

DSC - AUDIT ARRANGEMENTS

In preparing the DSC, Xoserve has undertaken a review of the various rights of Network Operators under the ASA to undertake audits.

With a view to implementing an appropriate regime for the benefit of DSC Customers Xoserve proposes adopting the regime set out below in relation to the DSC. Xoserve's view is that this codifies existing arrangements under the ASA with appropriate amendments to reflect the DSC structure and wider DSC Customer base to accommodate their requirements on a fair, efficient and non-discriminatory basis.

1 Audit Rights

Under the new DSC regime, the following central audits will [if required] be carried out in relation to the CDSP:

- (a) Quality Management System Assessment: Audit against ISO 9001: 2008 or equivalent [and the requirements in Paragraph [] of the Contract Management and Reporting Arrangements];
- (b) Statutory financial audit;
- (c) Assurance Audit (ISAE 3402 audit). The report describes the control environment and control objectives with regard to the operation of gas transportation invoicing services, and set out the control procedures established to meet these objectives. It also provides assurance in relation to Service Performance Reporting. Please note that currently the requirement for this audit and scope are approved annually; and
- (d) [Any other requirements? To be discussed.]

The specification and terms of reference for the audit referred to in (c) above to be agreed with the Contract Management Committee.

Xoserve shall have discretion to appoint independent, third party auditors to undertake the above audits against the agreed specification/terms of reference.

Frequency of relevant audits would be as follows:

- Quality Management System Assessment: In accordance with certification body requirements
- Financial Audits: Annually

Output/report of each audit referred to above in this Section 2 to be shared with the Contract Management Committee.

All costs of conducting these audits will be included in CDSP's cost base.

2 Further Audit Rights

Is there a need to allow for individual Customer audit rights? They could impose significant operational challenges for the CDSP. It would be better to have any further audits (if needed) carried out centrally and under Committee supervision. Otherwise it is possible that a combination of CDSP

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Comment [1]: To be updated shortly – This will move to the 2015 version after April 2016.

self-audit plus bespoke reporting could meet any individual Customer requirement (which would in any event need to be at the Customer's expense).