion, we draw attention to section 2.4 of JEN's Electricity Ring-fencing Annual Compliance Report ("Annual Compliance Report"), which describes the breaches identified in the regulatory year ended 31 December 2020.

Breach of Clause 4.2.1 of the Ring-fencing Guideline – Physical Separation

The Ring-fencing Guideline requires certain staff providing direct control services to use offices that are separate to offices from which a Related Electricity Service Provider (RESP) provides contestable electricity services. To meet this obligation, JEN has implemented physical separation controls including locations secured by access cards for these staff. JEN identified and notified the AER that one employee classified in a 'RESP role' had access to JEN secure locations for one day. The RESP employee's building access pass was remediated in May 2020, however the employee was requested to work remotely from the day the breach was identified due to COVID-19 workplace restrictions.

Breach of Clause 4.2.1 of the Ring-fencing Guideline – Physical Separation

The Ring-fencing Guideline requires certain staff providing direct control services to use offices that are separate to offices from which a RESP provides contestable electricity services. JEN identified and notified the AER that one employee classified as JEN-designated had not been situated within secured locations for a period of three weeks.

Breach of Clause 4.2.3 of the Ring-fencing Guideline – Branding and Cross-Promotion

The Ring-fencing guideline requires that a distributor must not advertise or promote its direct control services and its contestable electricity services together, including by way of cross-promotion. JEN identified and notified the AER that an employee had forwarded a RESP promotion to an external party via their Jemena email account, resulting in cross-promotion.

Information subject to Assurance

The information subject to assurance is JEN's Statement of Compliance for the regulatory year ended 31 December 2020, as set out in section 1 of JEN's Annual Compliance Report prepared in accordance with the Ring-fencing Guidelines published by the AER on 17 October 2017 (Statement of Compliance).

Scope

The subject of our reasonable assurance engagement is whether JEN's Statement of Compliance that the entity has, with the exception of breaches identified and reported to the AER, complied with the Ring-fencing Guidelines published by the Australian Energy Regulator on 17 October 2017



is, in all material respects, fairly presented for the regulatory year ended 31 December 2020. This Statement of Compliance accompanies our report, for the purpose of reporting to the Directors of JEN and the AER.

Basis for 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 JEN's Statement of Compliance;
- 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 JEN's Statement of Compliance when it exists.
- Instances of misstatement in JEN'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 JEN'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 JEN's Statement of Compliance may occur and not be detected.
- A reasonable assurance engagement for the regulatory year ended 31 December 2020 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 JEN 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 JEN and the AER, or for any purpose other than for which it was prepared.

Management's responsibility

Management is responsible for:

- the compliance activities including identifying, designing and implementing controls to meet the requirements of the Ring-fencing Guidelines;
- identification of risks that threaten the compliance with the Ring-fencing Guidelines from being met;
- monitoring ongoing compliance; and
- preparing an Annual Compliance Report and providing 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.

Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to JEN's Statement of Compliance with the Ring-fencing Guidelines, for the year ended 31 December 2020 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 issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

KPMG

Vicky Carlson
Partner
Melbourne
28 April 2021



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 JEN’s compliance activities with the relevant requirements of the Ring-fencing Guideline for the regulatory year ended 31 December 2020.

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 JEN’s overall compliance with the Guideline:

1. We obtained JEN’s Electricity Ring-fencing Compliance Manual (Compliance Manual) and performed the following:
 - Reviewed changes to the Compliance Manual made by management during the 2020 regulatory year; and
 - updated our initial assessment on whether the Compliance Manual adequately addressed the requirements of the Guideline.
2. We considered whether certain pre-existing systems, policies and procedures within the SGSPAA business had been appropriately updated to reflect obligations arising from the Ring-fencing Guideline, and where relevant, improvement actions implemented by management during the current regulatory year. This included sighting the policies as well as considering information we had reviewed as part of our audit procedures in connection with the financial and regulatory audits of SGSPAA and JEN. The systems, policies and procedures considered included:
 - Jemena Code of Conduct
 - Contracting and Procurement Entity Procedure
 - Fleet Asset Class Strategy
 - Procurement Policy
 - JEN’s Compliance and Risk System (JCARS)
 - Organisation Framework Design document
 - Secondment Guideline
 - Asset Management Strategy
 - Accountability model
3. We reviewed minutes of board meetings of SGSPAA and its committees and made inquiries of management to inform our understanding of management’s approach to Ring-fencing compliance and to identify Related Electricity Service Provider’s (“RESP”) related transactions and risks of non-compliance with the Ring-fencing guideline.



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
3 Prevention of cross subsidies			
3.1a Legal Separation	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Organisation Framework Design and associated assessment templates Contracting and Procurement Entity Procedure JEN 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 and to assess the design and implementation of processes and controls in place to facilitate compliance. We assessed the legal entity status of JEN and its RESP affiliate (Ovida). During our independent audit in connection with the regulatory information templates of JEN prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 31 December 2020, we tested a sample of Opex and Capex projects undertaken by JEN in 2020 and assessed the nature of services provided. 	<p>The Ovida brand has been established as the brand of JEN's RESP. Separate entities within the broader SGSPAA group structure are established for JEN to provide regulated electricity distribution services and Ovida Pty Ltd (Ovida) for contestable electricity services.</p> <p>We performed an ABN search noting that JEN is an Australian Company located in Victoria, Australia.</p> <p>We performed an ABN search noting that Ovida is an Australian Company located in Victoria, Australia.</p> <p>From our testing of the samples selected for Opex and Capex projects, we did not identify any evidence of JEN providing "other services" which are restricted in the guideline.</p>
3 Prevention of cross subsidies			
3.2.1 Separate Accounts 3.2.2 Cost Allocation	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Contracting and Procurement Entity Procedure Time writing business rules and activity list codes Transaction Report Financial statement preparation and audit Asset Management 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We obtained a copy of the transaction reports (a listing of all transactions from the Enterprise Resource Planning (SAP) System) between JEN and affiliated entities for the regulatory year ended 31 December 2020 and performed the following: <ul style="list-style-type: none"> agreed total transaction values and outstanding balances at year-end per entity to JEN's audited trial balance as at and for the 12 months ended 31 December 2020; and compared the description of the transactions against the 	<p>In 2021, we issued unqualified audit reports (reasonable assurance) for the year ended 31 December 2020 in connection with financial statement audits of:</p> <ul style="list-style-type: none"> SGSPAA group – audit report issued on 25 March 2021 JEN – audit report issued on 28 April 2021 <p>On 28 April 2021, we issued unqualified audit reports (reasonable and limited assurance scopes) for the year ended 31 December 2020 in connection with the regulatory templates required under Regulatory</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<p>Strategy</p> <ul style="list-style-type: none"> Financial statement preparation and audit 	<p>respective trial balance accounts for accuracy and based on our knowledge of the entities and the nature of the services they provide.</p> <ul style="list-style-type: none"> We obtained an understanding of the improvement activity implemented by management in 2020 as stated within table B1-1 of the Compliance Report in relation to the review of Zinfra proposals for the provision of contestable electricity services. KPMG are the independent auditors in connection with the financial statement audits of both the SGSPAA Group and JEN as well as the regulatory information templates of JEN prepared under the AER's Regulatory Information Notices (RINs) for the regulatory year ended 31 December 2020. <p>We considered the appropriateness of the SGSPAA Cost Allocation Methodology and JEN AER Approved CAM (CAMs) as part of these audit engagements. Our procedures included performing control and substantive based procedures including:</p> <ul style="list-style-type: none"> walkthroughs and testing key controls for processes and activities related to cost allocation in accordance with both the SGSPAA and JEN CAMs such as cost capture and allocation principles, time writing to projects and activities, creation of purchase orders, invoice processing and payments; comparing cost and project allocation mapping used by JEN for cost allocation to AER definitions provided in the RIN; Testing general IT controls over the SGSPAA SAP ERP system, as well as IT automated controls for processes related to access restrictions to create / edit project codes; and For a sample of costs incurred, agreeing to supporting documentation and invoices. 	<p>Information Notices issued by the AER to JEN.</p> <p>Zinfra affiliate RESP status</p> <p>As part of our procedures undertaken to understand the improvement activity implemented during the period, we sighted internal correspondence evidencing that Zinfra's Commercial Review Manager had been made aware of criteria to consider when determining whether Zinfra proposals involved the provision of contestable electricity services. However, we continue to recommend certain enhancements in relation to updating management's policies and procedures in this regard. Refer to Appendix B for recommendations raised.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.1b Obligation to not discriminate	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Asset Management Strategy Non-discrimination Principles Procurement Policy 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 and to assess the design and implementation of processes and controls in place to facilitate compliance. We obtained an understanding of the improvement activities implemented by management in 2020 related to Annual Compliance training as stated within table B1-1 of the Compliance Report. <ul style="list-style-type: none"> We viewed the three online training modules/videos for all staff, RESP staff and JEN-designated staff, respectively, to ascertain whether it accurately described JEN’s Ring-fencing obligations with respect to non-discrimination. We inspected training completion records for the period from 1 January to 31 December 2020 in order to ascertain the completion rate of ring-fencing training in 2020. We sighted evidence of interactions between the Regulatory Compliance team and various departments within Jemena regarding ring-fencing compliance matters. 	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra. This was formally accepted by Zinfra in January 2020.</p> <p>Annual Compliance Training</p> <p>In prior periods, completion of an online training module was required by all Jemena Group employees (which includes all JEN personnel and others in the SGSPAA group that operated under the Jemena brand name). The improvement activities implemented during the period resulted in certain teams within the Zinfra Group, namely the Power Services and Projects and Constructions teams, being required to complete an online training module.</p> <p>Our inspection and testing of training completion records showed that:</p> <ul style="list-style-type: none"> management identified approximately 1,460 staff within the SGSPAA Group (Jemena and Zinfra employees) as being required to undertake ring-fencing training; 1,258 of those staff completed the relevant ring-fencing training representing an 86% completion rate. Field crew within the Zinfra Projects & Constructions team, whilst identified as requiring training, had not received this training during the period due to social distancing restrictions preventing face to face training and these personnel not having access to a work laptop to perform the training. <p>We have made some recommendations for management to enhance the policies and procedures related to the training program. Refer to Appendix B for recommendations.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
4 Functional Separation			
4.2.1a Physical Separation	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Annual Compliance Training Physical separation 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We obtained an understanding of the bi-annual physical access improvement activities implemented by management in 2020, as stated within table B1-1 of the Compliance Report. As outlined in section 2.4 of JEN's Annual Compliance Report, management identified and reported two non-material breaches with respect to clause 4.2.1(a) Physical Separation. Accordingly, we made inquiries of management and obtained evidence as to whether the current year breaches were appropriately remediated We tested all new starters (including internal transfers) in Ovida, to assess whether their transfers were appropriately approved, and the date which staff had their access restricted to JEN designated areas. We tested a sample of service requests raised in relation to RESP staff throughout the year and assessed: <ul style="list-style-type: none"> whether they were approved by appropriate personnel; that the nature of the service request was not contradictory to the guideline obligations; and the appropriateness of any change of access requests. We inquired of management regarding the new digital solution being implemented to enhance physical and IT access controls. Management advised the solution was in-flight as at 31 December 2020 and was subsequently implemented in February 2021. As the implementation of 	Physical separation <ul style="list-style-type: none"> Management were unable to provide evidence of the physical access reviews performed in both May and September 2020 and we were therefore unable to test the effectiveness of the reviews. We have made a recommendation to management regarding this (Refer to Appendix B). Under the current process, RESP new starters are required to be manually tagged as 'Ring-fenced' by their line managers in a form which is then sent to IT and Facilities management to restrict their access to JEN designated areas and information systems. The manual nature of this control means it is subject to human error, which was identified by management as the root-cause of the breach identified in the year. We have made a recommendation to management regarding this (refer to Appendix B). We noted that in respect of the physical access breach identified in March 2020, the RESP employee's building access pass was remediated in May 2020, however the employee was requested to work remotely from the day the breach was identified due to COVID-19 workplace restrictions. In relation to this, we note the following: <ul style="list-style-type: none"> Internal correspondence and IT requests indicated that the RESP employee's building pass had been programmed to restrict access to secured areas in May 2020; Management advised that the RESP employee was directed by their EGM to work from home on their commencement day at Jemena in March



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<p>the digital solution falls outside of the compliance period, it has not been subject to testing by us.</p>	<p>2020. This was consistent with our understanding of SGSPAA’s group policy during the period as a result of COVID-19 restrictions; and</p> <ul style="list-style-type: none"> Based on review of email correspondence between Jemena and the external facilities vendor, there were no digital records of the employee’s building pass being used during the breach period. <p>Based on our testing performed over RESP new starters, IT requests raised to the facilities team, and approvals of internal transfers and IT requests raised by RESP staff, no other exceptions were identified.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations in ensuring physical separation between JEN-designated staff and RESP staff. Refer to section 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>
4 Functional Separation			
<p>4.2.2a Staff sharing</p>	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Annual Compliance Training Organisation Framework Design and associated assessment templates Secondment Guideline 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We also considered the appropriateness of staff roles and responsibilities that ensure compliance with staff sharing restrictions as per the Ring- fencing guidelines. 	<p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Jemena’s obligations regarding staff sharing between JEN and Ovida.</p> <p>Refer to section 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> • Non-discrimination Principles • Accountability Model and End to End Processes • Corporate Incentive plans 	<ul style="list-style-type: none"> • We assessed whether incentive plans applicable to JEN staff created an incentive to contravene the obligations of the Guidelines by: <ul style="list-style-type: none"> • reading the terms of incentive plans; • analysing management’s interpretation of the guideline requirements and criteria used to assess whether the incentive plans would directly incentivise JEN staff to contravene the guidelines; and • understanding and assessing management’s control activities to review the incentive plan. • We enquired with management to obtain an understanding of the digital workflows improvement activity implemented in May 2020 to facilitate internal staff transfers between Zinfra, Jemena and Ovida, and tested a sample of transfers to check whether they were approved by the Compliance team. 	
4 Functional Separation			
4.2.3 Branding and Cross Promotion	<ul style="list-style-type: none"> • Electricity Ring Fencing Compliance Manual • Jemena Code of Conduct • Annual Compliance Training • Fleet Asset Class Strategy • Asset Management Strategy • Checklist for publishing content on internet and intranet 	<ul style="list-style-type: none"> • We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. • We assessed JEN’s branding and promotion protocols to determine whether they were in compliance with the Ring-fencing Guideline including: <ul style="list-style-type: none"> • Accessing JEN’s and Ovida’s websites to identify any cross advertisement; and • Considering whether during the course of our financial statement and regulatory audits of the SGSPAA group 	<p>Brand separation</p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Jemena and Ovida. Management advised that there are no dual branded vehicles or offices and Ovida does not utilise a fleet.</p> <p>Through the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we did not identify instances of cross-branding or promotion, e.g. on invoices sampled as part of our testing, emails correspondence received, contracts inspected.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
	<ul style="list-style-type: none"> Brand separation 	<p>and JEN, whether we had identified any cross advertisement or promotion.</p> <ul style="list-style-type: none"> As outlined in section 2.4 of JEN's Annual Compliance report, a non-material breach of co-branding requirements was identified by JEN and reported to the AER in February 2020, when an employee emailed an Ovida promotion to a potential Ovida client party using their Jemena email account. In respect of this breach we made inquiries of management to understand the root cause of the breach and whether the current year breaches were appropriately remediated. 	<p>Cross promotion breach</p> <p>Management advised that digital controls which prohibit the forwarding of emails in relation to promotions run by the RESP, Ovida, were considered as a means to prevent future breaches of the same nature as which occurred in February 2020. Management determined implementation of such controls would not be required until Ovida run further promotions of this nature, noting no such plans in the foreseeable future.</p> <p>Training is considered the key control to prevent cross-branding and cross-promotion breaches. We have assessed annual compliance training and noted that the training adequately explained Jemena's obligations with regards to cross-branding and cross-promotion between JEN and Ovida. Refer to section 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>
4 Functional Separation			
<p>4.2.4 Office and staff registers</p>	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Staff register Office 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, and to assess the design and implementation of processes and controls in place to facilitate compliance. We obtained copies of the staff register that were effective during the year-ended 31 December 2020 and enquired with management and assessed the changes made to the shared roles disclosed in the staff register during 2020 (as stated in Table B1-1 of JEN's compliance report). We assessed JEN's process for reviewing and updating the staff sharing register and obtained an understanding of the improvement activities implemented by management 	<p>Staff register</p> <p>In relation to the improvement activity implemented in 2020 to monitor organisational structure changes, we noted the following:</p> <ul style="list-style-type: none"> HR had performed an assessment three times during 2020, as to whether organisational restructures had taken place or were expected to take place, which could have implications on the staff sharing register; As a result of these reviews, updates were made to the staff register in February 2020 and May 2020. No organisational role changes had been identified by HR since the staff register was last published in May 2020;



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<p>during 2020 to capture changes in the organisational structure.</p> <ul style="list-style-type: none"> We obtained a copy of the office register from JEN's website and checked that they were prepared accurately based on our knowledge of JEN. We assessed JEN's process for reviewing and updating the office register. 	<ul style="list-style-type: none"> No issues were noted with respect to our sample testing of shared role descriptions in the published staff register; and As stated in table B1-1 of the Compliance report, the above process identified a restructure due to take place in April 2021. We understand based on discussion with management, that the Regulatory Compliance team have worked with HR to ensure that the effective date of the restructure is closely aligned with the timing of when an updated staff register will be published (expected to be May 2021).
4 Functional Separation			
4.3 Information access and disclosure	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Annual Compliance Training Secondment Guideline JEN Electricity Confidential Guideline (combined with the updated Compliance Manual in May 2020) JEN Information Sharing protocol Physical Separation Checklist for publishing content on internet and intranet 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We assessed JEN's overall approach to restricting access to confidential information through: <ul style="list-style-type: none"> making inquiries of management including the Regulatory Compliance Manager; and Testing General IT Controls in place within the SAP system to prevent system access to JEN Confidential Information by RESP staff. We enquired of management and obtained an understanding of the bi-annual information access improvement activities implemented by management in 2020 as stated within table B1-1 of the Compliance Report. We tested all new starters (including internal transfers) in Ovida, to assess whether transfers were approved and whether staff were provided restricted access to SAP and 	<p>ECMS Access review</p> <p>We considered management's bi-annual reviews of RESP staff's ECMS access restrictions to be an appropriately designed control. We were able to test management's bi-annual reviews of RESP staff's ECMS access checks.</p> <p>JEN Information Sharing protocol</p> <p>We observed that there were no information sharing requests in the 2020 regulatory year.</p> <p>Annual Compliance Training</p> <p>We noted that the online ring-fencing modules adequately explained Jemena's obligations in protecting confidential JEN information. Refer to section 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<p>shared directories (ECMS).</p> <ul style="list-style-type: none"> We tested a sample of service requests raised in relation to RESP staff throughout the year and assessed: <ul style="list-style-type: none"> whether they were approved by appropriate personnel; that the nature of the service request was not contradictory to the guideline obligations; and the appropriateness of any change of access requests. We checked that the information sharing register was accessible on JEN's website and that it was consistent with our observations and inquiries. 	
4 Functional Separation			
4.4.1 Service providers conduct	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Procurement policy Non-discrimination principles 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. 	<p>We sighted the Non-discrimination principles implemented by management between Jemena and Zinfra. This was formally accepted by Zinfra in January 2020.</p> <p>Annual Compliance Training</p> <p>Refer to section 4.1b above for procedures performed, observations and findings on the Compliance training.</p>
5 Waivers			
5.7 Waiver	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Waiver 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 and to assess the design and implementation of processes and controls in place to facilitate compliance. We considered the completeness of JEN's unregulated activities for which waivers are required having regard to our knowledge obtained as part of our audit of JEN's financial statements and regulatory reporting templates. 	<p>Waiver's Register</p> <p>We sighted correspondence and noted that Jemena requested an extension to its existing waivers in July 2020 which was subsequently granted by the AER in October 2020. The extension saw the waiver period being extended from 31 December 2020 to 30 June 2021.</p> <p>We accessed the Waiver's Register on Jemena's website and noted that the updated waiver had been published.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<ul style="list-style-type: none"> We accessed JEN's external website and sighted that the waiver register was publicly available. We obtained and inspected copies of waivers applicable operation during the compliance period. The register was then considered as to whether all appropriate detail was included. We obtained an understanding of the improvement activity implemented by management in 2020 to monitor JGN's status as an affiliate as a result of JGN's involvement in the Western Sydney Green Gas Trial (as stated within table B1-1 of the Compliance Report). 	<p>We noted the following with respect to the improvement activity implemented by management to monitor JGN's status as an affiliate:</p> <ul style="list-style-type: none"> The requirement for an annual review of JGN's status as an affiliate was recorded in JCARS and is due to occur on 30 June 2021 by the JGN Project Manager and Regulatory Compliance Manager; and. The JGN project manager had been made aware of the requirement to advise the Regulatory Compliance team of specific scope changes to the gas trial.
6 Compliance and Enforcement			
6 Compliance	<ul style="list-style-type: none"> Electricity Ring Fencing Compliance Manual Jemena Code of Conduct Compliance Reporting (Jemena's Compliance and Risk System) 	<ul style="list-style-type: none"> We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements and to assess the design and implementation of processes and controls in place to facilitate compliance. We obtained and inspected the internal documents relating to JEN's compliance with the Ring-fencing Guideline including JEN's Annual Compliance Report and considered it as part of preparing this independent assurance report. We considered the adequacy of JEN's breach management and reporting policies and procedures. With respect to JGN's involvement in the Western Sydney Green Gas trial, we enquired of management and inspected JCARS to assess whether appropriate mechanisms were in place for Jemena to be able to comply with the AER's request that they be notified of specific scope changes to the trial. During the course of our financial statement and regulatory audits of the SGSPAA group and JEN, we attended all 	<p>Breach reporting</p> <p>There were no material breaches identified and reported to the AER for the year-ended 31 December 2020.</p> <p>There were three non-material breaches of the ring-fencing guidelines identified and reported to the AER in 2020.</p> <p>We inspected internal correspondence and noted that Jemena had addressed matters raised and information requested by the AER in a timely manner.</p> <p>We noted from review of Jemena's Risk and Compliance System (JCARS), that additional obligations and controls were added to the compliance system as part of the compliance testing plan implemented by management in 2020.</p> <p>Refer to section 5.7 above for information on measures implemented by JEN to ensure compliance with the AER's request pertaining to the JGN trial.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		quarterly SGSPAA Audit and Compliance Committee meetings and verified that compliance matters were regularly raised to the attention of the committee and received due consideration including the specific breaches that were identified in relation to the Ring-fencing guidelines.	



Appendix B – Summary of performance improvement observations

In this section, we present additional details on performance improvement observations in relation to JEN’s compliance activities for the regulatory year ended 31 December 2020, as well as improvements implemented during the year which were raised to management in the 2019 Compliance year. This 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	2019 Recommendation	Status as at 31 December 2020	Management’s responses
1	<p>Overall monitoring of compliance</p> <p>Management have undertaken a number of compliance improvement activities during the year and we observed that ad-hoc compliance testing was performed by the Regulatory Compliance Manager. Management has not however as yet prepared an annual compliance testing plan for testing the operating effectiveness of the key controls throughout the year. Implementing such a process 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>Some examples of testing that management could perform include:</p> <ul style="list-style-type: none"> • Testing a sample of RESP staff’s access restrictions during the year; • Testing a sample of IT service requests raised throughout the year to ensure appropriate authorisation procedures were followed; and • Testing a sample of cost allocation amounts during the year, to ensure that the appropriate allocation policies are followed. <p>We recommend management prepare a formal compliance testing plan which will cover the key</p>	<p>Partially Complete</p> <p>KPMG sighted evidence of the operation of the ECMS access reviews however was unable to evidence the physical access reviews.</p> <p>We sighted inclusion of formal compliance testing plan activities in JCARS in relation to RESP access restrictions.</p> <p>We continue to recommend that management review and update their compliance testing plan to ensure key controls, including 2020 improvement activities and the physical and IT access control framework implemented post the compliance period, are being appropriately monitored and tested.</p>	<p>In 2020 management committed to embed an annual compliance testing plan within JCARS. To further complement this, by May 2021 management will finalise a compliance testing plan that sits outside of JCARS, which clearly articulates accountabilities and responsibilities for monitoring key controls.</p> <p>All activities within the compliance testing plan will also be captured in JCARS.</p>

S. No	2019 Recommendation	Status as at 31 December 2020	Management's responses
	controls and ensure requirements of the compliance manual are being monitored on a timely basis.		
2	<p>Zinfra affiliate RESP status</p> <p>While management has implemented controls to monitor Zinfra's activities on an ongoing basis, we recommend management:</p> <ul style="list-style-type: none"> • Explore opportunities to implement an "Early warning control" by training key Zinfra personnel on Ring-fencing requirements in order to identify any potential activities that could impact Zinfra's status; and • Formalise a long-term sustainable policy that clearly articulates the accountabilities and responsibilities of Zinfra's and JEN's management to monitor compliance. 	<p>Partially Complete</p> <p>Management had implemented reviews of Zinfra services being proposed and our audit procedures identified no issues in this respect (see section 3.2.1 above).</p> <p>We continue to recommend that management formalize a policy that clearly articulates the accountabilities and responsibilities of Zinfra's Commercial Review Committee in monitoring the status of Zinfra as an affiliate of JEN. This could include assigning Zinfra with responsibilities to monitor compliance via JCARS.</p>	<p>In 2020 management established a "by exception" approach to testing Zinfra contracts. To further complement this, by May 2021 management will formalise a guideline that clearly articulates the accountabilities and responsibilities for monitoring the status of Zinfra as an affiliate of JEN.</p> <p>In April 2021 management enhanced the requirements in JCARS for monitoring compliance with affiliate testing.</p>
3	<p>Annual Compliance Training</p> <p>Management has advised of changes to the Annual Compliance training approach through introduction of more interactive video based content, supplemented by face to face training for high risk staff. As part of this program we recommend management:</p> <ul style="list-style-type: none"> • Ensure the compliance manual is updated to reflect the new suite of trainings and appropriately describe the type of training required of various employee groups; • Ensure that all SGSPAA staff undergo Ring-fencing training in some form to ensure widespread deployment; • Clearly articulate the accountabilities, responsibilities and monitoring activities to 	<p>Partially Complete</p> <p>Management have updated the compliance manual to reflect the new training suite being delivered to staff, including who is responsible and accountable for delivery of the training.</p> <p>In addition, virtual training sessions were provided to certain staff, however not all staff had access to devices to undertake virtual training (see comments in section 4.1b)</p> <p>We note that not all SGSPAA staff are required to undertake training (refer discussion in section 4.1b).</p> <ul style="list-style-type: none"> • We would suggest management clarify and clearly document the rationale for which teams are required to complete training to ensure consistency across the SGSPAA Group. • We also continue to recommend that management 	<p>By May 2021, management will conduct a training needs assessment against all SGSPAA positions.</p> <p>In April 2021 management enhanced the requirements in JCARS for monitoring training completion.</p>

S. No	2019 Recommendation	Status as at 31 December 2020	Management's responses
	<p>ensure compliance in future compliance periods;</p> <ul style="list-style-type: none"> Continue to re-assess high risk staff who need to complete the face to face training risk of breaches; and Explore opportunities to provide remote training sessions given the social distancing restrictions due to COVID-19. 	<p>formalize the process for monitoring training compliance, including maintaining attendance records and assigning appropriate responsibilities in JCARS.</p>	
<p>4</p>	<p>Physical separation</p> <p>The current process followed by management to restrict access to JEN designated areas for Ovida employees is reliant on manual intervention by the relevant line manager, or detailed oversight by the Regulatory Compliance Manager. We understand that management is exploring opportunities to deploy identity management software to automate the process of physical access restriction rather than relying on manual tagging which will provide a strong control environment. We recommend management ensure that such a system covers new starters, transfers and secondees.</p> <p>While the above represents a long term solution, in the meantime we recommend management:</p> <ul style="list-style-type: none"> reinforce the current process with key personnel in the process to ensure they are aware of their responsibilities; document appropriate procedures which can be followed in the event that staff are on leave or absent; and maintain evidence of reviews undertaken to facilitate monitoring of compliance. This could include evidence of regular review of access 	<p>Partially Complete</p> <p>We acknowledge management have:</p> <ul style="list-style-type: none"> Facilitated ring-fencing training sessions for corporate receptionists in 2021 to reinforce required physical separation processes; and Implemented a digital solution in February 2021 which we understand involves applying a ring-fencing classification to all SGSPAA positions. We will consider these enhancements as part of our testing of the 2021 compliance year. <p>We continue to recommend that management monitor activities until such time that a stable control environment is evident, including:</p> <ul style="list-style-type: none"> Verifying that the external security provider has correctly programmed security passes for the appropriate access restrictions prior to the RESP staff's commencement day at Jemena. This could involve obtaining a system screenshot which indicates that the relevant user code to restrict access was applied to the RESP staff's building pass; and Ensuring that records of the review of physical access checks are maintained. This could include retaining system screenshots which indicate the access restrictions in place for RESP staff as at the date of review. 	<p>In February 2021 management implemented a digital solution which mitigates the reliance on manual tagging of staff requiring physical access restrictions.</p> <p>In April 2021 management enhanced the requirements in JCARS for monitoring compliance with physical separation obligations.</p>

S. No	2019 Recommendation	Status as at 31 December 2020	Management's responses
	<p>reports or evidence of Reconciling HR records to Physical access records on a regular basis.</p>		
<p>5</p>	<p>Staff register</p> <p>We acknowledge that management's process to update the staff register in 2019 spanned a number of months as the SGSPAA OEP was implemented, however we recommend management:</p> <ul style="list-style-type: none"> • Document a policy that clearly articulates the accountabilities and responsibilities of individuals responsible for updating the staff register supplemented by expected timeframes within which such updates should be made; and • Improve transparency by clearly showing on the website as to when the staff register is reviewed and updated. 	<p>Complete</p> <p>KPMG sighted evidence of the operation of these controls during the period with no issues identified.</p>	<p>N/A</p>
<p>6</p>	<p>Information access and disclosure</p> <p>Similar to the current process for physical separation, information access for Ovida new starter's needs to be manually revoked which requires effective implementation by line managers, IT staff and other stakeholders. We understand that management is exploring opportunities to deploy identity management software to automate the process of information access restriction rather than relying on manual tagging which will provide a strong control environment. We support the implementation of an automated solution that removes risk of manual error and covers new starters, transfers and secondees.</p> <p>While the above represents a long term solution, in</p>	<p>Complete</p> <p>KPMG sighted evidence of the operation of these controls during the period with no issues identified.</p>	<p>N/A</p>

S. No	2019 Recommendation	Status as at 31 December 2020	Management's responses
	<p>the meantime we recommend management increase the frequency of ECMS Access and information access review implemented as part of the short-term hypercare measures.</p>		
7	<p>Service providers conduct</p> <p>Management confirmed that compliance training is also provided to the leadership of the JEN Operations Team at Zinfra and the JEN designated staff at Zinfra. We recommend management formalise training plans for Zinfra employees as part of the compliance manual updates on Annual Compliance Training.</p>	<p>Partially Complete</p> <p>As noted in section 4.1b in Appendix A, certain teams within Zinfra's Projects and Constructions team and Power Services team were required to complete the online ring-fencing training module as part of improvement activities undertaken by management during the compliance period. The Compliance Manual was updated to include service providers that are classified as 'JEN-designated' as requiring ring-fencing training.</p> <p>As noted in recommendation 3 above, not all SGSPAA are required to undertake training (refer discussion in section 4.1b).</p> <ul style="list-style-type: none"> • We would suggest management clarify and clearly document the rationale for which teams are required to complete training to ensure consistency across the SGSPAA Group. • We also continue to recommend that management formalize the process for monitoring training compliance, including maintaining attendance records and assigning appropriate responsibilities in JCARS. 	<p>By May 2021 management will conduct a training needs assessment against all SGSPAA positions.</p> <p>In April 2021 management enhanced the requirements in JCARS for monitoring training completion.</p>



Summary of performance improvement observations for the 2020 compliance period

S. No	2020 Recommendation	Management's responses
8	<p>Overall compliance measures</p> <p>Based on our inspection of compliance documents, we noted that the following policies and procedures were not subject to the standard periodic review either every one or every two years.</p> <ul style="list-style-type: none"> • Procurement policy • Organisation framework • Contracting and Procuring Entity policy • Asset Class Strategy • Asset Management strategy • Secondment Guideline <p>We understand from management that reviews of policies and procedures were undertaken where triggers for changes were identified, however we recommend that management:</p> <ul style="list-style-type: none"> • Implement controls to ensure that ring-fencing policies and procedures are reviewed by the relevant personnel periodically; and • Ensure that the policy or procedure document includes the date of last review. 	<p>In April 2021 JCARS was updated to include obligations to ensure periodic document reviews.</p>