

Independent Assurance Committee on Compliance

Report to the Authority of the eleventh meeting 4 and 5 June 2020

1. Meeting Overview

This meeting was conducted by teleconference. All members of the Independent Assurance Committee (IAC or the committee) were present, and the Authority was represented by the Murray-Darling Basin Authority (MDBA) Chief Executive, Phillip Glyde. Members of the MDBA Senior Executive, including Brent Williams A/g Executive Director of the Office of Compliance, and a number of MDBA staff participated in the meeting.

Agenda items are summarised under the headings below, however the broader deliberations on strategic matters are captured here.

It seems that Basin management has reached another crossroad, with Sustainable Diversion Limit (SDL) adjustment projects coming into the spotlight; the plethora of reviews providing an atmosphere of uncertainty; a relatively new Minister for Water needing to set his agenda; and an emerging consensus that some reset of Basin Plan variables is needed. This is tricky and uncertain territory in which to operate, and the Committee discussed how best to navigate it with the Chief Executive. The IAC committed to providing further written advice to the Chief Executive on trust, transparency and structure following the committee meeting.

The MDBA has made considerable progress and is beginning to reach a stage of early maturity where there is a sound basis for practice and a rationale for its priorities.

While the IAC has discussed communication and engagement on many occasions, this meeting provided the opportunity to explore the MDBA's approach in more detail. There is an endless array of things the MDBA could do and the great challenge is to hone the effort for best return. The communication and engagement approach proposed for the 2020-2023 period has been carefully considered and is soundly based. The MDBA's national leadership and Basin information roles are most clear, but the issue of the MDBA and the Basin Plan's regional relevance will demand the most discipline and discernment to achieve an effective response. Relationship management emerges as a crucial organisational practice that will require careful and considered management.

2. Meeting with Ramzi Jabbour (Office of the Interim Inspector-General of Murray-Darling Basin Water Resources)

Ramzi Jabbour, the Deputy Interim Inspector General (IIG) of Murray-Darling Basin Water Resources, provided an overview of the Office of the IIG's work to date and the feedback that they have received from the community on the recent investigation and report into the changes to Basin inflows. This report probed the suitability of the 100-year-old Murray-Darling Basin Agreement (as distinct from the 2007 Water Act and 2012 Basin Plan), and the reducing availability and changing distribution of inflows to the southern Basin.

The IAC complimented the Office of the IIG on the report and its contribution to improving the understanding of the Basin and water management generally. It provided an easily understood explanation of the Agreement, the differences in Basin state approaches to water allocations and the complexities of the issues surrounding water management. The report also highlighted the difficulty that agencies have in communicating such complex issues effectively, which is an important area of improvement for the MDBA. Communication and community engagement need to be tackled directly in order to build trust and confidence in the Basin management. From a compliance perspective, a number of emerging issues and referrals to the IIG were discussed, such as the calculation of groundwater SDL's and complaint management processes relating to Independent Irrigation Organisations. It was agreed that the IIG and IAC's periodic engagement is useful and should be continued.

3. Compliance Risk Assessment Method and Compliance Priorities for 2020-2021

MDBA staff briefed the committee on the risk assessment methodology that was used to support identification of compliance priorities for 2020-21. This was the second year that the purpose-designed methodology has been used, and the MDBA has identified a number of opportunities to improve it. The IAC supported suggested changes to simplify the methodology, and encouraged the MDBA to continue to align its risk assessment approach with the Australian and international standards for risk management.

The high risks identified from the assessment have informed the proposed compliance priorities for 2020-21, which the IAC considered were an appropriate suite of actions. The priority actions include an emphasis on SDL accounting, as 2020-21 will be the first year with approved water resource plans in place. Reviewing SDL accounting will assist in ensuring that water use is properly accounted for and SDLs complied with to support a healthy, productive Basin. The program will also build on current Basin State reviews of first-flush flows management in the Northern Basin to provide a whole of system assessment to support continuous improvement in this critical area.

4. SDL Adjustment Mechanism – Progress Report and Reconciliation Framework update

The committee considered the 2020 SDLAM Progress Report and the draft SDLAM Reconciliation Assurance Framework. Both the report and the framework are well written, comprehensive and clear. While the statutory timeline for formal reconciliation is 2024, annual progress reporting and assurance work is vital for transparency and accountability.

The danger for the MDBA is that it will be blamed for any failure when the responsibility in large part lies with the Basin states, individually and as a collective. Clarity around separating compliance and reconciliation roles from support and facilitation is important.

5. Water Literacy and Communications

The IAC were briefed about the MDBA's three tier communication and engagement approach – national leadership; regional relevance; and Basin information, and strongly endorsed the framework and emphasis. The Committee also noted the emerging consensus that the language of water management is complex and difficult for all but the expert to fully understand. The MDBA is well aware of this challenge and the need to provide more accessible material for most audiences. The other major challenge is to choose where to put the communication effort for best return and effect. This is especially relevant for the regional theme where there are multiple players in water management and it is easy for communities to become confused and mistaken.

The IAC also emphasised the importance of purposeful and directed relationship management where many staff were following a disciplined plan for cultivating and improving their relationships with particular individuals.

6. Water Resource Plans – Accreditation Progress and Compliance Program Update

The IAC received a comprehensive progress report on the development of water resource plans. It was pleasing to note progress, with ACT and Victoria's final plans moving through the assessment, and into the accreditation stage. Whilst no NSW water resource plans have yet been accredited, a number of groundwater plans have been submitted for assessment and all NSW plans are scheduled for submission by the end of June 2020. The IAC was also encouraged to hear that the MDBA and NSW have put in place agreements to ensure that SDL limits on water take and reporting requirements will apply from 1 July 2020, even though water resource plans may not have been accredited.

Compliance with water resource plans is a cornerstone underpinning achievement of the Basin Plan outcomes. The committee provided advice and feedback on the Authority's draft water resource plan compliance work program for 2020/21. The IAC believes that the proposed compliance work program looks appropriate, and noted that Basin states have also provided positive feedback.

7. Concluding Remarks

The IAC briefly reflected on its functionality and performance. It concluded that it is well supported and valued by the MDBA, is using its time effectively, and is operating in an inclusive and collaborative way. The agenda for the next meeting will include updates on the SDLAM reconciliation framework, the review of the Murray-Darling Basin Compliance Compact, and the Commonwealth Environmental Water Holder's activities, along with a discussion on implications from the ACCC water market inquiry and the Independent Assessment of Social and Economic Conditions in the Basin report.

As is normally the case, this communique is made available to inform the public of the work of the IAC. One hopes it provides an insight into the complexity and challenges of the MDBA's regulatory work.

Allan Holmes

Chair, Independent Assurance Committee

10 June 2020