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Inspector-
General of
Water
Compliance

Audit of Accounting for Interstate Trade in the Northern Basin

Inspector-General of Water Compliance

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The Author pays respect to the Traditional Owners and their Nations of the Murray-Darling Basin. We acknowledge their deep cultural, social, environmental, spiritual and economic connection to their lands and waters.

Aboriginal people should be aware that this publication may contain images, names or quotations of deceased persons.

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Summary

As part of achieving a more sustainable level of water use within the Murray-Darling Basin (The Basin), the Basin Plan establishes sustainable diversion limits (SDLs) for the Basin overall, as well as for individual water resource units within the Basin. The SDLs set long-term limits on the amount of water that can be taken for consumptive use by communities, farmers and industry while still maintaining a healthy river system. The Basin Plan also supports water trade between users and locations, which provides farmers with flexibility to access, manage and use water for maximum benefit within the bounds of the SDLs.

Being able to accurately track and record where and when water is being used is an important element in accounting for water use, for both individual users and for broader water management. Accurate water accounting and reporting allows water management agencies to understand how water is being used and ensure water allocation and use is compliant and in accordance with the SDLs. Every year (in accordance with s 71 of the Water Act 2007), Basin states must provide a written report to the MDBA on water use for each water resource plan area in the Basin, including the details of any water traded into or out of the area.

In the Northern Basin, the Border Rivers catchment is the only catchment where surface water can be traded between Qld and NSW. This trade is co-ordinated by the two state governments through the New South Wales-Queensland Border Rivers Intergovernmental Agreement 2008. Trade can occur in both directions subject to account limit rules, operational accounting rules and the trading rules set by the two state management plans.

The objective of this audit was to:

- assess arrangements in NSW and Qld for recording interstate trades in the Border Rivers catchment, and
- assess arrangements for ensuring that interstate trade data is accurately accounted for in annual reporting on water availability and use in the Border Rivers (provided to the MDBA in the section 71 reports).

Planning and fieldwork for this audit was conducted by the Murray-Darling Basin Authority (MDBA). The final report was prepared by the Inspector General Water Compliance (IGWC) following machinery of government changes and a transfer of audit powers from the MDBA.

The audit sampled around 61% by volume of interstate trades in the Border Rivers in the 2018/19 water year to determine how accurately information about trade was being captured and reported.

Findings

The findings of the audit have been categorised into three themes around:

1. water trading
2. the accounting and reporting of water take and trade data, and
3. compliance monitoring.

Water Trading

The audit has found that neither NSW nor Qld recognise the interstate transfer of water allocation through works that are permanently linked, as trades. This is an administrative process whereby a water entitlement in one location is linked to works that allow water to be extracted at a second location.

The failure of NSW and Qld to recognise the interstate transfer of water allocation through works that are permanently linked is inconsistent with the Basin Plan s1.07 (2) which states that “in the Basin Plan, a reference to trade includes a reference to transfer”.

Interstate transfers of water allocation through works that are permanently linked, account for approximately 26.3 GL or approximately 83% of all interstate trade between NSW and Qld in 2018-19. The failure to process these transfers as trades has contributed to some of the discrepancies found in the overall reporting of water trade and take across the two states.

While both states have controls and processes in place for approving applications for allocation trades, similar controls do not exist for transfer of water allocation through works that are permanently linked because they are not recognised, and therefore processed, as trades. This allows for water to be transferred without regard to the water trading rules, account limit rules, operational accounting rules and conditions around works approvals that are considered when determining allocation trade approvals, and which help ensure that water use is compliant and properly accounted.

Accounting and Reporting

The audit found numerous instances (totalling 1,079 ML or around 5% of the sample tested) in which water accounting data and records were non-transparent, inconsistent or inaccurate. This included:

- water accounts not being updated after trades were approved
- the inability to reconcile an account holders take through a works that are permanently linked with total annual volume delivered
- An inability to accurately reconcile total extraction between the states.

Discrepancies and inaccuracies in water accounting records have the potential to undermine the integrity of the data provided in the annual section 71 reports on water take and use.

Compliance Monitoring

Sample testing identified two instances where water was taken in Qld before the trade from NSW was approved. In addition, it was noted that NSW does not require a meter reading to confirm water availability prior to approving trades. Given that the take of water prior to trade approval or without sufficient water in an account could be a breach of licence conditions, each state should have systems in place to ensure that issues are properly identified and investigated where necessary.

Conclusion

The findings from this audit raise concerns over accuracy in the reporting of water trade (and hence water take) information by NSW and Qld in the Border Rivers catchment.

At an individual level, water holders expect their water accounts to be accurately updated when they trade or use water. Issues identified in this audit, such as water being traded from one state but not appearing in an account in the other state, incorrect volumes being recorded in water accounts, and manual adjustments being made by the authorities without documented explanations mean that users cannot be confident their water is being appropriately recorded and accounted for. Water is a valuable

asset in itself, but in the case of irrigators it is an essential element of their business. Water owners need to have confidence that the value and amount of their asset is not at risk of being diminished through poor accounting.

At the broader community level there are expectations that water take is accurately accounted for to ensure compliance with water take rules and limits on take. This however cannot be ensured when there is a lack of connectivity between the NSW and QLD accounting systems which compromises administrative capacity to accurately identify important information. Lack of system connectivity undermines the robustness of water accounting in the Border Rivers.

The misreported trade volumes, as well as the discrepancies and inaccuracies identified in water accounting records identified in this audit, undermine the integrity of the data used to calculate annual reports on water take. While the volumes involved may not be large in the broader context of water take and SDLs across the Basin, ensuring integrity in water accounts is fundamental to accurately determining water take and long-term SDL compliance.

Accordingly, the IGWC has made a number of recommendations for both NSW and Qld, including firstly, that both states need to recognise the transfer of water allocation through works that are permanently linked as trades as required under the Basin Plan, and process and report on them accordingly.

Beyond this, the IGWC has identified a number of process and accounting changes that should be implemented to improve the accuracy and integrity of water trade and take data in the Border Rivers. These range from measures for ensuring water is available in accounts before a trade is approved, to improving processes for recording and reconciling trade data and water accounts between the states. Improving these processes would also allow better compliance monitoring and enable action to be taken if potential non-compliance is identified.

Background

The Basin Plan, made under the Water Act 2007 (Cwlth), aims to bring the Murray-Darling Basin back to a healthier and more sustainable level of water extraction, while continuing to support farming and other industries for the benefit of the Australian community. One of the key elements of the Basin Plan is the establishment of sustainable diversion limits (SDLs) for the entire Basin and individual water resource units within the Basin. The SDLs set long-term limits on the amount of water that can be taken for consumptive use by communities, farmers and industry while still maintaining a healthy river system.

The Basin Plan, together with state water legislation, also provides for water users to trade or transfer water between users and locations. This ability to trade water has become integral to managing water use within the new limits, allowing farmers more flexibility to access, manage and use water for maximum benefit within the system.

Being able to accurately track and record where and when water is being used is an important element in accounting for water use, both for individual water users and for broader water management. Accurate water accounting and reporting allows water management agencies to understand how water is being used and ensure water allocation and use is compliant and in accordance with the SDLs.

This audit of accounting for interstate water trading in the Borders Rivers was commenced as part of the Murray-Darling Basin Authority's (MDBA's) 2020 compliance audit program. Planning and fieldwork for this audit was conducted by the Murray-Darling Basin Authority (MDBA). The final report was prepared by the Inspector General Water Compliance (IGWC) following machinery of government changes and a transfer of audit powers from the MDBA.

Sustainable diversion limit (SDL) accounting

Water Management agencies with responsibilities within the Border Rivers include:

NSW

- Department of Planning & Environment (DPE) – (set the rules) - has planning, policy development and regulatory frameworks responsibilities for water management
- Natural Resources Access Regulator (NRAR) – (enforce the rules) - has responsibilities for compliance and enforcement activities stemming from regulatory frameworks for water management
- WaterNSW – (run the river) - is responsible for bulk water supply, security, trade, and management of water resources.

Qld

- Department of Regional Development, Manufacturing and Water (DRDMW) – (set and enforce the rules) - has responsibility for the administration of water legislation, including planning, policy, and framework management as well as compliance and enforcement activities.

Ensuring that the SDLs are being met in all SDL resource units across the Basin is a fundamental element of delivering the Basin Plan. Every year (in accordance with s 71 of the Water Act 2007),

Basin states must provide a written report to the MDBA on water use for each water resource plan area in the Basin. A copy of this report is then required to be provided to the IGWC by the MDBA.

The s 71 data reported includes a range of information including water availability, allocations, trade and actual and permitted take. This audit focuses only on the accounting and reporting of interstate trades and transfers. In this regard, for each water resource plan area, the s 71 data must include details of any water traded during that water accounting period:

- a) within the area.
- b) into the area; and
- c) from the area.

Accurate accounting for water that is moved or traded between states and water resource plan areas is an important part of ensuring there is no double or under accounting of water take data.

Interstate Trades and Transfers

Interstate trade in the Northern and Southern Basins (refer to Figure 1) is governed by two different agreements.

In the Southern Basin, the trade of water across state boundaries is allowed under Schedule D of the Murray-Darling Basin Agreement. An interstate tag is established between works that are permanently linked, with both States involved in processing the application, and there are documented accounting rules for managing the transfer of water allocation under a tagging arrangement.

In the Northern Basin, the Border Rivers catchment is the only catchment where surface water can be traded between NSW and Qld. The rivers of this catchment rise on the western slopes of the Great Dividing Range and run westward, gradually merging with one another to become the Barwon River on the floodplains upstream of Mungindi. This interstate trade occurs under the New South Wales-Queensland Border Rivers Intergovernmental Agreement 2008. Trade of allocation can occur in both directions subject to account limit rules, operational accounting rules and the trading rules set by the two state management plans.

Map 1 The Northern and Southern Basins of the Murray-Darling Basin Source:



Source: [Murray Darling Basin Authority](#)

Map 2 NSW/Qld Border Rivers interstate trading zones



Source: [Murray-Darling Basin Authority - interstate water trade](#)

Trade in the Border Rivers comprises of both allocation trade and the transfer of water allocation through works that are permanently linked between NSW and Qld. Creating a permanently linked work, is an administrative process where a water access entitlement in one location or trading zone is linked to a work i.e., a pump, in another location or trading zone. It is similar to the process used in the southern Basin to achieve the same outcome, which is generally referred to as tagging (see Box 1 for further examples).

Box 1 Example of interstate allocation trade vs interstate transfer of water allocation through works that are permanently linked

John is an irrigator on the NSW side of the Border Rivers who needs additional water that is available in Qld. John can either buy a Qld Border Rivers water access entitlement or purchase allocation from a Qld irrigator, to use the water on his NSW property. John has 3 options available

Option 1:

John could purchase allocations from Qld irrigators as he requires them. This option is subject to fluctuations in market forces.

Option 2:

John could purchase a water access entitlement from Qld and then do an interstate allocation trade whenever allocation is available under the entitlement. To do an allocation trade, John would have to pay the processing fees every time he trades allocation from Qld to NSW and will need to wait for the trades to be processed. As allocations are made throughout the year to his Qld entitlement, John may have to do several allocation trades through the year to access his Qld allocation in NSW.

Option 3:

John could purchase a water access entitlement from Qld and then create a permanent link to his pump in NSW. This administrative process provides John the ability to extract water through his NSW pump on an ongoing or 'permanent' basis without needing to apply for an allocation trade every time he wants to use allocation against his Qld water access entitlement in NSW. Effectively, when John extracts water through his NSW authorised pump, his allocation in Qld will be debited. There are several advantages for John with this process, including that it is cheaper, there are no price fluctuations, and it requires less paperwork.

While there is no change of ownership or payment involved in using a permanently linked work, this is still considered a trade as defined in s1.07 of the Basin Plan.

The figures displayed in the table below provide a breakdown of water use in the Border Rivers catchment for 2018-19. It identifies that while the interstate trade component has minimal impact on overall water take and compliance with the SDL, a high proportion of these trades are transfers of water through works that are permanently linked.

2018-2019 QLD/NSW Border Rivers catchments		
Combined SDL	669 GL	
All forms of water take	398 GL	59% of SDL
Interstate trade	31.6 GL	8% of all forms of take
Interstate trade from NSW to Qld	30.8 GL	97% of interstate trade
Interstate trade from Qld to NSW	0.8 GL	3% of interstate trade
Interstate trade that was transferred through permanently linked works	26.3 GL	83% of interstate trade

Audit Approach

Audit objective and scope

The objective of this audit was to:

- assess arrangements in NSW and Qld for recording interstate trades in the Border Rivers catchment, and
- assess arrangements for ensuring that interstate trade data is accurately accounted for in annual reporting on water availability and use in the Border Rivers (provided to the MDBA in the section 71 reports).

The scope of this audit included auditing the processes and procedures used by NSW and Qld to:

- collect and report interstate trade information in the Border Rivers catchment
- ensure that interstate trades are recognised at both the “state of origin” and the “state of destination”
- ensure that trade adjustments are accurately accounted for in the data provided in the annual Section 71 reports on water take.

Audit methodology

Audit testing consisted of:

- requesting and reviewing evidence of processes and procedures around interstate trade activities
- requesting and reconciling NSW and Qld interstate trade accounts and account summaries
- sample testing individual interstate trades to determine:
 - accuracy (information is recorded accurately and correctly classified)
 - completeness (all information that should be disclosed has been included)
 - cut-off (information has been compiled in the correct reporting period)
 - existence (the information included actually existed).

The audit sample tested 61 percent of the total volume of water traded between Qld and NSW during the 2018-19 period (or 19.25 GL from a total of 31.6 GL. See Appendix A for further detail on the methodology)

Findings

The findings from this audit raise concerns over accuracy in the reporting of water trade (and hence water take) information by NSW and Qld in the Border Rivers catchment. The findings (summarised in Table 1) have been categorised into three themes: water trading, water accounting and reporting, and compliance monitoring. Further detail around individual test results can be found at Appendix A.

Table 1 Findings summary table

Description of Findings
Water Trading
1. The establishment of a permanent link between approved works for taking water in NSW and a water entitlement in Qld is not recognised as tagged water access entitlement.
2. The transfer of water allocation to another jurisdiction through works that are permanently linked is not recognised by either NSW or Qld as a trade that needs to comply with the processes and rules that apply to other types of trade, or the reporting requirements of the Water Act section 71(1)(f).
Accounting and Reporting
3. There were numerous inconsistencies and inaccuracies identified in the water accounting records of both NSW and Qld.
4. There were numerous deficiencies in the processes and systems of both NSW and Qld for recording interstate trade between the jurisdictions.
5. The agreement between NSW and Qld to rely on the state of origin for trade adjustments does not ensure the accuracy of what is reported.
Compliance Monitoring
6. NSW do not require a meter reading to confirm water availability in the seller account before approving an application to trade allocation.
7. There were two instances where NSW water was recorded as having been taken in Qld before the trade of this water was approved.

1: Water Trading

The transfer of water allocation through permanently linked works accounted for 83% of Border Rivers interstate trade in 2018-19. This is water transfer not currently recognised as representing trading activity in the Murray Darling Basin.

There are two trades involved in the arrangement for transferring water allocation through works that are permanently linked. The first trade occurs at the administration level, which is the establishment of the permanently linked works, while the second occurs at the time of the transfer of water or actual water take.

The establishment of the link represents the establishment of a tagged water access entitlement. This is because the entitlement is registered in one place and the water allocation can then be taken in another place tagged on the registers maintained by both NSW and Qld.

While NSW identifies the establishment of tagged licences where they are the State of Origin and publish this information on their water register, Qld do not recognise the establishment of permanently

linked works as a tagged water access entitlement because the link is not recorded on the water allocations register maintained.

The IGWC does not agree with the view of QLD. While it is recognised that the permanent link is not recorded on the water allocations register, there is an internal register which records all Qld entitlements permanently linked to approved works in NSW. As this register captures the water allocation holder, the extraction site, works approval number and date the application is approved, it is considered to represent a record which tags the water access entitlement to works in another place for the purposes of the Basin Plan.

The second trade mentioned, involves the actual transfer of a water allocation once the permanent link between the State of Origin and State of Destination has been established. This is currently not recognised by either NSW or Qld as a trade under the Basin Plan

The view of NSW and Qld on the transfer of water allocation through works that are permanently linked is inconsistent with the definition of trade in the Basin Plan. This definition is explicit in noting that trade includes transfer and does not require there to be a change of ownership or payment of consideration involved.

Failure to recognise the transfer of water allocation through works that are permanently linked leads to movement of water between the two states without having to meet the checks and balances in place for other types of trade, or the conditions associated with the works through which water is extracted. This is inconsistent with established processes for approving applications to trade an allocation, where there is a greater level of scrutiny and rigour followed to ensure that water transfer to existing entitlement holders is protected.

2: Accounting and Reporting

The audit sample tested 61 percent of the total volume of water traded between Qld and NSW during the 2018-19 period (or 19.25 GL of 31.6 GL), comprising both water allocation trades and transfers of water allocation through permanently linked works. As noted above, overall, just under 10% of total water used in the Border Rivers was interstate trade.

From this sample, inconsistencies and inaccuracies were identified in the state water accounting records that amounted to 1,079 ML – or around 5% of the sample size (see Appendix A for details). These included

- instances (in three approved interstate allocation trades) where there were no records of the trades in either the buyer or sellers accounts; and
- an inability to verify accounting entries for 61 ML of water delivered from the Qld to NSW through permanently linked works.

The audit also identified a number of process deficiencies (further detailed in Appendix A). These included:

- The lack of a process in NSW for reporting back to Qld when quarterly meter readings identify discrepancies in water taken through works that are permanently linked. In the absence of meter reading data being shared between the states, a Qld licence holder could collectively be taking water in NSW and Qld in excess of the total allocation on licence held.
- Accounting records in Qld which do not include unique identifiers for orders to transfer water allocation through works permanently linked to a water access entitlement in NSW. This makes it difficult to reconcile orders (approved or otherwise).

- Accounting records in Qld which do not identify intrastate trades approved for the purpose of reconciling allocation water and approved interstate trades with the entitlement under the licence held. This makes it difficult to verify that a licence holder was entitled to take water at the time it was transferred.

A further concern is the current agreement between NSW and Qld to rely on the state of origin data as the source of truth for trade volume adjustments when section 71 reports are prepared. While ensuring consistency, this does not necessarily ensure accuracy in reporting.

While not within the scope of this audit, it was also identified that Qld are not reporting to the Bureau of Meteorology each week on trades where NSW is the state of destination as required by the specified regulations linked to s126 of the Water Act 2007. This further undermines public transparency and the ability of water users and traders to make any reasonable comparison of market information.

3: Compliance Monitoring

Compliance monitoring forms an important part of a regulatory framework and helps to ensure that processes are robust, and non-compliance can be identified and acted upon.

From the audit sample tested, there were two instances where NSW water was recorded as having been taken in Qld before the trade of this water was approved. The take of water prior to trade approval could lead to a potential breach of licence conditions and further investigation may be required.

The audit also found that WaterNSW does not confirm current meter reading data before an application to trade allocation is approved. This can lead to a situation where water is traded in exceedance of a user's existing allocation, effectively allowing over-extraction. This differs from the approach in Qld where a current meter reading is required and recorded, prior to the approval of an application, to ensure accounts are not over-extracted at the time of trade.

While not within the scope of this audit, the IGWC notes that there was a lack of published information in NSW on the process for transferring water allocation through works that are permanently linked. This may result in water users taking water without properly considering the impact of this on their licence obligations or conditions placed on their works approval.

Impacts

The findings from this audit raise concerns over the accuracy in the reporting of water trade (and hence water take) information by NSW and Qld in the Border Rivers catchment. These are concerns that are largely the result of a lack of connectivity between the NSW and QLD accounting systems and an approach to the transfer of water through permanently linked works that is inconsistent with that required under the Basin Plan.

At an individual level, water holders should expect their water accounts to be accurately updated when they trade or use water. Water is a valuable asset in itself, but in the case of irrigators is an essential element of their business. Water owners need to have confidence that the value and amount of their asset is not at risk of being diminished through poor accounting.

At the SDL resource unit level there are expectations that water take is accurately accounted for to ensure compliance with water take rules and limits. One element of water accounting involves adjusting for trade in and out of the water resource plan areas when determining how much water is being taken. Without robust procedures in place, water could be transferred across the NSW/Qld border in circumstances where an account is not held in the state of origin, there is insufficient water in the account, or there is non-compliance with conditions associated with the works through which water will be extracted.

The cumulative effect of ongoing inaccuracies in the accounting processes could also have long-term effects on resource decisions. For resource managers this could mean that the actual amount of water available is different to that which is anticipated. This, in-turn could impact on the reliability of water access licences (in NSW) and water allocations (in Qld) within the consumptive pool. For example, if more water is being extracted than is being accounted for, this could affect the long-term calculations of the amount of available water in the water resource and adversely impact all water users and water for the environment.

Recommendations

Recommendations
Water Trading
1. The establishment of a permanent link between approved works for taking water in NSW and a water entitlement in Qld needs to be recognised as a tagged water access entitlement that is a trade under the Basin Plan.
2. Both DPE and DRDMW must recognise the transfer of water allocation to another jurisdiction through works that are permanently linked as a trade, as required under the Basin Plan; and institute a documented approval process to ensure that all relevant rules, conditions, and reporting requirements are properly considered for each such transfer.
Accounting and Reporting
3. Both DPE and DRDMW should undertake regular reconciliation of water trade data to identify and promptly resolve any data integrity anomalies.
4. Both DPE and DRDMW should improve their systems and processes to ensure that water trade data is accurately recorded and can be reconciled.
5. There should be regular reconciliation of water trade data between DPE and DRDMW to ensure the accuracy of information that is reported.
Compliance Monitoring
6. WaterNSW should validate meter reading data before a trade is approved.
7. DRDMW should investigate and record the outcome of investigations in all instances where water was taken before the trade was approved. The outcome of the investigations into non-compliance identified from this audit should be reported to the IGWC.



Management Response

Under section 73M(2) of the Water Act, DPE, WaterNSW and DRDMW will have 90 days to respond to recommendations made in this report from the date it was published. This response will need to address:

- a) Whether recommendations are accepted
- b) The actions that will be taken to address any recommendations that have been accepted (in whole or in part) and,
- c) The reasons for not accepting any recommendations (in whole or in part)

The DPE and WaterNSW final management response is located on the IGWC website.

The DRDMW management response is an interim response and is also published on the IGWC website.

Appendix A Test Method and Results

The audit sample consisted of 23 interstate trades from 10 accounts, with those trades comprising a mix of both water allocation trades and the transfer of water allocation through permanently linked works. This sample represented 19.25 GL (or 61%) of the total 31.6 GL that was traded or transferred across the NSW and Qld border in 2018-19.

For each transaction, the MDBA requested copies of application forms and supporting documents for reconciliation with the accounting and meter reading records provided by NSW and Qld.

The results of this testing are summarised in the table below.

Test	Discrepancies Identified
<p>1. Volume in application forms to trade allocation must be the same as volume recorded in the accounting system</p>	<p>There were three approved allocation trades where there was no adjustment made to the buyers account in NSW or the sellers accounts in Qld. These trades were for a total of 201ML. (data integrity)</p> <p>The IGWC was not able to verify accounting entries for 61ML of water delivered from Qld through works that are permanently linked (data integrity)</p>
<p>2. Annual volume traded in a customer account must equal total volume from the applications received.</p>	<p>There was a 40ML discrepancy between NSW and Qld accounting records for water taken by a customer through works that are permanently linked. (data integrity)</p> <p>There were two allocation trades where there was a 406ML discrepancy in the total volume recorded in the accounting systems of NSW and Qld. (data integrity)</p> <p>Accounting records did not identify the reason for manual adjustments made to two customer accounts in Qld. (process deficiency)</p> <p>NSW Water Account Statements do not identify take of water through Qld through works that are permanently linked. (process deficiency)</p>
<p>3. Records must be maintained of communications between NSW and Qld on the process for confirming buyer, seller and authorised works details before an application is approved.</p>	<p>There were no documents to evidence the existence of an approval process for water that is taken in another jurisdiction through works that are permanently linked. (process deficiency)</p> <p>There were two allocation trades where the water was taken in Qld before the application was approved. (process deficiency)</p> <p>The IGWC was not able to reconcile data provided by Qld on total allocation trade and the transfer of water</p>

Test	Discrepancies Identified
	allocation through works that are permanently linked, with data held in the Water Accounting System of NSW. (data integrity)
<p>4. Availability of water in the customer account must be confirmed before it is taken at another location.</p>	<p>There were no documents to evidence the existence of an approval process to confirm water availability before it is taken in another jurisdiction through works that are permanently linked. (process deficiency)</p> <p>There is no mandatory requirement for the customer to provide a meter reading on an application to trade allocation from NSW to Qld. (process deficiency)</p>
<p>5. Customer accounts must be reconciled with meter readings to ensure there has been no take of water in excess of what was permitted.</p>	<p>The IGWC was not able to obtain Water Account Statements from NSW for three customers who traded allocation or took water through works that are permanently linked. (data integrity)</p>
<p>6. The accounting records of NSW and Qld must both be adjusted when a cross border trade is approved.</p>	<p>Water taken in NSW through works permanently linked to a QLD water access entitlement was recorded as 40ML less than the total delivered from Qld. (data integrity)</p> <p>Accounting records did not identify intrastate trades approved for the purpose of reconciling allocation water and approved interstate trades with the entitlement under the licence held. (process deficiency)</p> <p>Accounting records for a customer in Qld did not identify all application references for water traded from NSW. (process deficiency)</p>

Glossary

The definitions in the table below are relevant to the Basin Plan, to which the Inspector-General of Water Compliance holds a regulatory position.

Term	Description
Allocation trade	Where an entitlement holder sells a volume of their water allocation to another person.
Border Rivers Intergovernmental Agreement 2008	An agreement between Qld and NSW that sets out roles and responsibilities around surface water, which include Interstate trading, measuring, monitoring, auditing and reporting.
Permanently linked works	involves an administrative process whereby a water entitlement in one location is linked to works in another location, thereby allowing that water to be transferred and extracted in the second location.
Section 71 reports (s71)	An annual water use and availability provided by the Basin States to the MDBA, under Section 71 of the Water Act 2007. The report includes information on water trades and Sustainable Diversion Limit compliance
State of destination	State in which an allocation made under a water access entitlement is extracted.
State of origin	State where the water access entitlement is issued
Sustainable Diversion Limits (SDLs)	Limits on how much water, on average, that can be used in the Murray Darling Basin by towns and communities, farmers, and industries, while keeping the rivers and environment healthy. The SDL covers 29 river catchments and 80 groundwater areas that have set limits that change from year-to-year dependant on storage levels and weather conditions.
Tagged water access entitlement	A water access entitlement ¹ : (a) which is registered on a water register in relation to one place: and (b) under which the water allocation is extracted in a different place (which is tagged on the register). Pursuant to an arrangement for water access entitlement tagging
Trade	The buying and selling of water access rights. To avoid doubt, this includes ² : (a) trades that do not involve the payment of consideration. (b) trades between places under which ownership of the right being traded does not change. (c) the establishment of a leasing arrangement; and (d) the establishment of a tagged water access entitlement "in the Basin Plan, a reference to trade includes a reference to transfer." ³

¹ ss12.23(5) Basin Plan 2012

² ss1.07(3) Basin Plan 2012

³ ss1.07(2) Basin Plan 2012

Term	Description
Transfer	Transfer is defined as: “to convey or remove from one place, person, etc. to another.” ⁴
Water access entitlement	A perpetual or ongoing entitlement, by or under a law of a state, to exclusive access to a share of the water resources of a water resource plan area. Known as a water access licence (WAL) in NSW and a water allocation in Qld
Water access entitlement tagging	An accounting approach that allows a water access entitlement that is traded from one jurisdiction or trading zone to another jurisdiction or trading zone to retain its original characteristics when traded to the new jurisdiction or trading zone (rather than being converted into a form issued in the new jurisdiction or trading zone) ⁵
Water allocation	The specific volume of water allocated to a water access entitlement in a given water accounting period.
Water Register	A record of water access rights in a Basin State ⁶ .

⁴ *Macquarie Dictionary 7th Edition (February 2017), page 1590*

⁵ *Schedule 3, Section 1, Water Act 2007*

⁶ *Section 1.07 Basin Plan 2012*



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