



Audit plan– Water sharing plans

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

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 prior to June 2021 are:

- Brunswick Unregulated and Alluvial 2016
- Clarence Unregulated and Alluvial 2016
- Clyde River Unregulated and Alluvial 2016
- Deua River Unregulated and Alluvial 2016
- Hunter Regulated River 2016
- Macleay Unregulated and Alluvial 2016
- North Coast Coastal Sands Groundwater 2016
- North Coast Fractured and Porous Rock Groundwater 2016
- Snowy Genoa Unregulated and Alluvial 2016
- South Coast Groundwater 2016
- Tuross River Unregulated and Alluvial 2016
- Nambucca River Unregulated and Alluvial 2016

The objective will be addressed with the following audit criteria:

- Criterion 1: The relevant Government agencies have implemented plan provisions relating to vision, objectives, strategies and performance.
- Criterion 2: The relevant Government agencies have implemented the system operation rules as set out in the plan (note that this criterion is only relevant to some plans)¹
- Criterion 3: The relevant Government agencies have implemented plan provisions relating to limits to the availability of water, specifically long-term average annual extraction limits

¹ Hunter Regulated River 2016, Macleay Unregulated and Alluvial 2016 and Tuross River Unregulated and Alluvial 2016
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- Criterion 4: The relevant Government agencies have implemented plan provisions relating to limits to the availability of water, specifically available water determinations
- Criterion 5: The relevant Government agencies have implemented plan provisions relating to granting access licences
- Criterion 6: The relevant Government agencies have implemented plan provisions relating to managing access licences
- Criterion 7: The relevant Government agencies have implemented plan provisions relating to rules for water supply work approvals
- Criterion 8: The relevant Government agencies have implemented plan provisions relating to access licence dealing rules
- Criterion 9: The relevant Government agencies have implemented plan provisions relating to mandatory conditions
- Criterion 10: The relevant Government agencies have implemented plan provisions relating to amendments (where these are not optional) and there is evidence that identified amendments (which may include optional amendments) have been given due consideration.

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.

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.

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 ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.

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 Primary Industries and the Environment (DPIE) - 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 DPIE - Environment, Energy and Science
- 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.

Indicative timing

The audits will commence in April 2020 and be finalised by June 2021. Specifically, indicative timing is as follows:

- April 2020- initial document request (data to be provided by 11 May).
- June 2020- call to discuss document request findings.

- June 2020- interviews commence (follow up data requests).
- November- December 2020- close out meeting to be held with the agencies
- February-March 2021- draft audit reports submitted to the agency for review.
- June 2021- A final report will be provided to the Minister for Water that covers each water sharing plan.
- December 2021 (latest)- reports published on the Commission's website (or sooner if management response received sooner)

Governance and communications

- The primary contact for the audits will be the Audit lead: Marguerite Collins.
- 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).