



# 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 has complied with the Ring-fencing Guidelines ("Ring-fencing Guidelines") published by the Australian Energy Regulator ("AER") on 17 October 2017 is, in all material respects, fairly presented for the period 1 July 2020 to 2 February 2022 ("regulatory period").

## Information subject to Assurance

The information subject to assurance is Evoenergy's Statement of Compliance for the regulatory period ended 2 February 2022, as set out on page 3 of Evoenergy'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 Evoenergy's Statement of Compliance that the entity has 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 period ended 2 February 2022. 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;
- 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 2 February 2022 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 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 Evoenergy's Statement of Compliance with the Ring-fencing Guidelines, for the regulatory period ended 2 February 2022, 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.

A handwritten signature in black ink, appearing to read 'KPMG'.

KPMG  
Melbourne  
28 April 2022



## 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 year 1 July 2020 to 2 February 2022 (regulatory period).

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 review;
- Conducted interviews 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
<b>3 Prevention of cross subsidies</b>			
<b>3.1 Legal Separation and provision of other services</b>	<ul style="list-style-type: none"> <li>Organisation Legal structure</li> <li>Classification of Services Flowchart</li> <li>Evoenergy is established as a separate registered Australian business with a distinct ABN.</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>We assessed the legal entity status of Evoenergy and its Related Electricity Service Provider (RESP) affiliates, ActewAGL Retail (AAR) and the Contestable Business Unit (CBU).</li> <li>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 2021, we tested a sample of Opex and Capex projects undertaken by Evoenergy and assessed the nature of services provided.</li> </ul>	<p>The Evoenergy brand has been established for the Distribution Network Service Provider (DNSP), to provide direct control services. The ActewAGL brand has been established to provide contestable electricity services.</p> <p>We performed an ABN search noting that Evoenergy and ActewAGL Retail have separate active ABNs and that both businesses are located in the Australian Capital Territory (ACT), Australia.</p> <p>We noted that CBU is not a separate legal entity but sits within ActewAGL Distribution (AAD) to provide unregulated distribution services. From inquiries with management, we noted that metering assets held by the CBU business had been divested in December 2021.</p>
<b>3 Prevention of cross subsidies</b>			
<b>3.2.1 Separate Accounts</b>  <b>3.2.2 Cost Allocation</b>	<ul style="list-style-type: none"> <li>Intercompany and Related Party Accounting Policy</li> <li>Cost Allocation Flowchart</li> <li>AER decision – ActewAGL Distribution (Evoenergy) Cost Allocation Methodology</li> <li>Preparation and audit of Evoenergy Electricity Distribution Regulatory Information Notices (RINs)</li> <li>Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately addressed ring-fencing requirements.</li> <li>KPMG are the independent auditors in connection with Evoenergy's Electricity Distribution RINs prepared for the regulatory year ended 30 June 2021.</li> <li>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 2021.</li> <li>We made inquiries of management, performed a walkthrough and tested a sample of cost allocation drivers to assess whether the drivers were being calculated</li> </ul>	<p>On 25 November 2021, we issued unqualified audit reports (reasonable and limited assurance scopes) for the 12-month period ended 30 June 2021, 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 2021 were identified.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
		<p>consistent with the Evoenergy AER-approved CAM for the financial period commencing 1 July 2021.</p>	
<b>4 Functional Separation</b>			
<p><b>4.1 Obligation to not discriminate</b></p>	<ul style="list-style-type: none"> <li>• Procurement Guidelines</li> <li>• Obligation not to Discriminate Flowchart</li> <li>• Ring-fencing Fact Sheet</li> <li>• Ring-fencing Staff Information Manual</li> <li>• Annual compliance training</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>• 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 non-discrimination obligation.</li> <li>• We inspected training completion records for the period from 1 July 2020 to 2 February 2022 to ascertain the completion rate of ring-fencing training in the regulatory period.</li> <li>• 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.</li> </ul>	<p>Our inspection and testing of training completion records showed that 98% of AAD and AAR staff completed the annual ring-fencing training module.</p> <p>We noted from inquiries with Human Resources (HR), that 2% of staff did not complete the training module due to being on extended leave.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.1 Physical Separation</b>	<ul style="list-style-type: none"> <li>Security Pass and ID Card Procedure</li> <li>Physical Separation and Staff Sharing Flowchart</li> <li>Cardholder/Activity Report "CBU Ring-fencing Report"</li> <li>Staff register</li> <li>Ring-fencing Staff Information Manual</li> <li>Annual compliance training</li> <li>Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>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 (AAR and CBU) had access to the ring-fenced offices.</li> <li>We inspected a report of CBU staff access card activity to assess whether any CBU staff had accessed Evoenergy's ring-fenced offices during the regulatory period.</li> <li>We made inquiries with the Regulatory team HR to determine whether there were any staff transfers or secondments between Evoenergy and its RESPs during the regulatory period.</li> <li>We inspected the staff register to determine the positions that were shared across entities.</li> </ul>	<p><b>Staff transfers</b></p> <p>Per Management's Initiated Review of Ring-fencing controls performed in August 2021, it was found that a Corporate Services (Finance) staff member moved from Evoenergy to AAR and retained access to Evoenergy's Greenway (ring-fenced) office. Whilst this was inconsistent with Evoenergy's internal policy, as the staff member provides shared services to Evoenergy and its RESPs there was no requirement for physical separation per the ring-fencing guidelines, and no breach of clause 4.2.1(b)(i)(c) identified.</p> <p>Outside of Corporate Services staff, there were no staff transfers or secondments from Evoenergy (DNSP) into AAR and CBU (RESPs) during the regulatory period. We have made a recommendation to management regarding secondments. Refer to Appendix B-2.</p> <p><b>Physical separation</b></p> <p>We noted that management were unable to provide evidence that physical access permission reviews were performed during the regulatory period. We have made a recommendation to management in this regard. Refer to Appendix B-1.</p> <p><b>Annual Compliance Training</b></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 4.1b above for procedures performed, observations and findings on the Annual compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.2 Staff sharing</b>	<ul style="list-style-type: none"> <li>Staff Register</li> <li>Physical Separation and Staff Sharing Flowchart</li> <li>Ring-fencing Staff Information Manual</li> <li>Personal Performance Development (Bonus) Plans</li> <li>Annual compliance training</li> <li>Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>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.</li> <li>We tested a sample of Evoenergy Personal Performance Development Plans (PPDP) to assess whether the bonus criteria created an incentive for staff to contravene ring-fencing obligations.</li> <li>We made inquiries with HR to obtain an understanding of the staff sharing and secondment processes.</li> </ul>	<p><b>Staff incentive plans</b></p> <p>No incentive for Evoenergy staff to contravene the guidelines was observed in review of staff incentive plans.</p> <p><b>Secondments</b></p> <p>We noted that AAD do not engage in secondments between Evoenergy and its RESPs. We confirmed with HR that there were no staff transfers from Evoenergy to its RESPs in the regulatory period. We have made a recommendation to management regarding secondments. Refer to Appendix B-2.</p> <p><b>Annual Compliance Training</b></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 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.3 Branding and Cross Promotion</b>	<ul style="list-style-type: none"> <li>• Branding and Cross Promotion Flowchart</li> <li>• Organisation legal structure</li> <li>• Ring-fencing Staff Information Manual</li> <li>• Annual Compliance Training</li> <li>• Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>• We accessed the websites of Evoenergy and ActewAGL to determine if there were any instances of cross-advertisement or cross-promotion.</li> <li>• We made inquiries with management regarding the functional separation of the Evoenergy and ActewAGL marketing teams.</li> </ul>	<p><b>Brand separation</b></p> <p>We did not identify any instances of cross branding or cross advertisement from our review of the websites of Evoenergy and ActewAGL.</p> <p>We noted that CBU (RESP) operates under the ActewAGL brand.</p> <p>We noted that there is a separate marketing team for Evoenergy which only manages marketing matters pertaining to Evoenergy and is therefore functionally separated from any ActewAGL marketing activities.</p> <p><b>Annual Compliance Training</b></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 4.1b above for procedures performed, observations and findings on the Annual Compliance training.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.2.4 Office and staff registers</b>	<ul style="list-style-type: none"> <li>Staff register</li> <li>Office register</li> <li>Annual compliance training</li> <li>ARIA Compliance and Risk Management Database</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>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 position of staff, the description of their role, functions and duties and the applicable exemptions under the Ring-fencing Guidelines.</li> <li>We assessed Evoenergy’s process for reviewing and updating the staff register.</li> <li>We obtained a copy of the office register published on Evoenergy’s website and checked whether the register was prepared accurately based on our inquiries with management and physical separation testing.</li> <li>We assessed Evoenergy’s process for reviewing and updating the office register.</li> </ul>	<p>No issues were noted with respect to our testing of shared role descriptions in the published staff register.</p> <p><b>Staff register</b></p> <p>We noted that management updated the staff register in July 2021 to include the Executive Assistance (EA) to the GM of Retail. This was following an inquiry from the People and Legal team. The EA supports the GM of Retail who was previously reported in the staff register as an Officer of ActewAGL and is exempt under clause 4.2.2(d).</p> <p>Management identified that the EA had access to Evoenergy confidential information (through executive briefing materials), however was not a staff member of the DNSP and was not in a shared role (employed by AAR). Management have assessed that the EA role was an extension of the Officer role already disclosed on the staff register and has added the Retail EA role for completeness and to address any ambiguity in definitions of shared staff, and accordingly no breach of the guideline was identified.</p> <p>We observed that staff register updates generally occur when inquiries are made or when staff movements are brought to the attention of the Regulatory Compliance team for ring fencing consideration. We have made a recommendation to management regarding this. Refer to Appendix B-3.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>4 Functional Separation</b>			
<b>4.3 Information access and disclosure</b>	<ul style="list-style-type: none"> <li>Confidential Information Flowchart</li> <li>Information Sharing Procedure</li> <li>Information Sharing Protocol</li> <li>Information Register</li> <li>Information Request form</li> <li>Register Inclusion Form</li> <li>Listed Legal Entities</li> <li>Disclosing confidential information Fact Sheet</li> <li>Contact Centre Electricity Call Procedure</li> <li>Ring-fencing Staff Information Manual</li> <li>Annual Compliance training</li> <li>Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>We assessed Evoenergy's overall approach to restricting access to confidential information by making inquiries with the IT team and Regulatory Compliance team.</li> <li>We inspected annual access permission reports for the Velocity system. We tested IT requests raised during the regulatory period in relation to gaining access to Velocity to assess whether RESP staff had access to confidential customer information.</li> <li>We inspected the population of access permissions to the Oracle system to assess whether RESP staff had access to confidential financial information throughout the regulatory period.</li> <li>We obtained an understanding of management's periodic reviews of staff access permissions to the Velocity system.</li> <li>We inspected the Information Register on Evoenergy's website and performed inquiries to understand the process for updating the Information register.</li> </ul>	<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 access permissions did not occur for all quarters during the regulatory period due to staff movements. The quarterly reviews also only captured staff with elevated access permissions and full access reviews were performed annually. We have made a recommendation to management regarding this. Refer to Appendix B-1.</p> <p><b>Management Review</b></p> <p>Management's Internal Review found that twelve RESP staff had access to the Evoenergy Leadership Sharepoint intranet page. Whilst this was inconsistent with Evoenergy's internal policy, there was no breach identified in relation to clause 4.3.2(a) as the Sharepoint page contained general internal communication and publication information (not confidential electricity information).</p> <p><b>Information Register</b></p> <p>Evoenergy received a request from CBU (RESP) to access confidential information which was subsequently declined by Evoenergy. The request was not updated on the information register as no access to confidential information was provided per clause 4.3.5(a). Accordingly, we consider there was no breach of 4.3.5(a) as the request was not in relation to information identified in clause 4.3.4(a), being information that had already been disclosed or shared. We observed that the information request from CBU was recorded in management's internal inquiries register.</p>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
			<p><b>Annual Compliance Training</b></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><b>4 Functional Separation</b></p>			
<p><b>4.4.1 Service providers conduct</b></p>	<ul style="list-style-type: none"> <li>• Conduct of Service Providers Flowchart</li> <li>• Ring-fencing Fact Sheet</li> <li>• Procurement Guidelines</li> <li>• Corporate Ring-fencing Guide</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>• 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.</li> </ul>	<p>Management have reported a breach (non-material) of obligation 4.4.1 as a service provider contract pertaining to scaffolding did not contain ring-fencing clauses when the contract was varied in July 2020 (see section 6 below).</p> <p>Considering the breach, we increased the sample of service provider contracts and tested five contracts that were entered into by Evoenergy during the regulatory period. We did not note any issues.</p>
<p><b>5 Waivers</b></p>			
<p><b>5.7 Waiver</b></p>	<ul style="list-style-type: none"> <li>• Waiver Register</li> <li>• Waiver approval</li> <li>• Ring-fencing Staff Information Manual</li> <li>• ARIA Compliance and Risk Management Database</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>• 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.</li> <li>• We accessed Evoenergy’s website to sight whether the waiver register was published.</li> </ul>	<p>We observed that the current waiver register was published on Evoenergy’s website.</p> <p>We noted that a waiver was in place until 30 June 2024 in relation to clause 3.1(b) to allow Evoenergy to own and operate its:</p> <ul style="list-style-type: none"> <li>• natural gas distribution pipelines located in ACT and the Queanbeyan-Palerang council area in ACT; and</li> <li>• natural gas distribution pipelines located in the Nowra network in the Shoalhaven local government area in the NSW south coast.</li> </ul>

Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
<b>6 Compliance and Enforcement</b>			
<b>6 Compliance</b>	<ul style="list-style-type: none"> <li>• ARIA Compliance and Risk Management Database</li> <li>• Compliance Management Manual</li> <li>• Incident Management Manual</li> </ul>	<ul style="list-style-type: none"> <li>• We obtained and inspected the information provided by management to ascertain whether it appropriately included ring-fencing requirements.</li> <li>• 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.</li> <li>• We considered the adequacy of Evoenergy’s breach management and reporting policies and procedures.</li> <li>• We tested a sample of inquiries from Evoenergy’s ring-fencing inquiries register to assess whether ring-fencing matters were appropriately addressed.</li> </ul>	<p><b>Breach reporting</b></p> <p>There were no material breaches identified and reported to the AER for the regulatory period ended 2 February 2022.</p> <p>Management have reported one non-material breach of the ring-fencing guidelines in relation to obligation 4.4.1.</p> <p>We noted that findings from the management-initiated review performed in August 2021 were not formerly assessed and documented as to whether the findings constituted a breach of the ring-fencing guidelines. We have made a recommendation to management regarding this. Refer to Appendix B-4.</p> <p><b>Monitoring Compliance</b></p> <p>Whilst Evoenergy use the ARIA system to manage ring-fencing obligations, including controls and compliance documents, we noted there was no control matrix available which maps controls to the guideline obligations demonstrating how the measures taken by Evoenergy had ensured compliance with the obligations. We have made a recommendation to management in this regard. Refer to Appendix B-6.</p> <p>In our review of management’s procedures, we noted that Ovida Pty Ltd had not been identified as a RESP of Evoenergy. Ovida is a 100% owned entity of SGSPAA which also owns 100% of Jemena Networks (ACT) Pty Ltd, which owns 50% of AAD. We had not identified any breaches of the ring-fencing guidelines in relation to Ovida. Whilst we note that there was organisational separation between Evoenergy and Ovida, we have made a recommendation to management regarding this. Refer to Appendix B-5.</p> <p>We inspected internal correspondence and noted that Evoenergy had addressed matters raised and information requested by the AER in a timely manner.</p>



Compliance requirement	Management Controls and information provided	Procedures performed	Observations / findings
			<p>We noted that all inquiries tested were appropriately addressed in line with the ring-fencing guidelines.</p> <p>We have made a recommendation to management regarding review and update of internal compliance documents. Refer Appendix B-7.</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 July 2020 to 2 February 2022 (RY2021). 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	RY2021 Recommendation	Management’s responses
<p><b>B-1</b></p>	<p><b>Periodic reviews of information access and physical access controls</b></p> <p>The IT function perform spot checks and at times, annual reviews, of access permissions for systems containing confidential information as well as access card permissions to ring-fenced offices.</p> <p>We recommend that management develop a formal compliance testing plan to test access permissions of RESP staff to Evoenergy’s secured systems and secured office locations. This should include formalising testing of access permissions through ARIA and articulating responsible owners, scope of testing, due dates and frequency of each control. 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>Management have advised they have implemented action items within ARIA post the regulatory period which include performing bi-annual checks of user accesses to Evoenergy systems.</p>	<p>Management acknowledge the recommendation of a Compliance Testing Plan. This is to be assigned, coordinated and managed through Evoenergy’s internal Action, Risks, Incidents and Audits (ARIA) system and implemented by 30 September 2022.</p> <p>Management have implemented the Action of regular review of user access permissions to Evoenergy systems within the subsequent regulatory period.</p>
<p><b>B-2</b></p>	<p><b>Staff sharing procedure</b></p> <p>Secondments between Evoenergy and RESP entities are not permissible. However, we understand secondments of Corporate Services staff are permissible and did occur during the regulatory period.</p> <p>We recommend that management formalise a secondment policy which clearly articulates the types of secondments that are offered by the business and the process of facilitating a secondment, including approvals. This will assist with providing clarity of the internal processes in place to assist with ring-fencing compliance with regard to staff sharing.</p>	<p>Management acknowledge the recommendation with an action to develop and implement a secondment policy by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy’s internal Action, Risks, Incidents and Audits (ARIA) System.</p>

S. No	RY2021 Recommendation	Management's responses
<b>B-3</b>	<p><b>Maintenance of Staff Register</b></p> <p>The staff register is generally updated following an inquiry or notification of staff movements made to the Regulatory team. We recommend management formalise the review of staff movements/register 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, refer recommendation 1). 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 acknowledge the recommendation of a Compliance Testing Plan with implementation by 30 September 2022, refer recommendation 1 - management response.</p> <p>Management have implemented the Action of regular review of user access permissions to Evoenergy systems within the subsequent regulatory period.</p>
<b>B-4</b>	<p><b>Breach identification and assessment process</b></p> <p>Management performed an internal review into ring-fencing controls during the regulatory year and have implemented improvement actions within the ARIA system in response to findings identified.</p> <p>However, we recommend management develop a formal documented process for assessing findings or potential instances of non-compliance that could result in a breach of the ring-fencing guidelines. This will enable management to document breaches or potential breaches to assess materiality, remediation actions and will assist with timely reporting to the AER, where relevant.</p>	<p>Management acknowledge the recommendation with an action to develop and implement a Compliance Manual to compliment the referenced material in place i.e., staff information Ring-Fencing Manual, referenced documented procedures and ARIA 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>Management notes this to be underway, seen through Matrix development and captured through ARIA actions.</p>
<b>B-5</b>	<p><b>Identification of Related Electricity Service Providers</b></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 acknowledge 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>



S. No	RY2021 Recommendation	Management's responses
<b>B-6</b>	<p><b>Overall Compliance Framework</b></p> <p>We acknowledge management have a staff information ring fencing manual and specific documented procedures on key obligations as well as the ARIA system to manage compliance with ring fencing obligations. However, we noted there was no overall ring-fencing compliance framework documented.</p> <p>We recommend that management develop and maintain a compliance manual, which includes a compliance matrix, to capture controls and measures implemented by management and the corresponding ring-fencing obligations which they address. This would aid management in assessing and demonstrating the adequacy of the current control environment, identification of an appropriate compliance testing plan (refer recommendation 1), and ensuring all stakeholders have a consistent understanding of the application of controls across the organisation.</p>	<p>Management acknowledge the recommendation with an action to develop and implement a Compliance Manual by 30 September 2022. This will complement the referenced material in place i.e., staff information Ring-Fencing Manual, referenced documented procedures and ARIA. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p> <p>Management notes this to be underway with implementation by 30 September 2022.</p>
<b>B-7</b>	<p><b>Ring-fencing Compliance Documents</b></p> <p>From our inspection of ring-fencing compliance documents, we noted there was inconsistent information regarding the establishment of the 'New Energy' affiliated entity, which had been contemplated but not incorporated.</p> <p>While we noted that the compliance documents aligned to the ring-fencing obligations in principle, we recommend that management review and update internal ring-fencing documents to be accurate and consistent with the organisation legal structure and business operations.</p>	<p>Management acknowledge the recommendation and will complete a review of internal documentation by 30 September 2022. This is to be assigned, coordinated and managed through Evoenergy's internal Action, Risks, Incidents and Audits (ARIA) System.</p>