

# Independent Assurance Committee on Compliance

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## Report to the Authority of the sixth meeting 20 February 2019

### 1. Details of the meeting

The Independent Assurance Committee (IAC) met for the sixth time on Wednesday, 20 February 2019. Authority members, George Warne and Phillip Glyde represented the Authority at the meeting. Russell James and Brent Williams along with a number of MDBA staff also participated in the meeting. Mick Keelty, Commissioner for the Northern Basin, and Alex Winchester, National Measurement Institute, made presentations to the meeting.

### 2. Internal Review of the IAC

The IAC conducted a review of its first 12 months of operation through seeking the views of members, relevant MDBA staff and the Chair of the Authority. The consensus was that the committee was fulfilling its terms of reference and operating at an appropriate level.

#### **The following improvements were proposed –**

- Identifying and keeping under review annual work plan priorities
- Ensuring that the committee formally reviews the risk assessment for basin compliance and checks the MDBA's compliance plan for alignment with that assessment
- Providing assurance to the Authority on the annual performance review of the Office of Compliance
- Meeting with the Authority once a year to exchange views on compliance and check in on alignment
- Participating in public dialogue where appropriate
- Clarifying the additional duties that the IAC has been asked to take on and any intersection with the roles of the Northern Basin Commissioner and the Advisory Committee on Social, Economic and Environmental Sciences

#### **Work plan priorities for the IAC in 2019 –**

- A review of MDBA compliance risk analysis and work plan for 2019/2020

- WRP accreditation and WRP and SDL reporting and compliance
- Progress on actions to improve water metering and accounting
- Measures to protect environmental flows
- Transparency and public engagement on Basin Plan progress and compliance
- Progress with Basin Compliance Compact and fulfilling the IAC's assurance role in relation to the Compact

### 3. Office of Compliance – work plan and update

The committee systematically worked through the office work plan, concentrating on those items of most significance, checking on progress where appropriate and suggesting improvements to the work plan to improve functionality and relevance. The committee noted the comprehensiveness of the work plan and the importance of using it to report on progress or lack of progress.

The committee noted that Queensland had failed to report adequately on its performance against the Basin Compliance Compact and **recommends that the Authority write to the Queensland Minister seeking an explanation for this failure**. The Compact is an important measure to rebuild community trust and confidence and the full participation of the States is an essential requirement.

### 4. Water Resource Plan update

Carl Binning, the MDBA's Executive Director, Partnerships provided the Committee with a detailed update on progress on development and submission of Water resource Plans by the jurisdictions.

The Committee noted that despite the considerable progress made in development of Water Resource Plans, a number of jurisdictions are unlikely to be able to submit all their Water Resource Plans in sufficient time for them to be accredited by 30 June 2019.

WRPs are a key instrument required to establish the legal arrangements for monitoring and assessing compliance with the Sustainable Diversion Limits. The IAC considers establishing alternate arrangements to ensure compliance with SDLs in the interim period from 1 July 2019 until WRPs are finalised to be a priority and was supportive of the interim processes proposed by the MDBA to manage this compliance risk.

Other critical issues associated with development of WRPs that present challenges were also discussed. These include the development of measures to protect environmental flows in the northern sections of the Basin, and bringing floodplain harvesting within the entitlement and compliance framework. The IAC views these issues as very important in relation to establishing sustainable water management in the northern Basin and promoting public confidence in the water sharing and compliance framework.

The MDBA's initiative in establishing an independent review and health check of the overall water accounting framework for the Basin was welcomed by the IAC. This review will also test the robustness of the existing framework and identify where it may need to be amended to further reduce compliance risks.

## 5. Presentation from Alex Winchester, National Measurement Institute (NMI) on pattern approved meters, verification, validation and exemptions

Alex explained the role of the NMI in water measurement and, in particular, what pattern approval means. Metering is complex and challenging especially for some aspects of non-urban application. The main concern of the IAC was to be clear about what steps were being taken to deal with the recommendations of the MDBA compliance review and whether the Compact actions are sufficient in this regard. Consequently, these matters will be attended to at the next meeting of the IAC and further advice provided to the Authority following that meeting.

## 6. Briefing from Mick Keelty

The IAC met with the independent Northern Basin Commissioner Mick Keelty, who has a broad ranging role in overseeing implementation of the Northern Basin Review recommendations. These include monitoring, auditing and reporting annually on implementation of water-use compliance measures.

The IAC invited Mr Keelty to address the meeting to better understand his focus and to reduce any potential duplication of effort.

His main emphasis is on the Northern Basin toolkit measures, indigenous water interests and lifting the level of compliance with the Basin Plan. Mr Keelty provided background on his recent interactions with the MDBA and Northern Basin States, the sharing of information, and the States' steps to initiate regulatory action. He highlighted the complexity of water management and regulation in the Northern Basin and the challenges this creates for achieving high levels of compliance.

Clarity and simplicity contribute greatly to effective compliance and enforcement. He reinforced his experience that successful compliance programs are achieved when they are connected to proceeds of crime legislation. He also highlighted the importance of systematically identifying and dealing with potential conflicts of interest.

## 7. Audit Update

- 7.1 Audit Governance – three papers were presented for discussion and advice – i) the compliance audit and assurance framework; ii) the audit and assurance work program; and iii) the compliance audit and assurance manual. The Committee reiterated its previous advice that audit is a tool for compliance and should be seen as an integral part of the compliance work program, driven by compliance priorities, not something separate. The framework program and manual provide the essential elements for organising audits undertaken by the MDBA.
- 7.2 Draft report on the audit of trade prices – the Committee noted the substantial issues with jurisdictional reporting of trade price. It also recognised that while trade price reporting is a critical element of an efficient water market, the audit may distract attention from the more urgent and critical areas of WRP accreditation and protection of environmental water. The Committee’s advice was to work methodically and carefully through the next phases of the audit process.
- 7.3 Engagement Plan for the Lower Murrumbidgee metering review – the Committee noted the engagement plan for this important audit.

## 8. Water trade rule assessment framework and the role of IAC

The committee noted the progress with the framework, which had been commented on by the committee out-of-session. The role of the IAC in relation to the auditing of water trade rules will be clarified at the next meeting.

## 9. Consideration of the Productivity Commission’s recommendations on restructuring the MDBA and the MDBA’s response to the SA Royal Commission Report

The committee noted the recommendations of the Productivity Commission and will give further consideration to potential impacts on basin plan compliance at its next meeting.

The committee also noted the serious reputational damage to the Authority as a result of the continued debate about its performance as a result of the South Australian Royal Commission report. The committee acknowledged the release that day of the MDBA's response to the Commission's findings and recommendation.

## 10. Agenda for the next meeting of the IAC, early May 2019

The following items were identified for discussion at the next meeting of the committee –

- Review of compliance risk and 2019/2020 compliance priorities and work plan
- IAC work plan for 2019/2020
- The IAC's role in auditing water trade rules
- State of play with measurement reform
- Compliance – responding to the plethora of investigations
- WRPs at 30 April 2019
- Mid-term overview of Compact
- The implications for compliance of the PC's recommendations

## 11. 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

28 March 2019