

Independent Assurance Committee on Compliance

Report to the Authority from the third meeting of the Independent Assurance Committee – 31 May 2018

1. This Report

The Independent Assurance Committee (IAC) met for the third time on Thursday, 31 May 2018. Authority member, George Warne, and Carl Binning, as acting Chief Executive of the Murray-Darling Basin Authority (MDBA), participated in the meeting, along with a number of MDBA staff. IAC member, Lisa Corbyn, provided written input as she was an apology for the meeting.

2. Benchmarking Workshop

IAC members attended a workshop on the day prior to the formal IAC meeting to discuss how compliance benchmarking might be implemented to achieve acceptable levels of compliance practice across Basin States. The workshop was very productive and provided the basis for the MDBA to develop a benchmarking tool.

3. MDBA Compliance and Enforcement Policy and Workplan

The MDBA's revised Compliance and Enforcement Policy (Policy) is in a suitable form to be approved by the Authority. It is a working document that will be amended as the MDBA's approach evolves and adapts. The Policy outlines the six compliance themes –

1. Water Resource Plan (WRP) assessment and WRP compliance
2. Sustainable Diversion Limit (SDL) compliance, including measurement
3. Compliance and enforcement of water take
4. Planning and protection of environmental water
5. Water trade
6. Water quality and salinity

The IAC noted the importance of metering and measurement to achieving compliance across a number of these themes, and recommended that the MDBA add metering and measurement as a seventh cross-cutting theme in the Policy.

The MDBA Office of Compliance workplan uses the same architecture to organise activity and is developing into a very useful tool to manage the compliance work of the MDBA. Further work is required to reinforce its importance within the MDBA as the guiding document for work accountability.

4. Water Resource Plan Accreditation

The risk of WRPs not being accredited by the 30 June 2019 deadline has been recognised for a considerable time. The Murray-Darling Basin Water Compliance Review completed in late 2017 drew particular attention to this matter, and its mitigation is one of the important measures in the “yet to be signed” Basin Compliance Compact. Whilst WRP accreditation has been examined thoroughly by the MDBA, the IAC raised its concern as to whether the MDBA can demonstrate that it has done all in its power to ensure the deadline is met. The basis of the concern is that public confidence in the Basin Plan and Basin governance will be further eroded if WRPs are not accredited on time.

The acting Chief Executive of the MDBA advised that a number of measures had already been put in place and that further steps were being considered. However, he acknowledged that a formal mitigation strategy should be considered by the Authority and indicated a draft would be available in early August 2018.

5. Water Trade

The IAC received a presentation on the MDBA’s role in overseeing compliance with the Basin Plan water trading rules. The IAC noted the complexity of this area, with in excess of 1500 different trading rules in place across the Basin. Some trade rules also operate in conjunction with inter-system water accounting and system operations to enable the delivery of traded water between systems, and trade rules need to be responsive to changing conditions to ensure third party impacts are managed.

Trade is a critical tool, enabling water users to grow their businesses and manage risk. Ensuring public confidence in water markets is important to their effectiveness. The IAC noted the risk-based approach that had been applied to identifying priorities for compliance activities in the area of water trading rules, and, endorsed an approach directed at the high priority issues as a starting point for compliance activity. The IAC supported the proposal for an audit of trade price declarations and encouraged the MDBA to publicise its future compliance priorities and work program to engender confidence that important trade matters will be addressed.

6. Compliance Audit Program

It is worth reinforcing that audit is a “means” not an “end”, and is part of the repertoire of techniques available to the compliance work program of the MDBA. There will be some audits that form part of a regular annual program of work, and there will be others that are targeted to a particular need or set of circumstances. An early draft of an Audit Policy and Procedures Manual was tabled at the meeting. The IAC provided advice on its form and

contents, recognising that it was a good start on what is, essentially, an internal guide for audit. Engagement plans for two early audits were also tabled and discussed.

7. SDL Reporting and Compliance framework

The IAC received a progress report on the revised SDL Reporting and Compliance Framework. The MDBA has updated their draft documentation, and the IAC was pleased to note the improvements in the clarity of the document and the inclusion of sections covering the proposed audit and assurance arrangements, and, provisions for independent reviews of MDBA decisions on SDL compliance outcomes.

Given the importance of SDL compliance in underpinning the achievement of Basin Plan outcomes, the IAC encouraged the MDBA to continue developing conceptual models and diagrams that would help inform stakeholders of the approach being taken to this issue.

8. Agenda for August 2018 meeting of the IAC

- Mitigation strategy for the risk of not meeting the WRP accreditation deadline, including a paper on the plan for WRP accreditation and the resourcing that would be assigned to this task
- Review of approved Compact commitments
- Public guide to SDL Reporting and Compliance
- Invite the Commonwealth Environmental Water Holder to attend
- Work plan for 2018/2019, including Compliance Priorities

9. Communication of the work of the IAC

This report to the Authority will be available on the MDBA website and consideration will be given by the MDBA as to whether a press release on the IAC's deliberations is warranted.

Allan Holmes

Chair

Independent Assurance Committee – 8 June 2018