NSW GOVERNMENT

Natural Resources Commission

Audit framework
Water management plan audits
November 2024

Enquiries

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Acknowledgement of Country

The Natural Resources Commission acknowledges and pays respect to traditional owners and Aboriginal peoples. The Commission recognises and acknowledges that traditional owners have a deep cultural, social, environmental, spiritual and economic connection to their lands and waters. We value and respect their knowledge in natural resource management and the contributions of many generations, including Elders, to this understanding and connection.

List of acronyms

ASAE	Australian Standards on Assurance Engagements
ASQM	Australian Standard on Quality Management
AUASB	Australian Auditing and Assurance Standards Board
DCCEW - BCS	NSW Department of Climate Change, Energy, the Environment and Water – Biodiversity and Conservation Science Group
DCCEEW - Water	NSW Department of Climate Change, Energy, the Environment and Water – Water Group
NRAR	Natural Resources Access Regulator

Cover image: Murrumbidgee River. Peter Simpson, NSW Department of Primary Industries, courtesy of the Water Images Library DCCEEW

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1 The Commission's audit role

The Natural Resources Commission (the Commission) has a role under Section 44 of the *Water Management Act 2000* (the Act) to audit water management plans within the first 5 years of the plan for the purpose of ascertaining whether its provisions are being given effect to. Water management plans include water sharing plans and floodplain management plans made under the Act.

The Commission's responsibilities for auditing water management plans commenced from 1 December 2018 under changes to the Act. The Commission began auditing water management plans in 2020. Prior to these changes, the Department of Planning, Industry and Environment – Water (now the Department of Climate Change, Energy, the Environment and Water – Water) had the audit responsibility under Section 44 of the Act.

In performing these audits, the Commission has drawn and built on experience and knowledge of water management gained through the Commission's other legislative functions.[1] Noting that this audit role is distinct and separate from other independent work performed by the Commission.

The purpose of this document is to set out the Commission's overall approach to efficiently and effectively perform Section 44 audits of water management plans under the Act.

The Commission reviews this framework periodically.

1 The Commission has separate legislative functions under the Act to perform reviews of water sharing plans under Section 43A prior to each plan's expiry; and a consultation role for reviews of management plans within the first five years of each plan under Section 43.

2 Audit purpose and objectives

The purpose of a water management plan audit is to:

- provide an independent line of evidence that contributes to improved water management
- increase transparency for water users, government and the broader community
- identify areas where water management plans have not been given effect, that is, plan implementation (of specified provisions and parts) has not occurred as stated
- support accountability and promote confidence in water management
- contribute to:
    - achieving the objects of the Act, specifically:

      '*to provide for the sustainable and integrated management of the water sources of the State for the benefit of both present and future generations*'[2]
    - the NSW Government's vision for water management in NSW, specifically:

      '*for a much more robust, transparent and accountable system that promotes confidence that this precious resource is being managed efficiently, effectively, in accordance with the law and, above all, fairly*'.[3]

The objectives of the audits are to:

- provide audit reports to the Minister responsible for the Act[4] that express a limited assurance conclusion regarding whether the provisions of the management plans are being given effect to, and describe a basis for these conclusions
- to communicate with auditees and key stakeholders as required by the audit standards and to operate transparently
- to provide recommendations to improve water management in NSW.

2 Section 3 of the Act.
3 Parliament of NSW (2018) *Legislative Hansard 06 June 2018, Second reading speech for the Water Management Act Amendment Bill 2018*.
4 The current responsible Minister is the Minister for Water.

3 Audit approach

3.1 Auditing standards

The audits are conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board (AUASB), specifically the following Standards on Assurance Engagements (ASAE):

- ASAE 3000 for Assurance Engagements other than Audits or Reviews of Historical Financial Information
- ASAE 3100 for specific Compliance Assurance Engagements.

These standards (audit standards) set out how audits should be planned, performed and documented to maintain a high level of confidence in the assurance provided to report users.

These standards require firms and entities applying the audit standards to maintain a system of control to ensure the firm or entity and its personnel comply with the relevant ethical and engagement requirements, and applicable legal and regulatory requirements. These requirements are found in:

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* and
- ASA 102 *Auditing Standard ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.
- ASA 102 requires auditors to have regard to applicable requirements of APES 110 *Code of Ethics for Professional Accountants*.

The Commission has assessed the audit standards and associated requirements to align our audit approach to these standards. This approach has been peer reviewed and is supported by our audit quality control review processes.

3.2 Principles of the Act

Section 9 of the Act states:

> *'(1) It is the duty of all persons exercising functions under this Act:*
> *(a) to take all reasonable steps to do so in accordance with, and so as to promote, the water management principles of this Act, and*
> *(b) as between the principles for water sharing set out in section 5 (3), to give priority to those principles in the order in which they are set out in that subsection.*
> *(2) It is the duty of all persons involved in the administration of this Act to exercise their functions under this Act in a manner that gives effect to the State Water Management Outcomes Plan'*[5]

[5] For completeness, Part 2 of Section 9 has been quoted here, however, the State Water Management Outcomes Plan was gazetted in 2002 and applied for five years. It has expired and has not been reviewed or updated since its expiry, so has not been considered as part of the current framework. If the Outcomes Plan is updated and reinstated, it will be considered by the audit framework.

In addition, section 5 (3) of the Act states the following in relation to water sharing —

> *(a) sharing of water from a water source must protect the water source and its dependent ecosystems, and*
>
> *(b) sharing of water from a water source must protect basic landholder rights, and*
>
> *(c) sharing or extraction of water under any other right must not prejudice the principles set out in paragraphs (a) and (b).*

Section 9 of the Act applies to the Commission as auditor under the Act, as well as to those organisations the Commission audits. Commission staff receive training on their duties under Section 9 to ensure they are aware of these responsibilities.

Part 3 of the Act specifies where provisions of water management plans must be consistent with, or may contain measures to give effect to, the Act's water management principles. The Commission's audits of water management plans under Section 44 of the Act provide assurance as to whether plan provisions – which may include provisions related to the water management principles – are being given effect to. This helps to support the implementation of the Act's water management principles.

3.3 Ethics and quality control

3.3.1 Ethics

The audit standards require Commission auditors to comply with all relevant ethical requirements, including those relating to independence, when performing audits.

Broadly auditors are required to display:

- integrity
- objectivity
- professional competence and due care
- confidentiality
- professional behaviour.

Ethics training is completed by team members each water year. In addition, the Commission maintains and reviews records of independence and acknowledgement of ethical requirements for those working on audits.[6]

Any cases of fraud or non-compliance will be taken seriously, and standard government protocols will be followed.

3.3.2 Quality management

The objectives for quality management for the Commission's water audit work are:

- for the audits to be performed in accordance with applicable assurance and related standards
- for audit reports to be appropriate in the circumstances.[7]

6 In accordance with ASQM 1 34(b).
7 In accordance with ASQM 14.

The Commission will maintain quality assurance and ongoing improvement by:

- working in accordance with the audit standards (see Section 3.1)
- using competent, professional auditors (see **Section 3.3**)
- using standardised audit documentation and ensuring key audit decisions and judgements are documented
- undertaking internal review and approval processes
- engaging in transparent communication with auditees and stakeholders (see **Section 5.3**)
- undertaking periodic external quality control reviews as part of the monitoring of quality management(see **Section 5.5.1**).[8]
- an annual review of the system of quality management and correction of any identified deficiencies.[9]

Each audit is assigned an audit lead, who will be responsible for:

- all aspects of the audit
- ensuring that the audit is conducted in accordance with the audit standards
- that the audit objective is achieved.

The Commission will manage any familiarity threat that may emerge during this work through peer review, quality assurance review and lead auditor rotation.[10]

An external quality control reviewer will be selected based on having sufficient and appropriate technical expertise, experience and authority, depending on the circumstances of the engagement. The external quality control reviewer will be selected in accordance with ASQM 1 paragraph 39 and be selected by the audit team. Should it become known at any time that a circumstance arises that impairs the objectivity of the external quality control reviewer, a new external quality control reviewer will be sought to perform the work. For the duration of the external quality control reviewer's engagement, they will not:

- participate in the audit during the period of review
- make decisions for the audit team
- be subject to other considerations that would threaten their objectivity.[11]

This external quality control review will consider the following:[12]

- sufficient and appropriate evidence to support findings for limited assurance and the report
- the work performed supports the conclusions reached and is appropriately documented
- appropriate consultations have taken place and the resulting conclusions have been documented and implemented
- adequate evidence represented in the report to support findings

8 In accordance with ASQM 1 39.
9 In accordance with ASQM 1 53, 54 and 55.
10 ASQM 1 A63 outlines that rotation periods for all engagement partners and team members assists in quality management beyond expectations set out in ethical requirements.
11 In accordance with ASQM 1 39.
12 In accordance with ASQM 1 A76.

- evidence adequately and logically documented/ supported
- appropriateness of the recommendations, including nature and scale
- audit reports (and processes) meet the requirements of the ASAE 3000 and 3100 and ASQM 1 and relevant ethical requirements
- significant matters have been raised for further consideration
- if there is a need to revise the nature, timing and extent of work performed
- the objectives of the engagement procedures have been achieved and there is a clear link between the audit objective and the audit conclusion
- whether the audit recommendations address the cause of the significant issues identified by the audit, are realistic and achievable, and are understandable on their own.

The frequency of engagement of an external quality control reviewer may decrease in subsequent years of the audit program. The Director Programs will determine whether an audit report will be subject to external quality control review considering:

- the nature of the engagement, including the extent to which it involves a matter of public interest
- the identification of unusual circumstances or risks in an engagement or class of engagements.

3.3.3 Document management

The Commission will record all relevant information to support audit findings and conclusions, retain all audit records, and control access to those records in line with the requirements of the *State Records Act 1998*.

The audit file will retain all audit evidence that informs the preparation of the audit report, supports the audit conclusions, and any other evidence relevant to the audit findings, including all documentary evidence, screen shots of system walk throughs, interview transcripts, and notes of key phone calls with audit coordinators and other auditees.

Consistent with ASQM 1 guidance, the Commission audit teams will finalise audit files within 60 days of submitting an audit report to the Minister.[13] Administrative changes only can be made to the files within this 60-day period.[14] After this time, files should not be modified.[15]

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13 ASQM 1 A83 states that '*Law, regulation or AUASB standards may prescribe the time limits by which the assembly of final engagement files for specific types of engagements are to be completed. Where no such time limits are prescribed in law or regulation, the time limit may be determined by the firm. In the case of engagements conducted under the ASAs or ASAEs, an appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the engagement report*'.

14 In accordance with ASAE 3000 (A206).

15 Given the small size of the Commission and the fact that audit teams may need access to audit files after the audit activity to build on previous work in preparing for subsequent audits, it was not deemed necessary to 'lock down' audit files. The Commission's record management system will identify any changes after audit completion and who made the change. Previous revisions will always be available within the Commission's record management system.

3.4 Level of assurance

Under the audit standards there are two levels of assurance: limited and reasonable. The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The water audits will be limited assurance engagements for the following reasons:

- limited assurance will provide confidence to users, be meaningful and useful and meet the objective of increasing transparency and accountability for water management
- the Commission has assessed that the maximum public value initially will be obtained by establishing baseline information and identifying key risk areas
- it would not be feasible to undertake reasonable assurance for all audits in the time and resources available.[16]

There is scope within limited assurance engagements to vary the procedures depending on the level of risk. In a limited assurance engagement, auditors typically place more emphasis on procedures such as interviews, analytical procedures such as document reviews, observation of functions being performed (also known as 'walk throughs') and some types of sampling.

Typically, limited assurance engagements do not include more time or cost-intensive procedures such as extensive sampling, testing of controls or substantive tests (re-performance and recalculation) and other analytical procedures (understanding and comparing movements and trends).

In a limited assurance engagement, there is a higher risk than in a reasonable assurance engagement that any material deficiencies in the compliance framework and relevant controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with the audit standards. The audit cannot therefore be relied on to comprehensively identify all weaknesses, improvements or areas of non-compliance.

16 Excerpt from ASAE 3000 A110: '*Factors that may affect the assurance practitioner's selection of procedures include the nature of the underlying subject matter; the level of assurance to be obtained; and the information needs of the intended users and the engaging party, including relevant time and cost constraints*'.

4 Scope of audit program

4.1 Overview

The Commission's audit role under Section 44 of the Act is ongoing and will cover all the water management plans in NSW. This includes approximately:

- 57 water sharing plans[17]
- 16 floodplain management plans[18]
- any other water management plans (for example drainage management plans) that commence under Part 3 of the Act.

The number of plans may change, as plans are merged and separated from time to time for different reasons. For example, the water resource planning process is currently leading to plan changes.

The Commission will keep up to date with the most recent plan list and any changes in relation to new plans, plan amendments, plan amalgamations, or plan replacements and how this affects scope in relation to plans requiring audit. This occurs through regular contact with DCCEEW-Water.

Water management plans due for audit will be grouped and audited as part of a rolling audit program. Consultation may be undertaken for each group of audits to provide an opportunity for auditees to provide any insights or emerging risks for consideration by the audit team during audit scoping. Project specific documentation will be developed for each audit, with audit process stakeholder group meetings held quarterly to capture lessons learned from the auditee's perspective.

Where significant findings are addressed or emerging risks identified across multiple plan areas (or that apply for a subset of plans), the Commission may undertake a themed audit on a particular topic or scope in subsequent audits (where the identified issue is applicable) to strengthen focus on a particular topic or issue.

Alternatively, should a previously identified issue not be addressed prior to a subsequent affected audit, the audit focus on this topic may be reduced to increase public value by not expending effort to uncover the same information.

4.2 Audit objective

The objective of each audit is to determine whether the relevant NSW Government agencies have implemented the plans and thereby given effect to the provisions in all material respects as evaluated against set criteria. This objective will be set out in audit scope documentation. High level criteria which are examined to achieve the objective are provided in **Section 4.3**.

17 Note this number may change after the water resource planning process, which may result in some plans being amalgamated and some being separated out.
18 This number may change once the Healthy Floodplain Project is complete.

4.3 Audit criteria

Audit criteria are developed based on plan provisions and the legislative criteria that require an audit to determine whether the plan provisions are being given effect to.

Generic audit criteria have been developed (see **Section 4.3.1** below) for each management plan type, and will be tailored to each management plan to ensure relevance, completeness, reliability, usefulness, neutrality, clarity and comparability.

Sub-criteria will be set up beneath each of these criteria depending on the clauses of the plan being audited. Specific audit procedures will be set up using a risk-based approach appropriate to a limited assurance audit.

For our audit purposes, the most important areas are those that are required under each plan, pose significant risk and that are within the direct control of the implementing organisations.

4.3.1 Water sharing plan criteria

The criteria for water sharing plans generally are:

- **Criterion 1:** The relevant responsible parties have implemented plan provisions relating to performance indicators
- **Criterion 2:** The relevant responsible parties have implemented the system operation rules as set out in the plan (note that this criterion is only relevant to some plans and may include environmental provisions where they are separated out from systems operations)
- **Criterion 3:** The relevant responsible parties have implemented plan provisions relating to long-term average annual extraction limits
- **Criterion 4:** The relevant responsible parties have implemented plan provisions relating to available water determinations
- **Criterion 5:** The relevant responsible parties have implemented plan provisions relating to granting access licences
- **Criterion 6:** The relevant responsible parties have implemented plan provisions relating to managing access licences
- **Criterion 7:** The relevant responsible parties have implemented plan provisions relating to rules for water supply work approvals
- **Criterion 8:** The relevant responsible parties have implemented plan provisions relating to access licence dealing rules
- **Criterion 9:** The relevant responsible parties have implemented plan provisions relating to mandatory conditions
- **Criterion 10:** The relevant responsible parties have implemented plan provisions relating to amendments (where these are not optional).

The water sharing plan audits do **not**:

- provide an assessment against all provisions in each plan
- examine all parts of each water sharing plan, specifically the following parts will not be included in the audit:

  - Introduction (Part 1) - the information contained in this part will be used to provide context for the audit and to inform the examination of the auditable parts.
  - Bulk access regime and environmental water (typically Parts 3 and 4) – this is because provisions within these parts refer to other parts of each water sharing plan. These parts will be examined through the audit procedures relevant to the other operative plan parts.
  - Requirements for water (typically Part 5) – this part details the estimated share components for each licence category at the commencement of each plan and does not have any auditable provisions.
- provide an opinion regarding compliance of holders of water access licences, works approvals or any other regulatory instruments issued under the Act.
- provide an opinion as to whether the plans are being implemented efficiently, or whether they are achieving environmental, social, or economic outcomes, stated visions or objectives.
- provide an opinion as to whether the plan provisions are effective, appropriate or in line with the Act or other relevant legislation.

4.3.2 Floodplain management plans

The criteria for the Floodplain management plans generally are:

- **Criterion 1:** The relevant responsible parties have implemented plan provisions relating to vision, objectives, strategies and performance.
- **Criterion 2:** The relevant responsible parties have implemented plan provisions relating to granting or amending flood work approvals.
- **Criterion 3:** The relevant responsible parties have implemented plan provisions relating to mandatory conditions including enforcement.
- **Criterion 4:** The relevant responsible parties have implemented plan provisions relating to amendments (where these are not optional) and there is evidence that identified amendments (which may include optional amendments) have been given due consideration.

4.4 Audit period

The audit period is from plan commencement through to the end of the most recent water year at the time the audit commences. The audit period will include at least one entire water year. The Commission audits plans within the first five years and therefore the number of years that constitute the audit period may vary. In general, the audit team will consider evidence relating to the audit period, however subsequent events may need to be considered, if they are significant or could affect the audit conclusion.[19]

[19] It is a requirement under assurance standards that subsequent events may need to be considered by an auditor.

4.5 Auditees

The key entities responsible for implementing water management plans in NSW are the Department of Climate Change, Energy, the Environment and Water – Water Group (DCCEEW-Water) and WaterNSW, and to a lesser extent the Biodiversity and Conservation Science Group (BCS) of DCCEEW, and the Natural Resources Access Regulator (NRAR). The audit focus for each entity will be limited to their roles and responsibilities for implementing the plan.

A summary of the key water management functions for these responsible entities is set out below:

- **DCCEEW-Water** – the lead agency responsible for water resource management in NSW. It prepares and administers legislation, NSW policy and water management planning products, including water management plans, acting as delegate for the Minister, under the Act.
- **WaterNSW** – a state-owned corporation, established under the *Water NSW Act 2014*. It operates as a bulk water supplier and system operator, carrying out water infrastructure planning, delivery and operation, as well as providing water transaction and information services to customers for water licensing and approvals.[20]
- **DCCEEW-BCS** – a division of DCCEEW responsible for planning and implementation in relation to environmental assets including environmental water, environmental monitoring, and involvement in developing floodplain management plans.
- **NRAR** – responsible for compliance and enforcement of water laws in NSW.[21]

The Commission may seek input from key stakeholders, such as those with knowledge of the plan implementation, or with a high involvement in using the plan, such as the Murray Darling Basin Authority for plans in the Murray Darling Basin. This additional evidence may support investigation into an aspect of the audit scope, rather than to measure and report compliance of a particular individual licensee. Stakeholders with an implementation role may include for example councils in some plan areas responsible for operating dams.

20 WaterNSW (n.d) *What we do.* Available at: https://www.waternsw.com.au/about/what-we-do.
21 NSW Government (n.d.) *Natural Resources Access Regulator*. Available at: https://www.industry.nsw.gov.au/natural-resources-access-regulator/about-nrar/who-we-are.

5 Conducting audits

The Commission adopts common practices and principles in all its audits. Those practices and principles apply to the way the Commission will schedule, and plan audits, establish audit teams, perform audit work, and communicate audit findings.

Figure 1 below depicts the audit process stages and steps, identifying the required documentation that accompanies each step.

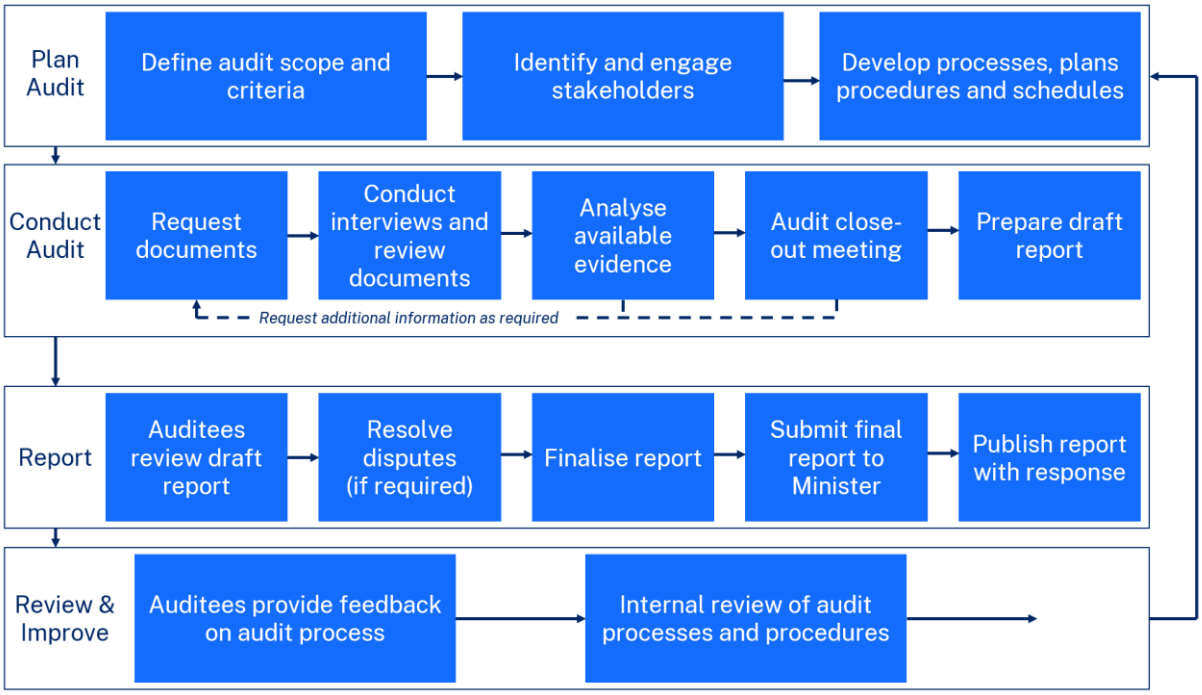

Figure 1 Stages and steps in the audit process

5.1 Audit planning

The Commission will develop a risk-based audit plan for each group of water management plans being audited together, which will consider:

- plan type (for example, regulated, unregulated, groundwater plans and floodplain management plans)
- plan location
- plan specific issues, engagement and subject matter risks
- level of assurance[22]
- audit conduct, including audit roles and responsibilities, timing, procedures and audit reporting.

The risk-based planning approach seeks to manage both project risks and subject matter risks.

[22] In the first instance, all reviews will be limited assurance. However, there is a range of procedures that can be performed between achieving limited assurance and achieving minimum reasonable assurance. The type of procedures performed to achieve limited assurance may vary depending on the risk of each water management plan being audited.

Project risks include engagement and delivery risks that relate to the ability of the Commission to complete the audit. These are identified and managed internally.

Subject matter risks relate to where auditor opinion may be misstated due to not having adequate (sufficient or appropriate) evidence. As complexity increases, further audit procedures may be required to mitigate this risk. The Commission may conduct internal risk workshops or consult with auditees or other stakeholders to identify and manage subject matter risks.
This risk-based approach is used to inform the set of provisions to be audited and the nature, timing and extent of evidence-gathering procedures. This means that the provisions will be selected based on materiality and impact to ensure focus is on areas of possible poor performance and high impact.

5.2 Gathering evidence

How much verification of audit evidence is needed will be a matter for the audit team's professional judgement and will depend partly on the sources and types of available information. To reduce duplication of effort we will draw on existing data sources where possible. **Table 1** provides a summary of evidence types and associated verification techniques.

Types of evidence might include, but not be limited to, overarching frameworks (or framework elements such as procedures, guidelines, manuals, policies) that may cover roles and responsibilities, Quality Assurance/Quality Control systems, risk management, data collection and analysis, verification and management, modelling Quality Assurance, business plans, account management, regular reporting and performance monitoring.

Audit procedures may include:

- document review including overarching frameworks, procedures, guidelines, manuals, policies and reporting.
- interviews with process owners, implementors and users
- interviews with other stakeholders if named specifically in the plan, or other groups involved in implementation such as stakeholder advisory panels or water user associations
- walk throughs of material activities (may include systems and processes with system implementors, owners or users)
- sampling (where a large amount of data exists, either stratified, random, professional judgement, systematic).

These procedures are carried out on a test basis to provide sufficient appropriate evidence on which to base a conclusion. The Commission may also perform additional procedures if we become aware of matters that may cause deficiencies in controls.

The mix of procedures in an audit will depend on the nature of the management plan being audited and the level of risk to the implementation of that management plan.

Table 1: Evidence gathering

Type of evidence	Verification technique
Physical	Captured by screen shot
Oral	Interviewee confirms in writing the facts of the discussion
	Several sources verify facts and evidence
Documents	Documentary evidence is obtained from more than one source
	Final version and has appropriate approvals and sign-off
	Facts set out in document are tested
	Internal controls tested or electronic documents validated and verified
	Adherence to procedures or plans are tested to determine that they are followed in practice
Internally generated reports	Standard system report, custom report, samples of data tested for accuracy, completeness, validity

5.3 Stakeholder engagement

The following sections set out the process for engagement with the relevant stakeholders for each group of audits. **Figure 2** shows the relationship between the Commission and its key stakeholders.

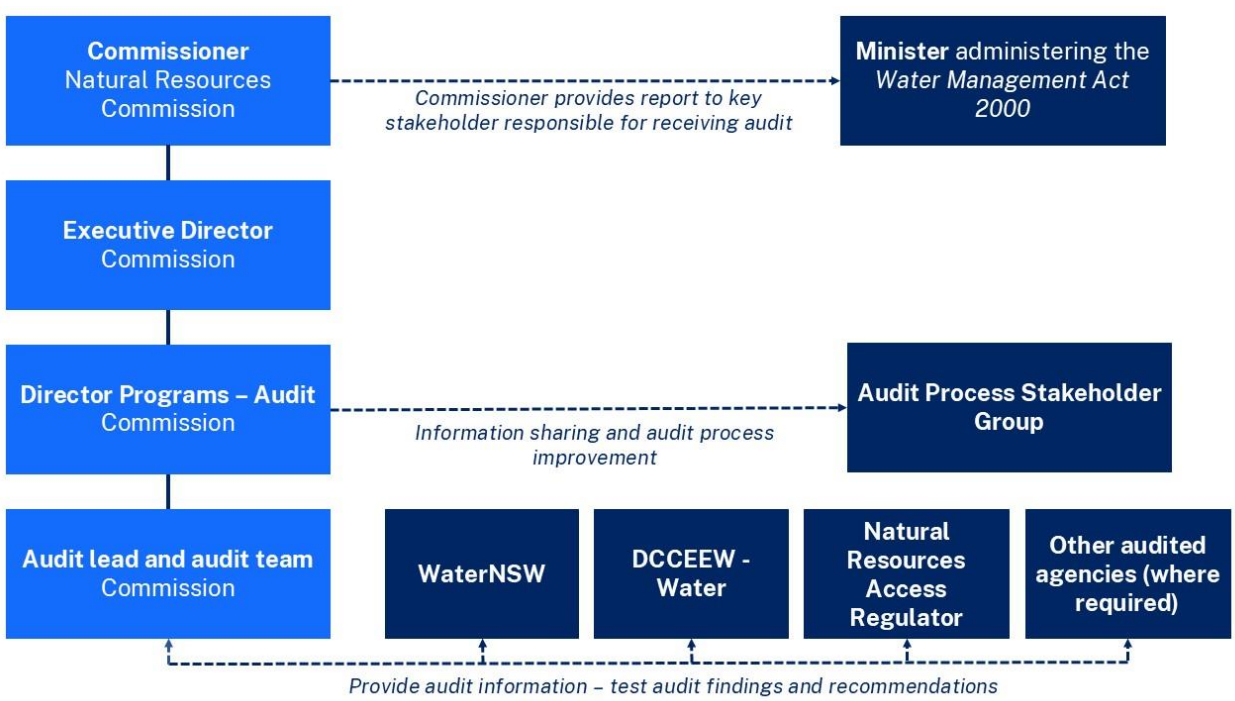

Figure 2 Stakeholder relationship diagram

5.3.1 Engagement with the Minister for Water

A letter will be sent to the Minister to communicate the audit commencement for each group of water management plan audits. The Minister also receives a copy of the final report at the conclusion of the audit.

If the Minister provides a response to the final report, it will be published on the Commission's website alongside the final report.

5.3.2 Engagement with auditees

Throughout the audit there are numerous methods and opportunities for communication with the auditees including the following:

- **Initial letter of engagement** – the Commission will provide auditees with a letter at the commencement of a group of audits to confirm timeframes for delivery
- **Agency coordinators** – each auditee agency has a nominated point of contact for the Commission to coordinate evidence and interview requests throughout the audit.
- **Audit Process Stakeholder Group** – a group of the relevant agency coordinators that meets quarterly to facilitate communication of any planning, issues, developments or improvements in relation to the Commission's audits.
- **Identification of emerging issues** – the Commission will seek to identify and communicate emerging issues in the spirit of 'no surprises' to allow auditees to follow up and clarify any issues that may become audit findings. This may include communication through meetings, calls or emails.
- **Evidence gathering procedures** – the Commission will regularly communicate with auditees to gather evidence, including via email, interviews and walk throughs as required and appropriate.
- **Agency debrief meeting** – the Commission will hold a meeting with relevant personnel from each agency to present the draft findings and recommendations of the audit. This allows agencies to provide comment and identify any other evidence, mitigating circumstances or issues that the Commission should consider in relation to its draft findings and recommendations.
- **Draft report review** – the Commission will provide auditees with at least two weeks to review and provide one round of comments on the draft report. The Commission will seek to resolve any disagreements with auditees and document changes in response to auditee feedback.
- **Formal response to report** – where provided, the agency response to the audit will be published on the Commission's website together with the audit reports. This allows auditees to provide additional commentary, context, progress or other relevant information they would like to present.

5.4 Audit findings, recommendations and conclusion

5.4.1 Developing findings and recommendations

Through the processes described in previous sections, the Commission will identify findings where elements of water management plans were not implemented during the audit period. Findings will be supported by evidence and tested with auditees to ensure they are reasonable and accurate.

Where the Commission identifies findings that implementation did not occur in line with the requirements of the water management plan in question, it will make recommendations for improvement.

The recommendations will:

- identify who is responsible for implementation
- describe an action to be taken
- directly flow from the relevant finding (address the specific gap in implementation)
- be implementable and feasible
- not place undue constraint on agencies in how they should meet the recommendation (not be too specific in regard to how a recommendation is to be carried out)

The Commission will not provide detailed reporting on areas where implementation of plan provisions occurred, but rather focus on gaps in water management plan implementation. A scorecard may be used to provide an overall assessment of audit implementation for the audit criterion assessed.

5.4.2 Providing an audit conclusion

Overall conclusions are required in each audit report.

Commission audit reports will generally apply the following guidance for a limited assurance water audit conclusion:

- where the auditor concludes that implementation of provisions sits between approximately 0 and 10 percent, use 'in our opinion based on the evidence reviewed, we believe the provisions of the [insert water management plan name] have not been given effect in accordance with the [insert plan type] made under the *Water Management Act 2000'*.
- where the auditor concludes that implementation of provisions sits anywhere between approximately 10 and 90 percent, use 'in our opinion based on the evidence reviewed, we believe the provisions of the [insert water management plan name] have not been given full effect in accordance with the [insert plan type] made under the *Water Management Act 2000*'.where the auditor concludes that implementation of provisions sits between approximately 90 and 100 percent, use 'in our opinion based on the evidence reviewed, we believe the provisions of the [insert water management plan name] have been given full effect in accordance with the [insert plan type] made under the *Water Management Act 2000*'.

5.5 Reporting

5.5.1 Report review and finalisation

The report drafting process is as follows:

- draft report is prepared by the audit team
- external quality control review (see **Section 3.3.2**)
- internal review of the draft report by the lead auditor or Director Programs, Executive Director
- external review of draft report by audited agencies

- internal review of final report by lead auditor or Director Programs, Executive Director and Commissioner
- final report is provided to the Minister and audited agencies.

The work of the internal and external reviewers should be recorded regarding what was reviewed, the outcome or conclusions, with actions taken noted. All decisions will be evidence-based and the Commission will take the final decision as auditor. If further audit procedures are required to firm up the evidence, this will be considered in making the decision.

For reports subject to an external quality control review or external consulting advice, the date of the audit report cannot be earlier than the date on which the external quality control review is completed and or the consulting advice received,[23] or the date of any dispute resolution due to the external review or advice.[24] Any issues identified as a result of this external quality control review process will be assessed for their root cause, severity and impact on the system of quality management.[25] Any identified issues will be escalated and corrective action taken in accordance with the standards.[26]

The Commission will seek to address the comments of auditee agencies. The Commission will endeavour to gain agreement of findings and recommendations to ensure they are accurate, reasonable and appropriate. The Commission has final decision as auditor on findings and recommendations.

The audit period is defined the time from plan commencement through to submission of the draft report to agencies, focusing on the period to the end of the most recent water year in which the audit is undertaken. The Commission reserves the right to consider evidence in finalisation of the audit report subject to the materiality of the evidence..[27]

5.5.2 Report publication

The audit reports will be made available :

- to agencies responsible for implementation of the management plans
- to the Minister responsible for the Act
- on the Commission's website upon release of the Minister's response to the audit or within six months of provision of the audit report to the Minister, whichever is sooner.[28]

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23 As defined in ASQM 1 16.3(d)

24 In accordance with ASQM 1 31(e) and (f). The Commission notes that ASQM 2 'Engagement Quality Reviews' provides additional guidance on documentation of external reviews.

25 In accordance with ASQM 1 41.

26 In accordance with ASQM1 42, 43 and 44.

27 ASAE 3000 61 states: '*When relevant to the engagement, the assurance practitioner shall consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the assurance practitioner after the date of the assurance report, that, had they been known to the assurance practitioner at that date, may have caused the assurance practitioner to amend the assurance report. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the assurance practitioner's conclusion. However, the assurance practitioner has no responsibility to perform any procedures regarding the subject matter information after the date of the assurance report*'.

28 Available at: https://www.nrc.nsw.gov.au/wmp-audits.

5.6 Continuous improvement

The audit team is committed to continuous improvement, it intends to:

- improve and automate where possible its processes and procedures and reporting to ensure consistent and repeatable processes
- streamline audits so similar water management plans are audited together and reported in a single report, where practical to do so, this should:
    - improve the impact of the reports through being able to identify trends and systemic issues
    - ensure consistency in approach is taken across plans similar in nature and geographical location
    - reduce the administrative burden of data requests for auditees and report production and review improving cost efficiencies
    - reduce the administrative burden of making, tracking and implementing numerous similar recommendations.
- improve stakeholder engagement to inform audit planning through a heightened awareness of:
    - emerging issues and risks
    - recently implemented or upcoming changes to be implemented by agencies that will have a material impact on the way management plans are implemented
- continue to build internal capacity to enhance auditors' skills and expertise to perform efficient and effective audits.

The audit team will adopt a continual improvement approach with a view to deliver audits which create value to the Minister, auditees and to the community. The audit team intends to deliver audits that:

- are a trusted source of information, which clearly articulate how water is being managed in comparison to how water management plans require it to be managed
- are transparent and easily understandable
- identify key issues needing to be addressed and keep the focus on the material and systemic matters that will create positive outcomes in line with the intent of the water management plans.

6 Document control

Date approved	October 2024
Review period	Annual
Next revision	October 2025
Responsible Officer	Executive Director
Changes made during the last revision	v4.1 – D20/0366 minor modifications to reference Part 9 of the Act and update reference to applicable standards v4.2 – D24/5103 minor modifications to agency names, distribution of report, evidence sources, clarifications and minor wording changes to QA approach, reporting and document control.