

## RbD Audit Sub Committee Minutes

Thursday 26 July 2007

Elexon, 350 Euston Road, London

### Attendees

|                          |     |  |
|--------------------------|-----|--|
| Julian Majdanski (Chair) | JM  | Joint Office of Gas Transporters               |
| Lorna Dupont (Secretary) | LD  | Joint Office of Gas Transporters               |
| Alex Travell*            | AT  | E.ON UK ( <b>Member</b> )                      |
| Chris Hill*              | CH  | RWE Npower                                     |
| James Boraston*          | JB  | RWE Npower ( <b>Member</b> )                   |
| Jon Dixon                | JD  | Ofgem  |
| Linda Whitcroft          | LW  | xoserve  |
| Mark Jones               | MJ  | Scottish and Southern Energy ( <b>Member</b> ) |
| Ndidi Njoku              | NN  | Ofgem  |
| Robert Cameron-Higgs     | RCH | Northern Gas Networks                          |
| Rochelle Hudson*         | RH  | Centrica ( <b>Member</b> )                     |
| Simon Trivella           | ST  | Wales and West Utilities                       |

\* via teleconference

### 1. Status Review

JM welcomed members to the meeting, which was quorate.

#### 1.1. Minutes from April 2007 RbD Audit Sub Committee

The following comment was made regarding the minutes of the previous meeting:

Under 4.1, amend paragraph 6 to read:

“All Members agreed that the RbD Audit Sub-committee can set the scope of the audit and anything impacting RbD could be included, but LW did not agree with this view.”

The Minutes of the previous meeting were then approved.

#### 1.2. Review of Actions from April 2007 RbD Audit Sub Committee

**Action RbD 0401:** All committee members to consider the feeder processes that could be included in the RbD Audit for discussion at the July RbD Audit Sub-committee.

**Action update:** The feeder processes were provisionally agreed (see agenda item 2, below).

### 2. Feeder Processes for 2007 Audit

LW pointed out that incorrect dates were showing on the Agenda for this meeting. The items should read as follows:

2.0 Feeder Processes for 2007 Audit

3.0 Appointment of Auditor for 2009 – 2011.

These amendments were duly noted by the meeting.

LW then read out the list of feeder processes that could be considered for inclusion in the audit, of which the Members should choose three. The half yearly audit was to take place in September so it was important to make the choices now.

A short discussion ensued. RH was in favour of consumption adjustments but was concerned that the sample sizes should not be too narrow. LW agreed to ask the auditors to look at more than one; however it was stressed that this would not cover the 'correctness of the consumption'. The auditors would be looking at the process that was followed, not the actual data that was used, and would be checking that there were controls in place. RH asked if a view could be formed on the 'reasonableness' of data and LW would discuss with the auditors to see if some sort of 'assurance' could be achieved.

It was agreed that the following three areas should be included in the next audit:

- LDZ Measurements
- CSEPs Reconciliation
- Consumption Adjustments.

**Action RbD 0701:** JO to write to all Members seeking formal agreement (or objection) to the 3 feeder processes chosen for the next audit.

### 3. Appointment of Auditor for 2009 - 2011

LW advised that she will provide to the next meeting a timetable for the appointment of the next auditor. She emphasised that more input may be required from Members and that this would involve meeting on a more frequent basis to work through the process in a timely manner.

**Action RbD 0702:** LW to provide a timetable for the appointment of the next auditor.

AT described his perception of the process and timescales of the audit. LW responded that consideration of any 'remaining' time at the end of the audit would need to be focused in advance on defined areas as there would be a need to establish the expertise of the auditors at the time of the tender. Not every auditor would have the relevant expertise and therefore it would be prudent to establish the activities 'within scope' in advance. AT observed that the auditors would be looking at the documented processes, which was standard audit procedure, and not 'the subject', and this should not affect the tender. MJ and RH agreed with AT's view, and thought that further consideration should be given to the extent of the scope of the audit, which might need to include everything that impacted RbD. LW suggested that it might be appropriate to list key or priority areas. AT observed that this approach might be too limiting; for example if a material issue appeared that was not on the 'key' list it would mean that it was not looked at.

LW commented that the appointment was for two years, or four years, so this was not a long period of time to be tied into. If the tender was extended it might be possible to choose to change the scope perhaps. She pointed out that as current auditors Ernst and Young knew the processes fairly well and were able to discuss and establish what they wanted to audit. Extending the width of the audit may not necessarily lead to a more satisfactory audit.

It was agreed that views on setting the scope of the audit should be provided to LW by the end of August, for consideration in advance of the next meeting. This could then be discussed and finalised at that meeting.

**Action RbD 0703:** By end August 2007, all to provide their views on setting the scope of the next audit to LW for consideration.

**4. AOB**

None

**5. Diary Planning for Sub Committee**

To be confirmed but provisionally Thursday 25 October 2007, at a Solihull location to be confirmed (following the Distribution Workstream)

**Action Table (Appendix 1)**

| Action Ref | Meeting Date | Minute Ref | Action   | Owner | Status Update                         |
|------------|--------------|------------|--|-------|---------------------------------------|
| RbD0401    | 26.04.07     | 4.1        | All committee members to consider the feeder processes that could be included in the RbD Audit for discussion at the July RbD Audit Sub-committee. | All   | Action: Pending                       |
| RbD0701    | 26/07/07     | 2.0        | JO to write to all Members seeking formal agreement (or objection) to the 3 feeder processes chosen for the next audit.                            | JO    | Action: Pending                       |
| RbD0702    | 26/07/07     | 3.0        | LW to provide a timetable for the appointment of the next auditor.   | LW    | Action: Pending                       |
| RbD0703    | 26/07/07     | 3.0        | By end August 2007 all to provide their views on setting the scope of the next audit to LW for consideration.                                      | All   | By end August 2007<br>Action: Pending |
|            |              |            |  |       |                                       |