

Rule 006

Rules on Regulatory Audits

This rule as amended was approved by the Alberta Utilities Commission on July 30, 2020.

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1 Application

These rules apply to regulatory audits of the financial or operational activities of utilities, affiliates, market participants or other entities under the jurisdiction of the Commission.

2 Definitions

In these rules,

- (a) “affiliate” has the meaning given to it in the *Business Corporations Act* or the *Code of Conduct Regulation*;
- (b) “auditee” means a utility, an affiliate, a market participant or other entity under the jurisdiction of the Commission who is subject to a regulatory audit;
- (c) “auditor” means AUC staff or any other person contracted by the Commission to perform any audit function;
- (d) “Commission” means the Alberta Utilities Commission;
- (e) “market participant” means an electricity or natural gas market participant as defined in the *Alberta Utilities Commission Act*, the *Electric Utilities Act* and the *Gas Utilities Act*;
- (f) “regulatory audits” means unbiased examinations and evaluations conducted and reported by the auditor to verify the existence, accuracy, valuation, cutoff,¹ rights and obligations, completeness and regulatory compliance of the operational or financial activity selected for audit;
- (g) “utilities” means utilities as defined under the *Gas Utilities Act*, *Electric Utilities Act* and *Public Utilities Act*; entities providing regulated rate tariff and default rate tariff services to customers under the *Regulated Rate Option Regulation* or *Default Gas Supply Regulation*; electricity service providers and gas service providers pursuant to the *Utility Payment Deferral Program Act*; and
- (h) “working papers” means all documentation obtained or developed during the course of an audit that is related to the audit, including draft reports, other than the final validated audit report.

3 Audit reports

- (1) After conducting a regulatory audit, the auditor drafts a formal written audit report that conveys the final results of the examination.
- (2) The draft audit report may be shared and discussed with the auditee to ensure that it is accurate.

¹ Cutoff is an evaluation that transactions and events have been recorded in the correct accounting period. This and other assertions are discussed in the *CPA Canada Handbook – Assurance*, Volume I, CAS 315 A129.

- (3) The senior officer of the auditee may provide a written formal response to the draft audit report.
- (4) The audit report package includes a cover letter, a final audit report and may include a response from the auditee.
- (5) The cover letter is addressed to the chair of the Commission and includes the distribution list for the report, the name of the auditee, a brief reference to the overall conclusion arrived at as a result of the audit work, and the letter noting that the auditee's response is attached.
- (6) The final audit report normally is a single, self-contained document. If the audit scope or findings are more extensive, a more detailed report format and executive summary will be provided.

4 Distribution and publication

- (1) Audit reports are distributed to the auditee and may be posted on the Commission's website.
- (2) In order to ensure the integrity of the audit processes while respecting the rights of stakeholders to access information, working papers will not be released as part of the audit reports, except if there is a statutory obligation to release them.

5 AUC use of audit information

If the Commission wishes to pursue a matter raised in an audit report in a written or oral proceeding, it will request related information directly from the auditee to enable the auditee to respond.

6 FOIP requests

- (1) If a request for the release of working papers is made pursuant to the *Freedom of Information and Protection of Privacy Act*, then the Commission, in accordance with this act, will send a notice to the auditee advising it that the Commission has received a request.
- (2) The notice will include particulars as to the documents requested, together with a reference to Section 16 of the *Freedom of Information and Protection of Privacy Act*.

7 Confidentiality

Subject to any obligation to disclose information pursuant to Section 7, the auditor will process and maintain the documents in its custody in accordance with the applicable audit standards and the Commission's practices for the confidential treatment of information, as applicable.

8 Audit standards

The auditor may conduct the audit in a manner that adheres to the generally accepted auditing standards as set by the Chartered Professional Accountants of Canada, the professional standards as established by the Institute of Internal Auditors, or any other audit or inspection standards as determined applicable to the regulatory audit.

9 Role of AUC staff appointed as an auditor

- (1) The Commission may appoint AUC staff for the purposes of performing regulatory audits under this rule.
- (2) AUC staff appointed as auditors will continue to provide assistance to the Commission and other staff respecting matters requiring their technical expertise.
- (3) In addition to carrying out audits, the AUC staff auditor will have expertise in accounting, auditing, economics, engineering, the energy industry, the utility industry, general financial matters or general operational matters.
- (4) While the AUC staff auditor does not take on the role of an advocate for a particular point of view, especially during Commission hearings, they may be asked to provide advice or assistance regarding technical, factual accounting or auditing matters, or matters not related to an audit.

10 Audit costs

The auditor's costs and expenses are to be paid by the Commission, and the Commission may, in accordance with this rule and Section 76 of the *Alberta Utilities Commission Act*, recover costs and expenses from a utility or a market participant that is the subject of an audit.

11 Auditor findings

- (1) The findings of the auditor are not representative of the views of the Commission or of any individual Commission member.
- (2) In the event the Commission wants to follow up on audit findings for purposes of compliance, the Commission will use a separate process to determine the auditee's non-compliance and consequence for its non-compliance.