

Consumer, Building & Occupational Services

Tasmanian Gas Industry Audit Policy

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1. Overview/Preface

To operate and maintain a pipeline, pipeline facility or distribution facility designed to process or carry natural gas, petroleum or any other regulated substance, or sell gas by retail in Tasmania a gas licensee must establish and implement a safety case. In addition a gas installation owner is required to develop and implement a safety management system for Complex gas installations if the Director of Gas Safety determines the risks posed by the gas installations warrants such a plan.

The safety case must incorporate both the assessment and control methodologies for identifying unacceptable risks, relating to operations and demonstrate a suitable organisational structure, staff roles and responsibilities, practices, procedures, processes and resources adequately controlling unacceptable risks to supply, the public, buildings and employees in accordance with standards and legislation.

The *Gas Safety Act* directs gas licensees to conduct independent audits of the implementation of their safety case at the request of the Director of Gas Safety. Provisions of the Act also allow the Director of Gas Safety to audit gas licensees to monitor compliance with legislation, approved cases and prescribed standards.

The Office of the Director of Gas Safety believes that the development and implementation of meaningful audits is an essential process for continuous improvement to ensure gas infrastructure is safe now and in the future.

2. Audit Principles

This policy provides an overview of audit principles and the underlying strategy adopted by this office to ensure gas infrastructure is managed satisfactorily.

To ensure a systematic, structured and consistent approach across all gas infrastructure and gas licensee types, two audit approaches will be utilised separately or in unison dependant on the complexity, size and/or lifecycle phase of the infrastructure.

1. Process Audits ; a critical examination of aspects of physical assets including systems, operations and field based procedures/monitoring
2. Focused Audits; an examination of management system elements relevant to an agreed audit scope. Focus audits will be undertaken at a relevant level of the gas entities or licensees corporate structure, including any contractors. Subsequently these audits will focus on upper level operations needed to support the asset management strategy such as integrity management, personnel competency and training, risk management, maintenance plans, information/record management.

Audit type, size, scope, thoroughness will depend on the public and social risk, and consequences of infrastructure, procedural and supply failure

3. Identified Assets

This Policy is directed primarily at the following gas licensees and gas infrastructure.

- Pipelines licensed in accordance with the *Gas industry Act 2019*
- Pipeline facilities as defined in the Gas Safety Act 2019
- Retailers licensed in accordance with the *Gas industry Act 2019*
- Complex gas installations where a Safety Management Plan was a Director of Gas Safety condition of acceptance in accordance with the *Gas Safety Act 2019*

4. Further detail.

The Office of the Director of Gas Safety recognises that asset safety and integrity management documentation is primarily based on the requirements of legislation, relevant standards and the asset life-cycle phase. This policy endeavours to approach auditing in the same manner.

The principles of asset management and auditing apply to all assets, gas entities and licensees. They do not however apply equally. The size and scale of the asset and risks associated with the asset or operation will dictate the extent and degree to which a particular criterion is audited. Audit objectives and scope will generally concentrate on areas of the asset or operation that generate a significant portion of the associated risk, and those control measures that have the most influence on risk.

Audits shall assess how effectively the safety management system, including its structure, policies, planning activities, resourcing, operating procedures and work practices combine together to manage the risks associated with operating gas infrastructure. Audits are not designed to measure the performance of individuals working within the system.

5. Records

Gas standards and safety will record and consolidate information gathered during audits to monitor compliance with the legislation, standards and the ongoing implementation and compliance with safety cases.

The tracking of investigations and incident notifications, non-conformances together with audit strategy and enforced performance statistics will enable this office to undertake reviews and implement informed decisions to improve the performance of the audit program.

The Directors review may include decisions to revise policies and priorities to ensure the positive outcomes this policy seeks to achieve.

6. Auditing

6.1 Definitions

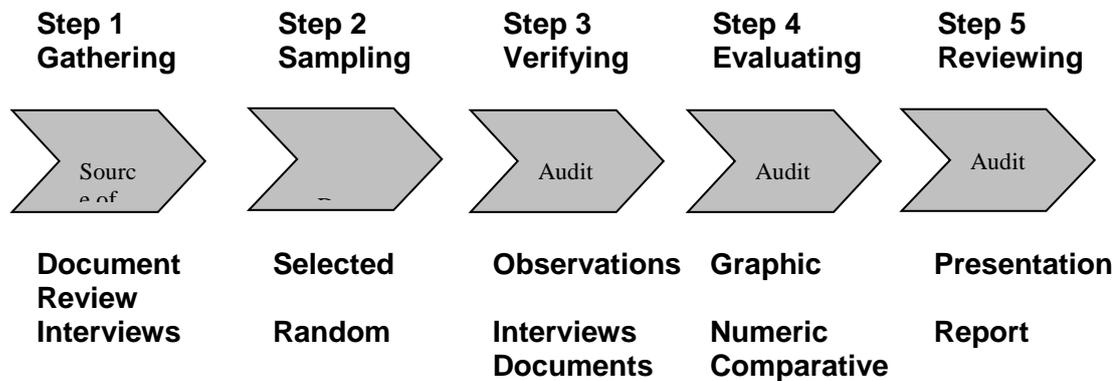
Audit: the systematic, independent and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled (ISO 19011)

Audit Objective: defines what is to be accomplished by the audit.

Audit Scope: defines the extent and boundaries of an audit including such things as physical locations, organisational units, activities and processes to be audited.

Audit Criteria: Reference against which conformity is determined such as specific clauses/sections of policies, procedures, legislation and standards.

6.2 Audit Process



Gathering: This step involves identifying the source of information (by means of information requests and interviews) pertaining to the audit scope.

Sampling: Taking into consideration the quantity of evidence, time and other restraints it is rarely possible to gather, review and analyse all the available information. Subsequently the use of statistically based sampling techniques (e.g. Simple random sampling, cluster sampling etc) is an important step in obtaining data that can be used to develop unbiased, supportable conclusions.

Verifying: Verification is achieved by obtaining the source documentation, conducting additional interviews, or by direct observation. Information is validated or supported before being evaluated. Verifiable data or information is called audit evidence.

Evaluating: This step involves the analysis of the audit evidence to identify any deviations from audit criteria.

Reviewing: The audit results, conclusions are documented in a report. The report is presented to the auditee so they can gain understanding, acceptance, and support of the underlying findings, resulting conclusions, and actionable recommendations

6.3 Internal Audits

The *Gas Safety Act* specifies that gas licensees must have the implementation of its safety case audited as required by the Director of Gas Safety.

The Office of the Director of Gas Safety expects gas licensees to conduct this internal audit annually on or around the anniversary that the safety case was last accepted by the Director of Gas Safety.

Within 14 days of receiving an audit report, the gas licensee must submit a copy of it to the Director of Gas Safety.

6.4 Regulatory Audits

It is the intention of the Office of the Director of Gas Safety to conduct audits of gas licensees annually.

Regulatory audits will be conducted by appropriately qualified and experienced personnel.

The proposed scope and criteria of planned audits will be set by the lead auditor and agreed in consultation with the Director and/or Assistant Director Gas Safety during annual planning activities.

Reactionary audits will be used when statistical trends, performance or specific areas of a gas entities or licensees business are identified as an unacceptable threat during normal regulatory administration.

The basis for planned and reactionary audits will be the relevant legislation, safety cases, standards and commitments made by the gas licensee regarding non-conformities identified at previous audits. Consideration will also be given to investigations and incident notifications.

6.5 Benchmark Audits

Initially the Office of the Director of Gas Safety will conduct benchmark audits to ensure gas entities are managed and operated in accordance with technical and safety requirements imposed under the relevant regulations. In the instance of major legislative, technical standard, management system, organisational and procedural changes there may be a need to re-conduct benchmark audits.

6.6 Subsequent Audits

Research and analysis of gas infrastructure incidents conducted by PRCI (Pipeline Research Council International) will provide guidance for the development of abiding risk based audits. The root cause of gas infrastructure failure has been grouped into the following nine categories:

THREAT	Consequential Failure
Third Party Damage	Third party inflicted damage (instantaneous/immediate fail) Previously damaged infrastructure (Delayed failure mode) Vandalism.
Corrosion	Internal External
Miscellaneous equipment and Pipe	Gasket O-ring failure Striped threads/coupling failure Control/Relief equipment failure Seal/packing failure Wrinkle bend or buckle
Incorrect operation	Incorrect gas licensee procedures
Weather	Cold weather Lighting Heavy rain or floods
Manufacturing related defects	Defective pipe seam Defective pipe
Welding/Fabrication	Defective pipe seam Defective pipe

Outside forces	Earth movement
Environmental cracking	Stress corrosion cracking

The Office of the Director of Gas Safety will use industry best practises and prescribed standards to identify, detect and mitigate against each of the gas infrastructure threats and develop a foundation for developing audit scope whilst utilising both risk and lifecycle based development approach

The second step will be to define the threats applicable to the gas infrastructure/gas licensee under consideration.

Thirdly, audit criteria will be established utilising the requirements of administrative policies, procedures, legislation, standards relevant to the particular audit scope.

7. Audit Planning

7.1 Pre audit meeting

A discussion between the Office of the Director of Gas Safety and a Gas Licensee should take place approximately 1 month before a proposed audit. At this meeting the following topics need to be agreed and established

- Audit Objectives
- Audit Scope including extent and boundaries of the audit, physical locations, organisational units, activities and processes to be audited.
- Audit timetable and composition of audit team
- Communication channels with the gas licensee representative
- Proposed interviewees including their availability
- Access to relevant documentation including records
- Applicable site safety considerations
- Attendance of observers
- Reporting

7.2 Audit Plan

An audit plan will be prepared by the Lead Auditor to provide the basis for agreement of the matters discussed at the pre-audit meeting. The audit plan will cover and confirm:

- audit objectives and scope
- dates and locations where audit activities are to be conducted
- the expected time and duration of audit activities, including meetings with gas licensee management
- identification of auditee's representatives for the audit
- audit reporting
- logistical arrangements (travel, facilities)
- confidentiality
- audit follow up actions

8. Conducting an audit

8.1 Opening Meeting

An opening meeting should be formal with an attendance register recorded. The meeting will be chaired by the lead auditor, and the following items should be considered where appropriate:

- Introduction of the audit participants including an outline of their roles
- Confirmation of audit objective and scope
- Confirmation of the audit timetable including date and time of the closing meeting, any interim meetings between the Office of the Director of Gas Safety and the gas licensee management and any late changes.
- Methods and procedures to be utilised in conducting the audit, including clarification that the audit evidence will only be based on the information available.
- Confirmation of formal communication channels
- Confirmation that the resources and facilities needed by the Office of the Director of Gas Safety are available
- Confirm matters in relation to confidentiality
- Confirmation of relevant work safety, emergency and security procedures
- The method of reporting , including any grading of non-conformances
- Information about conditions under which the audit may be terminated
- Information about the appeals provision in the relevant legislation on conclusions of the audit

8.2 Gathering evidence

During the audit, evidence relevant to the audit objectives, scope and criteria shall be collected and recorded using an audit checklist that utilises legislation, standards, policies and procedures as a reference

Only information that is verifiable will be used as audit evidence
Audit evidence will be collected by interviewing people, reviewing documents and observing processes.

Where an audit exposes a matter for concern outside the scope or criteria of the audit plan, the lead auditor will review and if appropriate revise the plan, during the conduct of the audit. The auditee will be made aware of any audit plan revisions from the lead auditor as soon as reasonably practicable.

8.3 Evaluating Evidence

The audit team will meet to collate, discuss and evaluate the observations and evidence gathered during the audit and decides if the audit evidence collected proves conformity with the requirements of the audit criteria.

8.4 Closing meeting

Closing meetings will be held at the end of an audit and all positive and negative audit findings will be communicated for discussion.

The auditee and the auditor should endeavour to agree and sign off on any non-compliance issues found including remedial timeframes.

9. Audit Report

An audit report that summarises the audit findings will be prepared by the lead auditor and supplied to the gas licensee within 21 days of the audit. The report will contain a short synopsis of the audit findings including how well the gas licensee is meeting its obligations.

Non-conformance details will be attached to the report on a separate form. Each non-conformance will contain a statement of reason for decision which will include an outline of how conclusions were reached, an overview of the evidence gathered (or in some cases the lack of evidence) and the specific obligation, for example clause/section numbers from legislation, technical standard, safety case or procedure.

Depending on the nature and severity of any non-conformance identified the Office of the Director of Gas Safety will also issue in conjunction with the non-conformance report one of the following types of enforcement actions including proposed date of effect.

- A direction pursuant to the *Gas Safety Act 2019* for the gas licensee to rectify a non-conformance. Likely to be applied in the instance when the Director believes the non-conformance is sufficiently addressed within the gas licensee's safety case.
- A requirement pursuant to the *Gas Safety Act 2019* for a gas licensee to submit a revised safety case setting out the matters to be dealt with. Likely to be applied in the instance when the Director believes the non-conformance is not sufficiently addressed within the gas licensee's safety case.
- Indication that investigations are continuing into a significant breach of the relevant legislation with a view to prosecution

10. Administrative review and appeal

10.1 Administrative review

In the event that the auditee and auditor cannot achieve agreement at an audit closing meeting and an auditee is not satisfied with the adequacy of the audit evidence gathered or is aggrieved by the audit findings delivered by an auditor, including any remedial corrective action timeframes imposed an auditee can, within the time frame prescribed within the *Gas Safety Act 2019*, apply to the Director of Gas Safety for an administrative review of a decision

10.2 Administrative Review Process

After considering an application for administrative review, after taking any advice, if any, that the Director of Gas Safety thinks appropriate, the Director may confirm, amend or revoke the relevant administrative decision.

The Director of Gas Safety has a statutory obligation to provide an administrative review applicant written notice of his or her decision on their application as soon as practicable. A notice will notify the applicant of the determination made, the findings on material questions of fact, the evidence or material on which findings are based and the reasons for the determination.

An application for an administrative review of a decision does not postpone the effect of the reviewable administrative decision unless the operation of the decision is stayed by the Director of Gas Safety. The Director of Gas Safety will not grant a stay of operation if, in his or her opinion the effect of a stay will create a risk to public safety or allow a risk to public safety to continue.

The Director of Gas Safety may refer an application for an administrative review to a review panel or mediator. If a review panel or mediator achieves an agreed settlement of the matter to which the application relates, the Director of Gas Safety must determine the application in accordance with the agreed settlement unless the Director of Gas Safety has delegated his or her power to review decisions to a review panel or a mediator.

10.3 Lodgement of Application for Administrative Review

An application for an administrative review must be in writing and must set out in detail the grounds on which the gas licensee asks for administrative review of the decision.

An application for an administrative review of a decision must be made within 28 days after the date when the audit report was given to the licensee.

10.4 Submission of Revised Safety Case

Additional to an application for an administrative review, if an audit corrective action requires a gas licensee to submit a revised safety case, the gas licensee may make a submission to the Director of Gas Safety that the revision should not occur, that the revision should be in different terms from the proposed terms and/or that the revision should take effect on a later date than the proposed date of effect.

The submission must be in writing and must state the gas licensee's reasons for the submission.

A submission must be made within the 28 days prescribed within the *Gas Safety Act 2019*, after the date when the audit report was given to the gas licensee.

10.5 Appeals

A gas licensee who is dissatisfied with a decision made by the Director of Gas Safety on administrative review may appeal against the decision to the Minister.

10.6 Appeal Process

On an appeal, the Minister may confirm the decision under appeal, set aside the decision and substitute another decision or set aside the decision and remit the issue to the Director of Gas Safety with any directions that the Minister thinks fit. The Minister may give ancillary directions to deal with incidental matters.

No appeal lies from the decision of the Minister on an appeal

The Minister to whom an appeal is made may stay the effect of a decision that is subject to appeal. The Minister will not grant a stay of operation if the Director is of opinion that the effect of a stay would be to create a risk to public safety or to allow a risk to public safety to continue.

The Minister will notify the appellant of the decision made on the appeal, the findings on the material questions of fact, the evidence or other material on which the findings are based and the reason for the decision.

The Minister may refer a decision on a technical or complex matter to a Tribunal if the Minister considers it appropriate to do so. The tribunal must hear and determine the matter in accordance with the Resource Management and Planning Appeal Tribunal Act 1993. The tribunal will include one or more members that in the Minister's opinion have wide practical knowledge and experience relevant to the gas industry or maintenance and operation of pipelines.

10.7 Lodgement of an Appeal

An appeal to the Minister must be in writing and must specify the reasons for the appeal.

An appeal must be made within 14 days after the day on which the gas licensee is notified of the decision on the relevant administrative review. The Minister may extend the 14 day period for making an appeal.