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# Audit and Assurance Work Program 2020–21

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### Acknowledgement of the Traditional Owners of the Murray–Darling Basin

The Murray–Darling Basin Authority pays respect to the Traditional Owners and their Nations of the Murray–Darling Basin. We acknowledge their deep cultural, social, environmental, spiritual and economic connection to their lands and waters.

The guidance and support received from the Murray Lower Darling Rivers Indigenous Nations, the Northern Basin Aboriginal Nations and our many Traditional Owner friends and colleagues is very much valued and appreciated.

Aboriginal people should be aware that this publication may contain images, names or quotations of deceased persons.

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# Introduction

This work program sets out the audit and assurance activities the Murray–Darling Basin Authority (MDBA) is planning to undertake in the 2020–21 water year. The audit and assurance work program is consistent with the MDBA’s [Compliance priorities 2020–21](#) and is an important element of the MDBA’s broader program to monitor Basin Plan implementation and compliance.

The activities set out in this work program are designed to:

- Examine the governance and management of compliance risks associated with implementing the Basin Plan and associated state Water Resource Plans (WRPs).
- Complement other compliance and assurance activities, including those that Basin states may undertake in implementing the Basin Plan and their accredited WRPs.

Each year, as part of its annual audit planning process, the MDBA reviews information from a variety of sources to identify potential audit topics. This includes schedules of activity for Basin Plan implementation, the outcomes of previous audits and reviews, compliance reports and allegations, Basin state publications, and discussions with Basin states about their activities and priorities.

The MDBA also considers whether there have been significant changes to the compliance environment, compliance risks or other assurance mechanisms. Finally, the MDBA seeks the advice of the Independence Assurance Committee<sup>1</sup> regarding the overall program and relevance of each audit topic against the strategic priorities and compliance risks.

In 2020–21, the MDBA will focus its audit efforts on the five key priority areas as identified in the MDBA 2020–21 compliance priorities (see Table 1). The program also includes activities that address compliance improvement and Basin Plan implementation more generally.

Table 1: MDBA’s 2020–21 compliance priorities.

Compliance priority 2020–21
Water resource plan (WRP) compliance
Unauthorised water take
Protection of environmental water
Sustainable Diversion Limit (SDL) compliance
Water markets and Trade

## Types of assurance activity

The MDBA undertakes three different types of audit and assurance activities:

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<sup>1</sup> The Independent Assurance Committee provides expert advice to the MDBA on its compliance program and holds the MDBA to account in discharging its regulatory roles and responsibilities.

- **Compliance audit:** Compliance audits generally assesses compliance against prescribed legislative requirements, documented policies or procedures. Findings will generally identify whether or not specific requirements have been met.
- **Performance audit:** Performance audits focus on elements of performance such as the efficiency or effectiveness of a function, activity, or process. Performance audit may be less prescriptive than a compliance engagement, and often identify areas for improvement or assessments against best practice or performance benchmarks.
- **Assurance Review:** Assurance reviews may involve making enquiries and analysing information or procedures to provide confidence that activities or actions have been undertaken as intended. Assurance reviews are generally less detailed and provide a lower level of assurance than an audit.

The nature of the subject matter together with the level of risk help inform the type of assurance activity the MDBA will use. For example, while an assessment on metering and measurement is important, if it is being undertaken in an area involving low volumes of water, the level of risk may be considered low and therefore an assurance review may be better suited than an audit. Similarly, assurance reviews may also be more suitable where the MDBA is wanting to provide confidence around progress towards commitments that do not involve strict legislative requirements.

## Follow up on previous Recommendations

For assurance activity to be as effective as possible, recommendations need to be implemented. The MDBA audit and assurance program therefore includes, where appropriate, ongoing reviews to assess whether previous recommendations have been implemented effectively, and whether any follow up action is required.

# Audit and Assurance Work Program 2020–21

The MDBA’s annual assurance plan is listed below. The proposed assurance activities are described at a high level. The MDBA will refine and amend the scope of each activity, subject to considering risks and the compliance environment at the time of planning, to ensure appropriate risks are addressed.

The work program includes 11 potential engagements, comprising five compliance audits, four performance reviews and two assurance reviews. Compliance audits and performance reviews are aligned with the MDBA annual compliance priorities and assurance reviews are related to Basin states commitments.

Ref no.	Planned engagement	Scope	Legislation and Rationale	Link to annual priority
2021–01	<b>Condamine–Balonne (groundwater/surface water) – Queensland</b>	To assess the implementation of requirements in the Condamine– Balonne WRP to ensure protection of environmental water, including the operation of and compliance around announced periods for water take.	<i>WRP – Basin Plan sections 10.09, 10.28 and 10.46 regarding the protection and monitoring of environmental water</i>  The Condamine–Balonne WRP implements the Northern Basin toolkit measures to improve the protection of environmental water through announced periods. The operation of announced periods also helps to protect the remaining water within the system, including low flows.	WRP compliance  Protection of environmental water
2021–02	<b>Australian Capital Territory (ACT) Water Resource Plan for surface water and ground water</b>	To review the ACT’s implementation of the AS4747 metering standards in accordance with the ACT WRP.  The requirements to meet AS4747 metering standards are set out in the ACT’s <i>Water Meter Installation, Maintenance and Replacement Guideline</i> . This is also a commitment under the Murray–Darling Basin Compliance Compact.	<i>WRP – Basin Plan section 10.44 – Information relating to measuring take (water access rights)</i>  Commitment to implement AS4747 standards is an important part of the metering reforms committed to in the Compliance Compact. While the volume of use in the ACT may not be large, it is	WRP compliance  SDL Compliance

Ref no.	Planned engagement	Scope	Legislation and Rationale	Link to annual priority
		The MDBA has committed to reviewing metering arrangements in each Basin jurisdiction.	important to ensure all jurisdictions are implementing the reforms.	
<b>2021-03</b>	New South Wales Stage 1 Non-Urban Water Metering Framework implementation	<p>To assess the roll out of the NSW metering policy as per the Murray-Darling Basin Compliance Compact.</p> <p>This review will focus on the specific commitment to ensure that highest risk take, including large users in the Barwon -Darling will be accurately metered and telemetered by December 2020 (delayed from the original date of 2019 due to drought).</p>	<p><i>NSW MDB Compliance Compact commitment 3.1</i></p> <p>The installation and use of Pattern Approved meters to measure water use is critical in providing confidence in water management. The commitment to ensure highest risk use is metered in the first stage is an important measure of progress.</p>	<p>Unauthorised water take</p> <p>SDL Compliance</p>
<b>2021-04</b>	<b>Planning and management of environmental water in the southern connected Basin – Southern Spring Flow Event 2019</b>	<p>To assess how well the 2019 Southern Spring Flow Event in the Southern Basin adhered to the Basin Plan environmental watering principles.</p> <p>In particular, this audit will consider alignment of the watering event with the Basin annual environmental watering priorities, together with the principles of maximizing environmental benefit, working with local communities and applying adaptive management.</p>	<p><i>Basin Plan Chapter 8, Part 4, Division 6 – Environmental watering principles</i></p> <p>There is a high level of community interest in knowing that environmental water is being well managed.</p> <p>Communities have called for greater transparency around how environmental watering decisions are made, including how communities and traditional owners are involved, as well as understanding the benefits and outcomes of environmental watering.</p> <p>This audit will help assess if environmental watering events are being planned and undertaken in accordance with key principles and</p>	<p>Protection of environmental water</p>

Ref no.	Planned engagement	Scope	Legislation and Rationale	Link to annual priority
			whether there are areas for improvement.	
2021-05	<b>New South Wales Prerequisite Policy Measures implementation</b>	To determine whether the NSW's Prerequisite Policy Measures (PPMs) are being implemented effectively.  This will include implementation of the legislative and operational rule changes outlined in the NSW PPMs and the associated improvement program.	<i>Basin Plan s 7.15 requires implementation of PPMs as an integral part of the SDL adjustment mechanism.</i>  The MDBA has assessed PPMs as having been appropriately implemented in state water management frameworks as of 1 July 2019.	Protection of environmental water
2021-06	<b>South Australian Prerequisite Policy Measures implementation</b>	To determine whether the SA's Prerequisite Policy Measures (PPMs) are being implemented effectively.  This will include implementation of the legislative and operational rule changes outlined in the SA PPMs and the associated improvement program.	These measures are a critical part of maximising the use and outcomes of environmental water.  It is therefore important to ensure the measures have been incorporated into states protocol manuals and legislation and are operating as intended.	Protection of environmental water
2021-07	<b>Victoria Prerequisite Policy Measures implementation</b>	To determine whether the VIC's Prerequisite Policy Measures (PPMs) are being implemented effectively.  This will include implementation of the legislative and operational rule changes outlined in the VIC PPMs and the associated improvement program.		Protection of environmental water
2021-08	<b>Sustainable Diversion Limit Adjustment Mechanism (SDLAM) project assurance</b>	To assess the progress of SDLAM projects and milestones to determine whether projects are on-track to be delivered and operational by June 2024.	<i>Basin Plan Chapter 7 allows the adjustment of the SDL.</i>  In 2024, the MDBA may need to make a reconciliation adjustment if the SDLAM projects have not been implemented as planned. Public monitoring of project progress is important part of taking a "no surprises" approach to help ensure	Basin Plan Implementation

Ref no.	Planned engagement	Scope	Legislation and Rationale	Link to annual priority
			the MDBA is acting as a transparent and informed regulator.	
2021-09	<b>Irrigation Infrastructure Operators – Must give reasons for restricting trade of water delivery rights</b>	<p>To assess whether irrigation infrastructure operators (IIOs) are meeting Basin Plan requirements to give reasons for restricting trade of water delivery rights.</p> <p>Clarity around the reasons for restricting trade is important for market transparency and confidence. This audit will select an IIO and look at how well they are meeting this Basin Plan requirement. (Basin Plan s12.30).</p>	<p><i>Basin Plan s 12.30</i></p> <p>IIOs play a key role in water delivery in some areas of the Basin and have a number of important obligations under the Basin Plan. This audit is a first step in examining IIO compliance with the Basin Plan water trading rules. The MDBA will select a major IIO to conduct this audit.</p>	Water trade compliance
2021-10	<b>Approval Authority – Disclosure of interests when processing water trades</b>	<p>To assess whether water trade Approval Authorities are conforming with Basin Plan requirements around disclosing their interests when processing water trades.</p> <p>Basin Plan requirements around disclosing interests (Basin Plan section 12.37-12.38) are designed to promote market confidence and integrity. The audit will select a water trade Approval Authority and look at how well they are meeting these requirements.</p>	<p>Basin Plan s12.37-12.38</p> <p>Water trade Approval Authority's have a number of important obligations under the Basin Plan, including in relation to rules around providing integrity and confidence to the market.</p> <p>The MDBA will select a major Approval Authority to conduct this audit.</p>	Water trade compliance
2021-11	<b>Basin Compliance compact assurance</b>	<p>Assessment of Basin states progress in delivering the Basin Compliance compact (the Compact) commitment actions.</p>	<p><i>MDB Compliance Compact Part D</i></p> <p>The Compact contains commitments to annual reporting and assurance, to ensure parties to the compact are undertaking the actions as agreed.</p>	Compliance improvement

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