

# BSC AUDIT: PROPOSED REMOTE AUDITING APPROACH (PAF RECOMMENDATIONS)

<b>MEETING NAME</b>	Performance Assurance Board
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<b>Purpose of paper</b>	For Decision
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<b>Classification</b>	Public
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<b>Summary</b>	A proof of concept trial on the PAF Review recommendation to implement remote auditing for the BSC Audit was developed and implemented. The PAB is invited to approve the implementation of Remote Auditing in the BSC Audit process.
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## 1. Background

- 1.1 In May 2019, the Performance Assurance Framework (PAF) review completed its assessment of the BSC Audit technique. Five key recommendations were presented to the Performance Assurance Board (PAB) by ELEXON. One of these recommendations was to extend the use of remote auditing to reduce time spent on site and to improve efficiency of site visits.
- 1.2 It was noted during the review that a number of remote desktop-based activities (data modelling and Parties with specific logistical concerns) were already undertaken as part of some BSC Audits. However, ELEXON noted that if the intention was to supplement and potentially replace site visits, a formal detailing of this process and proof of concept was needed. .

## 2. Trial Approach

- 2.1 During the months of March and April 2020, ELEXON performed a trial of the remote Audit on Parties that have already been audited for 2019/20. This was done at this time to allow a comparison to the results of site visit auditing. Eight Parties were tested remotely in total. Two Parties were planned for and were tested at the intensity used for their site visit, using three of the same work papers that were used during the site visit. The remaining six Parties were tested remotely due to the COVID-19 government lockdown.
- 2.2 The Auditors followed similar procedures to a site visit, however any work that would normally be conducted on site was conducted via technologies that allow for remote communication (WebEx, Skype, screen sharing etc.). This was determined between the Party and the BSC Auditor. In addition to the Audit work papers, ELEXON requested feedback from KPMG and the Audited Party on the new method of Auditing.
- 2.3 The primary objectives of these trials were to verify if we get similar results to the site visits, if this is a more efficient way of auditing and what challenges there might be that we need to address.

## 3. COVID 19 emergency Remote Audits

- 3.1 Following the COVID-19 pandemic and announcement of the government lockdown in March 2020, six of the planned site visit Audits for the 2019/20 Audit year were disrupted. With the end of the lockdown not yet known, ELEXON instructed the BSC Auditor to perform remote testing of the effected Parties in addition to the trial. ELEXON also requested feedback from these Parties to supplement the trial findings.

## 4. Findings and Feedback

### The two scheduled Trials

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- 4.1 In both scheduled trials, the auditor was able to share enquiry questions prior to the audit. This meant that the Parties were able to answer questions prior to the meeting which allowed for better quality conversations and reduced the amount of time spent on covering the basics of the process.
- Feedback from both Parties noted that this aspect enabled a more in-depth response and with a refined line of questioning that would follow. One Party also noted that they were able to move through the questions quicker than an onsite visit which allowed them to pre-empt answers to the follow up questions, leading to a smoother experience.
- 4.2 In both scheduled trials, audit evidence was able to be viewed by the Auditor using screen-share, and the auditor was able to draw its conclusions.
- One Party noted issues with accessing certain applications due to VPN restrictions, which would not be an issue on site. However they felt it was the nature of the pandemic rather than the remote process itself. Both Parties were able to utilise software that enabled clear audio and video between themselves and the BSC Auditor as well as easy to use screen sharing functions. One Party noted that the auditor being able to take their own screenshots made the experience smoother and more efficient.
- 4.3 The BSC Auditor noted that the overall findings mirrored those found in the original site visit. There were minor discrepancies in the result of testing, however this was purely down to auditor judgement rather than the impact by the remote auditing.
- 4.4 Both Parties noted different reactions to the remote auditing concept. One party noted that this was much more efficient for them, was easier to host, and enabled them to provide a more comprehensive response to questioning.
- 4.5 The other Party noted that although just as efficient and with no faults in the approach, site visits allowed for face to face interaction which leads to stronger relationships being built between clients. They also noted that they were not able to read body language that facilitates usual discussions from the auditor and the conversation at times did not feel as fluid as it would in person, potentially limiting the effectiveness of the auditor.

### The six emergency remote Audits

- 4.6 Six Parties over a variety of roles were partially or fully audited remotely due to the COVID 19 pandemic. Without appropriate time to properly plan, this led to a certain amount of frustration on both sides. However, all audits were completed successfully and the BSC Auditor was able to obtain the evidence it needed remotely.
- 4.7 Some Parties that had already started their Audit and had to switch to remote auditing had specific difficulties. This was with staff being sent to work from home without laptops or no way to connect to the relevant data sources, limiting the auditor's ability to have live discussions which is a key aspect of the Audit.
- 4.8 Other Parties noted that the audit was just as efficient, if not more so than a normal audit. One Party noted that collaboration in advance of their remote testing was of a high calibre which meant that the requested information was available to the auditors in advance of the remote testing dates. This meant the focus of the remote testing was on clarifying priority areas, driven by the auditor, and was deemed to be just as effective with a higher degree of efficiency. This mirrors the results of the trial, highlighting that planning ahead is vital to a successful audit.

## 5. Conclusions

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- 5.1 The BSC Auditor is fully capable of conducting a remote audit to a similar and potentially higher degree of efficiency and quality than a site visit, and it is noted that the key to remote auditing is flexibility and planning. Certain aspects of the Audit, such as the value of face to face communication, remote access to systems, and internet/software quality, are all factors that must also be considered.
- 5.2 The option to conduct remote auditing more regularly is recommended for the 2020/21 audit period, particularly taking into account the current pandemic. Parties who have engaged with previous audits proactively and are deemed to be of limited risk would benefit from this approach.
- 5.3 It has been noted from several Parties that an onsite audit would still be the preferred option for those who have not been subject to a BSC Audit previously, or due to internal measures of performance (i.e. Settlement Performance issues).
- 5.4 The feedback from numerous Parties has been clear that enquiry questions sent ahead of the audit enable a more in depth and comprehensive discussion, and so this will be an additional change to the BSC Audit process for the 2020/21 Audit period.

### 6. Recommendations

- 6.1 We invite PAB to:
  - a) **NOTE** the contents of the paper.
  - b) **APPROVE** the change to the BSC Audit process enabling remote auditing.
  - c) **APPROVE** the change to the BSC Audit process enabling enquiry questions to be sent ahead of the audit.

#### For more information, please contact:

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