

Audit of accounting for interstate trade in the Northern Basin

Final Management Response

The Inspector General for Water Compliance has undertaken an audit of accounting for interstate trade in the Northern Basin and more specifically in the Border Rivers. The audit was undertaken in accordance with the Engagement Plan signed by the relevant parties in March 2020.

The Inspector General completed the audit and published the final audit report on 4 October 2022, in accordance with section 73L of the *Water Act 2007* (Cwlth). It is a requirement under s73M(2) of the *Water Act 2007* (Cwlth) that once the final audit report is published, a written response to the recommendations be provided to the Inspector General within 90 days.

The Department of Regional Development, Manufacturing and Water (DRDMW) provided an interim management response which was published with the final audit report on 4 October 2022. The interim management response flagged that DRDMW was looking to work with the Inspector General for Water Compliance and seek clarification prior to providing a final management response.

DRDMW has prepared a final management response in relation to the seven (7) recommendations made by the Inspector General for Water Compliance in the final audit report. Refer Attachment 1. This management response is based on the current arrangements for accounting for interstate trade is in accordance with New South Wales – Queensland Border Rivers Intergovernmental Agreement 2008.

The Queensland Government remains committed to implementing the Murray-Darling Basin Plan 2012 (Basin Plan) on time and in full. Queensland was the first Basin jurisdiction to have all its Murray-Darling Basin Water Resource Plans accredited by the Commonwealth Government as being consistent with the Basin Plan.

DRDMW takes compliance with water regulation seriously, including compliance with the sustainable diversion limits under the Basin Plan. When undertaking annual compliance reporting under section 71 of the *Water Act 2007* (Cwlth), trade adjustments are made in accordance with the Border Rivers Water Accounting Methods Report (which was submitted as supporting information for accreditation). The trade adjustment ensures that take or use of water against a Queensland entitlement through works in New South Wales is accounted and assessed for compliance in the Queensland Border Rivers Sustainable Diversion Limit Resource Unit.

DRDMW is also driving more transparent and sustainable rural water management across the state (including the Border Rivers) through its Rural Water Futures Program. The program is delivering better systems, policies and processes to give stakeholders, industry and communities confidence that our water resources are being managed fairly and responsibly.

The Queensland Government supports the Final Roadmap Report that was released on 11 October 2022. It set out the phased, practical and cost-effective plan for water market reform having regard to the Australian Competition and Consumer Commission's 2021 *Murray-Darling Basin water market inquiry final report*. The roadmap includes recommendations to drive a number of water market reforms including improve the functioning, transparency and governance of water markets.

Attachment 1 Final Management Response

Border Rivers Interstate Trading
Inspector-General For Water Compliance
Draft management response to final audit report.

Finding	Recommendation	Management response
Water Trading		
<p>1. The establishment of a permanent link between approved works for taking water in NSW and a water entitlement in Queensland is not recognised as tagged water access entitlement.</p>	<p>The establishment of a permanent link between approved works for taking water in NSW and a water entitlement in Queensland needs to be recognised as a tagged water access entitlement that is a trade under the Basin Plan.</p>	<p>DRDMW agrees in principle with the basis of the recommendation made by the Inspector General for Water Compliance and will look for opportunities to work with the Office of the Inspector General and the relevant Government Agencies in New South Wales for improvements and/ or enhancements while maintaining its consistency with the Basin Plan in the meantime.</p> <p>DRDMW is of the view that the current arrangements for accounting for interstate trade is in accordance with New South Wales – Queensland Border Rivers Intergovernmental Agreement 2008.</p>

Finding	Recommendation	Management response
<p>2. The transfer of water allocation to another jurisdiction through works that are permanently linked is not recognised by either NSW or Queensland 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).</p>	<p>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.</p>	<p>DRDMW agrees in principle with the basis of the recommendation made by the Inspector General for Water Compliance and will look for opportunities to work with the Office of the Inspector General and the relevant Government Agencies in New South Wales for improvements and/ or enhancements while maintaining its consistency with the Basin Plan in the meantime.</p> <p>DRDMW is of the view that the current arrangements for accounting for interstate trade is in accordance with New South Wales – Queensland Border Rivers Intergovernmental Agreement 2008.</p> <p>In the interest of clarity, DRDMW already recognises the volume of water taken under a Queensland water entitlement through works located in New South Wales that are permanently linked when reporting water use and making trade adjustments under section 71 of the <i>Water Act 2007</i>.</p>
Accounting and Reporting		
<p>3. There were numerous inconsistencies and inaccuracies identified in the water accounting records of both NSW and Queensland.</p>	<p>Both DPE and DRDMW should undertake regular reconciliation of water trade data to identify and promptly resolve any data integrity anomalies.</p>	<p>DRDMW accepts the recommendation. DRDMW is prepared to review the frequency of undertaking reconciliation of water trade data in consultation with New South Wales to identify and promptly resolve any data integrity anomalies.</p> <p>This review will include evaluating implementation of the operating protocols established under Appendix E1 to the New South Wales – Queensland Border Rivers Intergovernmental Agreement 2008 and strengthening processes and procedures where applicable.</p>
<p>4. There were numerous deficiencies in the processes and systems of both NSW and Qld for recording interstate trade between the jurisdictions.</p>	<p>Both DPE and DRDMW should improve their systems and processes to ensure that water trade data is accurately recorded and can be reconciled.</p>	<p>DRDMW accepts the recommendation. DRDMW will continue to review systems and processes specific to interstate trading on the Border Rivers to strengthen existing arrangements and develop new arrangements (if necessary) to deliver improvements in consultation with NSW where applicable.</p> <p>More broadly, DRDMW is driving more transparent and sustainable rural water management across the state (including the Border Rivers) through its Rural Water Futures Program. The program is delivering better systems, policies and processes to give stakeholders, industry and communities confidence that our water resources are being managed fairly and responsibly.</p>

Finding	Recommendation	Management response
<p>5. The agreement between NSW and Queensland to rely on the state of origin for trade adjustments does not ensure the accuracy of what is reported.</p>	<p>There should be regular reconciliation of water trade data between DPE and DRDMW to ensure the accuracy of information that is reported.</p>	<p>DRDMW accepts the recommendation. DRDMW is prepared to review the frequency of undertaking reconciliation of water trade data in consultation with New South Wales to ensure accuracy of information that is reported.</p> <p>An annual reconciliation of water trade data is undertaken when complying with the reporting obligations under section 71 of the <i>Water Act 2007</i>. The information provided by New South Wales as the State of Origin, to inform adjustment for interstate trade is validated against data collected in accordance with the Protocols established under Appendix E1 to the New South Wales – Queensland Border Rivers Intergovernmental Agreement 2008; and any identified inconsistencies are reconciled between the States.</p>
Compliance Monitoring		
<p>6. NSW do not require a meter reading to confirm water availability in the seller account before approving an application to trade allocation.</p>	<p>WaterNSW should validate meter reading data before a trade is approved.</p>	<p>Recommendation is not applicable to Queensland</p>
<p>7. There were two instances where NSW water was recorded as having been taken in Queensland before the trade of this water was approved.</p>	<p>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.</p>	<p>RDMW accepts the recommendation. DRDMW will undertake an audit of interstate trades where a Queensland entitlement was approved to be taken through works in New South Wales. The audit is proposed for a 5 year period from 2018/19 water year and to specifically identify instances where water was taken before the trade was approved.</p> <p>The Queensland Government remains committed to implementing the Murray-Darling Basin Plan 2012 (Basin Plan) on time and in full. DRDMW takes compliance with water regulation seriously, including compliance with the sustainable diversion limits under the Basin Plan.</p>