

Independent Assurance Committee on Compliance

Report to the Authority from the second meeting of the Independent Assurance Committee – 18 April 2018

This Report

The Independent Assurance Committee (IAC) met for the second time on Wednesday, 18 April 2018, and this a report to the Authority on that meeting. Authority member George Warne and Murray-Darling Basin Authority (MDBA) Chief Executive Phillip Glyde participated in the IAC meeting, along with a number of staff from the MDBA.

Meeting Overview

The IAC noted the considerable progress that had been made by the MDBA Office of Compliance since our last meeting. The number of current matters running in parallel, and the many strands from the Independent Report for the Murray-Darling Basin Water Compliance Review (Compliance Review), require a discipline and order in work organisation and programming. The IAC also noted that there will continue to be a degree of uncertainty about the most appropriate scope and scale of the MDBA's compliance work until the Basin Compliance Compact is agreed. Nevertheless, the IAC supported the MDBA's acceptance of the Compliance Review recommendations as the basis for shaping its compliance responsibilities.

This meeting provided further opportunity for the IAC to advise on refining the foundational elements for the Office of Compliance, particularly the Compliance and Enforcement Policy (the Policy) and the work program.

MDBA Compliance and Enforcement Policy

The IAC reviewed the second draft of the Policy, the related risk assessment, and the proposed Compliance Priorities for 2018-2019. The substantial effort to finalise the Policy by the Compliance Review deadline of 30 June 2018 was acknowledged. The MDBA had responded to the feedback from the first meeting, and, in particular, recognised the value of organising thought and work around the six areas of compliance responsibility –

1. Water resource plan (WRP) assessment, accreditation and compliance
2. Sustainable Diversion Limit (SDL) compliance, including measurement
3. Compliance and enforcement of illegal water take
4. Planning and protection of Environmental Water
5. Water Trade
6. Water Quality and Salinity

The IAC made further suggestions for refinement, including –

- Being clear about the MDBA’s primary compliance role as the regulator of regulators.
- Strengthening the emphasis on compliance and enforcement action and deterrence, in addition to the role of voluntary compliance.
- Clearly linking strategic policy intent with compliance approaches and escalation pathways.
- Providing greater granularity in the risk assessment to differentiate between higher and lower risks, and to flesh out further mitigation strategies.

The IAC also emphasised the role of the Authority in owning and endorsing the Compliance and Enforcement Policy.

Water Resource Plan Accreditation

The IAC received a report on progress towards the 30 June 2019 deadline for the accreditation of individual water resource plans. The IAC acknowledged the centrality of accredited water resource plans to the implementation of the Basin Plan and the sustainable management of Basin water resources. The IAC noted there was a risk that the deadline might not be met for some plans, and endorsed the MDBA’s strategies for managing that risk collaboratively with Basin States.

Metering and Measurement

The IAC noted the progress towards improved water measurement and metering arrangements across the Basin to support improved compliance and reporting. The development of good practice guidance on hydrometric networks and initiatives around remote sensing to improve understanding of water use was noted and endorsed. The IAC also noted that metering of use was a complex, detailed area and it recommended that the MDBA concentrate on the areas where it could have most impact, including helping Basin States to adopt recognised and defensible standards for new meters.

SDL Reporting and Compliance Framework

The importance of SDL accountability is well recognised, and the IAC acknowledged the excellent detailed work already undertaken. The IAC suggested that an explanatory conceptual model be developed and included to assist in explaining how the SDL accounts work. General understanding is critical to engendering confidence in the MDBA’s accounting of sustainable diversions. The IAC also recommended that the MDBA publish Basin State self-assessments immediately they are received to aid with transparency and keep pressure on States to implement corrective measures where warranted.

State Compliance Benchmarking

The proposal to develop benchmarks for State compliance and enforcement systems and programs was strongly supported. The IAC stressed the importance of clarity, simplicity and functionality in benchmarking. The benchmarking will give substance to the MDBA's role in regulating the States' Basin Plan obligations.

The "community of practice" recommended by Ken Matthews was seen as a separate although related exercise.

The Basin Compliance Compact

Progress with the draft Basin Compliance Compact was noted. The IAC reinforced the need for all jurisdictions to take comprehensive action on the recommendations of the Compliance Review without delay. The IAC agreed that the MDBA has an essential role in monitoring and reporting on implementation of the Basin Compliance Compact.

Work Program

Early discussion emphasised the importance of the work program being structured in a way that reflected the six areas of compliance responsibility and the program logic of the Compliance and Enforcement Policy. During the meeting, the Office of Compliance presented a revised work program, using the six areas of compliance responsibility to organise the work. The revised work program also cross-referenced the Compliance Review actions and recommendations. The IAC strongly endorsed this revised approach.

Agenda for May 2018 meeting of the IAC

Many matters from this meeting will be further developed at the next meeting. Additionally, it is proposed that the next meeting will deal with:

- Audit program
- Investigations framework
- Water Markets and Trade
- Community of Practice
- Communications

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 Authority as to whether a press release on the IAC's deliberations is warranted.

Allan Holmes

Chair

Independent Assurance Committee

20 April 2018