



Australian Government



Inspector-
General of
Water
Compliance



Audit Snapshot

July 2024

Audit – Controls Supporting Compliance with Basin Plan Requirements

The objective of this audit was to examine the controls that the Department of Climate Change, Energy, the Environment and Water (DCCEEW) had in place to ensure that persons with knowledge of a pending water announcement did not enter any water trading activity before it was made generally available, as referenced by sections 12.51 and 12.52 of the Basin Plan.

Why this audit was necessary?

- On 22 February 2023, the Australian Government announced their intention to enter the Murray-Darling Basin water market as a purchaser of water, referred to as the Bridging the Gap announcement.
- This announcement represented a change in policy that altered the active role(s) of DCCEEW and heightened the risks associated with managing compliance with sensitive water market information.
- DCCEEW compliance with water trading rules in the Basin Plan is important to the maintenance of trust and confidence in the water market.

Key facts

- The Water Division(s) within DCCEEW provide advice to government, develop policy, and implement government policy in relation to water management and water markets in the Murray-Darling Basin.
- DCCEEW includes the Commonwealth Environmental Water Holder (CEWH) which holds water assets and actively trades in the Murray-Darling Basin water market.
- On 23 January 2023, the CEWH announced their intention to sell up to 8 Gigalitres (GL) of annual water allocations in the Goulburn Catchment in Victoria
- On 22 February 2023, DCCEEW announced their intention to purchase 49.2GL of permanent water entitlements in the Murray, Namoi, Border Rivers, Barwon-Darling, Lachlan and Condamine-Balonne catchments in NSW and Queensland.

What was found?

- DCCEEW arrangements were assessed as partly effective for ensuring compliance with sections 12.51 and 12.52 of the Basin Plan. This included the overarching policy and procedural framework, timing and coverage of staff training, and controls for managing conflicts of interest.

- DCCEEW information barriers established were assessed as not effective because it did not sufficiently outline how key controls such as information barrier arrangements operate and must be complied with. Furthermore, a revised policy framework was socialised with staff on 1 March 2023, after the water announcement was made generally available and it is not clear how all staff were made aware of the policy framework and its requirements prior to the water announcement being made publicly available.
- While the CEWH's overarching policy and procedural framework, training, information barrier arrangements and managing of conflicts were assessed as largely effective.

Key recommendations

- DCCEEW and the CEWH should review and enforce the requirement for conflict-of-interest declarations to be completed in all circumstances where required.
- DCCEEW and the CEWH should clearly outline their information barrier arrangements, the systems that should not be used to store information and ensure that access logs are periodically reviewed and audited.
- The policy and procedural framework of DCCEEW should be reviewed and updated to ensure that it is consistent with legislative requirements and clearly outline how controls operate to comply with requirements of the Basin Plan.
- DCCEEW should ensure that staff engaged in water trading activities are trained in legislative and policy requirements and formally track training completion.