



Tower Two  
Collins Square  
727 Collins Street  
Melbourne Vic 3008

GPO Box 2291U  
Melbourne Vic 3001  
Australia

ABN: 51 194 660 183  
Telephone: +61 3 9288 5555  
Facsimile: +61 3 9288 6666  
DX: 30824 Melbourne  
www.kpmg.com.au

Mr Shaun Reardon  
Executive General Manager Electricity Distribution  
Jemena Electricity Networks (Vic) Ltd  
Level 16, 567 Collins Street  
Melbourne 3000

28 January 2020

Dear Shaun

## **KPMG audit and review reports in connection with Regulatory Information Notices**

This letter sets out considerations relevant to the audit and review reports issued by KPMG in connection with the Reporting Templates of Jemena Electricity Networks (VIC) Ltd as at and for the Regulatory years ended 31 December 2009 to 2018 is prepared, in all material respects, in accordance with the Regulatory Information Notice issued under Division 4 of Part 3 of the National Electricity (Victoria) Law by the Australian Energy Regulator ("AER") on 4 October 2019 ("the Notice") and the Basis of Preparation as prescribed by the Notice.

The scope of our engagement as required by the RIN is as follows:

- Audit of the Actual Historical Financial Information in accordance with Auditing Standard ASA 805 *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* ASA 805
- Review of the Estimated Historical Financial Information in accordance with Australian Standard on Review Engagements ASRE 2405 *Review of Historical Information Other than a Financial Report*; and
- Review of the Non-Financial Information in accordance with Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

In relation to the audit and review engagements referred to above, we note the following:

- 1 Each of our audit opinions state that the relevant regulatory templates of the Licensee have been *prepared in all material respects* in accordance with the requirements of the regulatory information notice and the basis of preparation as prescribed by the notice.



- 2 Each of our review conclusions state that based on our review, which is not an audit or a reasonable assurance engagement, nothing has come to our attention that causes us to believe that the relevant information is *not prepared, in all material respects*, in accordance with the requirements of the regulatory information notice and the basis of preparation as prescribed by the notice.
- 3 The RIN issued by the AER requires either an audit or a review of the relevant information that must comply with the relevant auditing and assurance standards as set out above; and
  - a) Where an audit (reasonable assurance engagement) is required, include an opinion as to whether or not the relevant information provided is *presented fairly* in accordance with the requirements of the notice and basis of preparation; or
  - b) Where a review (limited assurance engagement) is required, include a conclusion as to whether or not anything has come to the auditor's attention that causes it to believe that the relevant information *is not, in all material respects, presented fairly* in accordance with the requirements of the regulatory information notice and basis of preparation.

The differences between the AER's wording in the regulatory information notice and that used by us in our audit and review reports are:

- a) the omission of the words "presented fairly" in our audit opinions and review conclusions; and
- b) the inclusion of the words "in all material respects" in our audit opinions.

The reason for the difference in terminology referred to above is in order for us to comply with the relevant audit and assurance standards specified by the AER. Audit and assurance standards distinguish between 'fair presentation' and 'compliance' frameworks. In our view, the requirements of the respective regulatory information notices meet the definition of a compliance framework and not a fair presentation framework. This is because they require compliance with prescriptive requirements and do not either implicitly or explicitly acknowledge that it may be necessary for management to provide disclosures beyond those specifically required by the framework, nor do they allow management to depart from a requirement of the framework in order to achieve fair presentation. Where these attributes do not exist, the framework cannot be considered a 'fair presentation' framework. Once the type of framework has been established, the wording to be used in the audit opinion or review conclusion is prescribed. For audits or reviews in connection with a compliance framework, the prescribed wording is "prepared in all material respects" rather than "presents fairly in all material respects".

Accordingly, the opinions and conclusions issued by us therefore reflect the wording as set out in Australian Auditing Standard 700 *Forming an opinion and Reporting on a Financial Report*, being the umbrella standard on auditor's reports, and in our view is:

- compliant with the relevant auditing and assurance standards as specified by the AER in the regulatory information notice; and
- consistent with the scope of work on the information requested by the AER, being either reasonable or limited assurance, as specified in the regulatory information notice.



Finally, we note that the information contained in this letter is not legal advice, and should not be relied upon as such.

This letter should not be regarded as suitable for use by any person or persons other than the addressee of the letter. KPMG excludes, to the maximum extent permitted by law, any liability which may arise in relation to the content. If you are not the addressee of the letter, you must not further disseminate or publish this letter in any form, whether in whole or in part.

Should you have any further questions in relation to the above please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be "Vicky Carlson", with a small dot at the end.

Vicky Carlson  
*Partner*