

Independent Assurance Committee on Compliance

Report to the Authority of the seventh meeting 6 June 2019

1. Details of the meeting

The Independent Assurance Committee (IAC) met for the seventh time on Thursday, 6 June 2019. The Authority was represented by Phillip Glyde for the afternoon part of the meeting. Russell James and Brent Williams, along with a number of MDBA staff also participated in the meeting.

2. Office of Compliance – work plan for 2019/2020 and MDBA compliance priorities

Considerable work has been done by the Office of Compliance to improve its approach to compliance risk analysis and developing a decision-making tool to inform work planning, the audit program and compliance priority setting. The IAC cautioned about introducing new terminology that is inconsistent with that used in accepted standards for risk management. The IAC also emphasised the importance of simplicity and clarity in process so that it was readily understandable, especially to MDBA staff.

The IAC endorsed the draft Compliance Priorities for 2019/2020 – unmeasured take in the Northern Basin; metering reform; SDL accounting compliance; trade restrictions across the Basin; and WRP compliance generally.

The Office had also developed two tables outlining response options for both reactive and proactive regulatory activity. The IAC emphasised the important action of publicising and critiquing compliance performance to achieve greater transparency and to engender public confidence in water management and water sharing arrangements.

The contribution Russell James has made to improving the compliance culture and function in the MDBA was acknowledged.

In light of the work of the Office of Compliance, the IAC drafted a program for its work in 2019/2020 along the following lines –

- Investigating what compliance with WRPs means, as well as WRP accreditation as a compliance requirement

- Maintaining a deep interest in metering and measurement improvement
- The protection of environmental water, including the adoption of the prerequisite policy measures
- SDL reporting and compliance
- Transparency of compliance performance through reporting, engaging and communicating – and improving public confidence and trust

The committee also identified several tasks that it needed to fit into its work schedule –

- Basin Compliance Compact assurance – formal role
- Trade rule assessment – optional role in process
- Development of KPIs for the Office of Compliance and the IAC
- Maintaining relations with a few important participants – Commonwealth Environmental Water Holder, Northern Basin Commissioner, the Authority.

3. Trade Price audit

The IAC was briefed on the MDBA's published, two-part Trade Price Reporting Audit into the Basin Plan requirement for water sellers to report the agreed price of trades to their State agency. Price transparency is an important element for a competitive and open water market.

Part 1, conducted by the MDBA, assessed Basin State processes for collecting, validating and reporting on price. Part 2, conducted by Deloitte, assessed the water market participants' compliance with the Basin Plan price reporting requirement.

The findings highlighted poor or absent price reporting by water sellers and system errors which undermine the accuracy of prices recorded. The audit was also critical of the lack of robust State processes to capture or produce comprehensive, accurate price information.

Discussions concentrated on follow-up actions to rectify these inadequacies and included:

- MDBA and each State developing and then delivering on appropriate management responses to their individual audit recommendations
- Collaborating through the Trade Reporting Working Group of the Basin Officials Committee to deliver on the main overarching recommendations relevant to all jurisdictions such as devising an approach to the proliferation of 0\$ trade entries
- Progressing an implementation and response tracking program to report to a future Ministerial Council meeting.

4. Water Resource Plan accreditation update

The Committee received an update on progress with development and accreditation of Water Resource Plans. The IAC recognises the importance of putting in place accredited Water Resource Plans as a key tool to ensure effective management of consumptive and environmental water to support achievement of the Basin Plan objectives.

Whilst there are some issues and delays being experienced, the IAC was encouraged to hear that the Authority is working with the jurisdictions to address these matters and is developing processes to bring plans to accreditation as soon as possible. The IAC noted that it is important that plans meet all the requirements set out in the Basin Plan, to ensure that they provide robust legal basis for future water management in each WRP area. The IAC will continue to monitor progress on WRP development closely.

5. Water Trade Rule Assessment

The IAC determined not to have a formal role in the Water Trade Rule Assessment process at this stage, as originally proposed. It was concerned about the time required and was also uncertain about the expertise requirements. The IAC did, however, agree to assist with the first few assessments by advising on the assessment process and reviewing the assessment results.

6. Metering and measurement

Effective metering and measurement of water take is a prerequisite to ensuring compliance with entitlements and protections of rights to water. The IAC received a progress report on the work being undertaken to modernise the non-urban metering standards.

The IAC welcomed the progress being made on enlarging the range of pattern approved meters available, and the work being done to develop more cost-effective meter testing and validation options.

NSW and Queensland have been developing improved floodplain harvesting measurement. The IAC supports the view that consistent methods should be applied across the shared rivers of the northern Basin and encouraged the MDBA to continue to work with both states to achieve better alignment.

The IAC also noted a progress update on implementation of the Basin Compliance Compact, which highlighted strong progress in all jurisdictions apart from Queensland, which has a number of commitments still outstanding.

7. Productivity Commission (PC) report

The IAC discussed in some detail the PC report (the five-year assessment of the Basin Plan) in relation to the findings and recommendations on regulation and compliance. Three members of the committee met with the Authority on June 5 2019 to discuss this subject. In light of the serious nature of the PC recommendations and the IAC's disagreement with some of the findings, it was decided that the IAC would prepare formal advice to the Authority on some of the important recommendations dealing with role and governance.

8. Proposed agenda for the next meeting of the IAC, 21 August 2019

- Resourcing of the Office of Compliance
- Compact reporting
- WRP progress
- WRP – reporting framework
- Transparency and communicating compliance performance as a regulatory tool
- Performance measures for the Office and the IAC
- Meeting with Commonwealth Environment Water Holder.

9. Communicating 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 of the IAC

June 2019