



**AltaGas Utilities Inc.
AltaGas Energy Limited Partnership
ECNG Energy L.P.**

**Gas Utilities Act Code of Conduct Regulation, AR 183/2003
Approval of Revised Audit Work Plans**

August 23, 2011

The Alberta Utilities Commission

Decision 2011-348: AltaGas Utilities Inc., AltaGas Energy Limited Partnership, and ECNG Energy L.P.

Gas Utilities Act Code of Conduct Regulation, AR 183/2003

Approval of Revised Audit Work Plans

Application Nos. 1607517, 1607518 and 1607519

Proceeding ID. No. 1361

August 23, 2011

Published by

The Alberta Utilities Commission

Fifth Avenue Place, Fourth Floor, 425 First Street S.W.

Calgary, Alberta

T2P 3L8

Telephone: 403-592-8845

Fax: 403-592-4406

Web site: www.auc.ab.ca

1 Introduction

1. On July 22, 2011, AltaGas Ltd., as Administrator for AltaGas Energy Limited Partnership (AELP) and ECNG Energy L.P. (ECNG) and on behalf of AltaGas Utilities Inc. (AUI), filed applications pursuant to Decision [2011-296¹](#) requesting Alberta Utilities Commission (the AUC or the Commission) approval of its revised work plans for the 2010 audit for each of AELP, ECNG and AUI.
2. In Decision 2011-296, the Commission ordered the work plans required under Section 40(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 be revised to describe the specific procedures which will be undertaken to ensure that sufficient and appropriate audit evidence is obtained.
3. By letter dated August 10, 2011, the Commission issued an information request to AltaGas Ltd.
4. On August 16, 2011, AltaGas Ltd. provided responses to the Commission's information request.
5. The Commission considers the record for Proceeding ID No. 1361 to have closed on August 16, 2011.

2 Views of the Commission

6. As noted in paragraph 9 of Decision 2011-296, the Commission expects the work plans to include both an overall strategy, as included in the work plans provided in that application, and a detailed approach to the execution of the engagement. The detailed approach to the execution of the engagement requires that the work plans describe the specific procedures to be undertaken to ensure that sufficient and appropriate audit evidence is obtained. For example, when words such as “test” and “ensure” are used in the work plan, the Commission requires that the specific procedures to accomplish these objectives also be provided.

¹ Decision 2011-296: AltaGas Utilities Inc., AltaGas Energy Limited Partnership, ECNG Energy L.P., *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003, Approval of Auditors, Audit Plans and Waivers, Application Nos. 1607368, 1607369 and 1607370, Proceeding ID. No. 1260, July 7, 2011.

7. The Commission notes that Section 28(2) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003 and Section IX(C) of the respective compliance plans² states that when the total cost of transactions exceeds \$500,000 annually, the transaction must be documented by an agreement and must be supported by written evidence of fair market value. The Commission considers that examination of contracts, invoices and banking statements, as described in procedures AUI E33 and AELP and ECNG E28 confirms the documentation of the transaction and the amount of the transaction but not necessarily the transaction value. The Commission notes that Section VIII (D) Policy #1 Mechanism #1 of the respective compliance plans requires that “the rationale supporting the valuation” of transactions be recorded by the Director, Controller of AUI or the Chief Financial Officer of AELP and ECNG. The Commission considers that should there be transactions with a total cost that exceeds \$500,000 annually that this documentation must be examined. It is noted that audit test procedures AUI E32 and AELP and ECNG E28 in the original audit plans included a procedure to “Review how fair market value was established.”

8. The Commission also notes that audit test procedure AUI-E14 selects a sample of one from an unknown total population. The Commission is of the opinion that a sample of one generally does not provide sufficient and appropriate audit evidence to adequately assess whether compliance will be attained.

9. The Commission acknowledges that the procedures of an audit plan may change during the audit as more complete information is obtained. Having considered the above noted work plans, the Commission has only three concerns as identified above. Therefore, the Commission accepts the revised audit plans, subject to any revisions that may be appropriate to address the three concerns identified above, should circumstances warrant. The Commission considers that the revised work plans will satisfy the requirements of Section 40(1)(a) of the *Gas Utilities Act Code of Conduct Regulation*, AR 183/2003.

3 Order

10. It is hereby ordered that:

- (1) The revised work plans for each of AUI, AELP and ECNG are approved.
- (2) As ordered in Decision 2011-296, the audit must be conducted no later than September 6, 2011.

² Decision [2005-097](#): AltaGas Utilities Inc., Gas Code of Conduct Regulation Compliance Plan, Application No. 1372823, August 30, 2005.

Decision [2009-041](#): AltaGas Energy Limited Partnership, ECNG Energy Limited Partnership Gas Code of Conduct Compliance Plans, Application Nos. 1586185 and 1586189, April 2, 2009.

Dated on August 23, 2011.

The Alberta Utilities Commission

(original signed by)

Kay Holgate
Commission Member