



Natural
Resources
Commission

Audit scope and plan – Water sharing plans

September 2023

Enquiries

Enquiries about this report should be directed to:

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| Name | Alex Benecke |
| Phone | (02) 9228 4844 |
| Fax | (02) 9228 4970 |
| E-Mail | nrc@nrc.nsw.gov.au |
| Postal address | GPO Box 5341, Sydney NSW 2001 |

Acknowledgement of Country

The Natural Resources Commission acknowledges and pays respect to traditional owners and Aboriginal peoples. The Commission recognises and acknowledges that traditional owners have a deep cultural, social, environmental, spiritual and economic connection to their lands and waters. We value and respect their knowledge in natural resource management and the contributions of many generations, including Elders, to this understanding and connection.

List of acronyms

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| ASAE | Australian Standards on Assurance Engagements |
| ASQM | Australian Standard on Quality Management |
| DPE | Department of Planning and Environment (NSW) |
| EHG | Environment and Heritage Group, a division of DPE |
| NRAR | Natural Resources Access Regulator |

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Table of Contents

| | |
|---|------------------------------|
| 1. Principles of the Act | Error! Bookmark not defined. |
| 2. Objective and scope | 2 |
| 3. Exclusions | 4 |
| 4. Approach | 5 |
| 5. Indicative timing | 6 |
| 6. Governance and communications | 7 |
| 7. Document control | 8 |

1 Principles of the Act

The Natural Resources Commission (Commission) will undertake audits of each water sharing plan, within the first five years of the plans¹, in accordance with section 44 of the *Water Management Act 2000*.

Section 9 of the Act states:

- (1) It is the duty of all persons exercising functions under this Act:*
- (a) to take all reasonable steps to do so in accordance with, and so as to promote, the water management principles of this Act, and*
 - (b) as between the principles for water sharing set out in section 5 (3), to give priority to those principles in the order in which they are set out in that subsection.*
- (2) It is the duty of all persons involved in the administration of this Act to exercise their functions under this Act in a manner that gives effect to the State Water Management Outcomes Plan'*

In addition, section 5 (3) of the Act states the following in relation to water sharing –

- (a) sharing of water from a water source must protect the water source and its dependent ecosystems, and*
- (b) sharing of water from a water source must protect basic landholder rights, and*
- (c) sharing or extraction of water under any other right must not prejudice the principles set out in paragraphs (a) and (b).*

Section 9 of the Act applies to the Commission as auditor under the Act, as well as it applies to those organisations the Commission audits.

Part 3 of the Act specifies where provisions of water management plans must be consistent with, or may contain measures to give effect to, the water management principles of the Act. The Commission's audits of water management plans under Section 44 of the Act provide assurance as to whether plan provisions – which may include provisions related to the water management principles - are being given effect to. This helps to support the implementation of water management principles of the Act.

¹ Based on the date these plans were deemed to have commenced under the *Water Management Act 2000*.

2 Objective and scope

The objective of these audits is to determine whether the provisions of each water sharing plan have been given effect to.

The audits will focus on current performance. However, the audit team may consider evidence at any point over the first five years of each plan through to the date of initial data request that will be sent to auditees via email.

The water sharing plans due to be audited are:

- Upper Namoi and Lower Namoi Regulated River Water Sources 2016
- Lachlan Regulated River Water Source 2016
- Murrumbidgee Regulated River Water Source 2016
- NSW Murray and Lower Darling Regulated Rivers Water Sources 2016
- Macquarie and Cudgegong Regulated Rivers Water Source 2016
- Gwydir Regulated River Water Source 2016
- Hastings Unregulated and Alluvial Water Sources 2019
- Paterson Regulated River Water Source 2019
- Gwydir Alluvial Groundwater Sources 2019
- Lachlan Alluvial Groundwater Sources 2019
- Macquarie-Castlereagh Alluvial Groundwater Sources 2019
- Murray Alluvial Groundwater Sources 2019
- Murrumbidgee Alluvial Groundwater Sources 2019
- NSW Border Rivers Regulated River Water Source 2019
- NSW Great Artesian Basin Groundwater Sources 2020
- NSW Great Artesian Basin Shallow Groundwater Sources 2020
- NSW Murray Darling Basin Fractured Rock Groundwater Sources 2020
- Darling Alluvial Groundwater Sources 2020
- Bellinger River Area Unregulated and Alluvial Water Source 2020

The objective will be addressed with the following audit criteria:

- **Criterion 1:** The relevant responsible parties have implemented plan provisions relating to vision, objectives, strategies and performance.
- **Criterion 2:** The relevant responsible parties have implemented the system operation rules as set out in the plan (note that this criterion is only relevant to some plans and may include environmental provisions where they are separated out from systems operations)
- **Criterion 3:** The relevant responsible parties have implemented plan provisions relating to limits to the availability of water, specifically long-term average annual extraction limits
- **Criterion 4:** The relevant responsible parties have implemented plan provisions relating to limits to the availability of water, specifically available water determinations

- **Criterion 5:** The relevant responsible parties have implemented plan provisions relating to granting access licences
- **Criterion 6:** The relevant responsible parties have implemented plan provisions relating to managing access licences
- **Criterion 7:** The relevant responsible parties have implemented plan provisions relating to rules for water supply work approvals
- **Criterion 8:** The relevant responsible parties have implemented plan provisions relating to access licence dealing rules
- **Criterion 9:** The relevant responsible parties have implemented plan provisions relating to mandatory conditions
- **Criterion 10:** The relevant responsible parties have implemented plan provisions relating to amendments (where these are not optional)

If warranted, the Commission may change the scope or criteria outlined above during the audits. Should this be necessary, the Commission will consult with the relevant auditees.

3 Exclusions

The audits will **not**:

- provide an assessment against all provisions in each plan, but will include select priority provisions based on risk
- examine all parts of each water sharing plan, specifically:
 - Introduction (Part 1). The information contained in this part will be used to provide context for the audit and to inform the examination of the auditable parts.
 - Bulk access regime and Environmental water (typically Parts 3 and 4). This is because provisions within these parts refer to other parts of each water sharing plan. These parts will be examined through the audit procedures relevant to the other operative plan parts.
 - Requirements for water (typically Part 5). This part details the estimated share components for each licence category at the commencement of each plan and does not have any auditable provisions.
- provide an opinion regarding compliance of holders of Water Access Licences, works approvals or any other regulatory instruments issued under the *Water Management Act 2000*
- provide an opinion as to whether the plans are being implemented efficiently, or whether they are achieving environmental, social, or economic outcomes, stated visions, objectives or performance indicators
- provide an opinion as to whether the plan provisions are effective, appropriate or in line with the *Water Management Act 2000* or other relevant legislation.

In some cases, to provide context, the Commission may provide some comment on the above exclusions.

4 Approach

The audits will be conducted in accordance with the ASAE 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information and ASAE 3100 for specific Compliance Assurance Engagements.

In addition, the audit will be carried out in accordance with Auditing Standard ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, and ASA 102 Auditing Standard ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements. ASA 102 requires auditors to have regard to applicable requirements of APES 110 Code of Ethics for Professional Accountants.

Individual audit plans will be set up for each water sharing plan, which will include:

- a risk-based approach considering unique risks of each water sharing plan and part, which will inform the audit focus for each plan.
- specific audit tests and evidence gathering procedures.

Audit procedures may include:

- document review (either written documents or numerical data) including overarching frameworks, procedures, guidelines, manuals and policies, and reporting.
- interviews with process owners, implementors and users including the Department of Planning and Environment (DPE) - Water, Natural Resources Access Regulator (NRAR), WaterNSW
- interviews with other stakeholders that may include licencees, if named specifically in the plan, or other groups involved in implementation such as DPE - Environment and Heritage Group (EHG)
- walk-throughs of material activities (may include systems and processes with system implementors, owners or users)
- observations of material activities in operation

These procedures will be carried out on a test basis to provide sufficient appropriate evidence on which to base a conclusion.

These audits will be limited assurance engagements. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The audit cannot therefore be relied on to comprehensively identify all weaknesses, improvements or areas of non-compliance. Inherent limitations mean that there is an unavoidable risk that some material matters may not be detected, despite the audit being properly planned and executed in accordance with Australian Auditing Standards.

5 Indicative timing

The audits will commence in May 2021. Specifically, indicative timing is as follows (for the Namoi only):

- May 2021- initial document request
- June 2021- interviews commence (follow up data requests)
- Prior to December 2021 debriefs and draft reports are likely to be with the agencies, however detailed timing is still to be worked out and will be communicated to the Audit Process Stakeholder Group and audit coordinators in due course.

The other water sharing plan audits will commence subsequently, with timeframes to be confirmed with audit coordinators in the near future.

6 Governance and communications

The primary contact for the audits will be the Audit lead: Guy Ohandja.

Audit coordinators have been provided for each agency. These personnel will be the primary point of contact for the audit. These personnel will be expected to:

- attend meetings (opening meeting, debrief meeting post document review, debrief meeting post interviews, debrief meeting on audit process post final report issue)
- coordinate document requests
- provide consolidated comments from the agency on the draft reports
- be the primary liaison point with the Commission throughout the audit process.

A document transfer platform will be agreed between parties. This will be agreed at the opening meeting.

Due to COVID-19 communication will be virtual, either via mobile phone or via whatever virtual meeting method is appropriate for an interview. It may be necessary to arrange a platform where screen sharing is available to support some interviews (for example a walk-through of processing of approval applications on an agency system).

7 Document control

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| Date approved | September 2023 |
| Review period | Periodical |
| Next revision | As required |
| Responsible Officer | Executive Director |
| Changes made during the last revision | Addition of: - Enquiries, Acknowledgement of Country, List of Acronyms, Departmental names, Document Number, ISBN - Table of Contents - Principles of the Act including Section 9 duties. Updated Audit lead contact. |