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**RESPONSE TO RECOMMENDATIONS**

**Inspector-General of Water Compliance Audit of  
Controls Supporting Compliance with Basin Plan Requirements – Department of Climate Change,  
Energy, the Environment and Water**

**3 September 2024**

The Department of Climate Change, Energy, the Environment and Water (the department) welcomes the Inspector-General of Water Compliance audit report into departmental controls to support compliance with sections 12.51 and 12.52 of the Basin Plan from 1 July 2022 to 28 February 2023.

For the department, this audit focused on departmental systems and processes to maintain compliance with sections 12.51 and 12.52 of the Basin Plan in relation to the Bridging the Gap open tender of February 2023. Specifically, the audit examined controls and administrative arrangements to ensure that officers with knowledge of an upcoming water announcement did not undertake any water trading activity before it was made generally available, and that sensitive water market information was managed securely.

The department is strongly committed to best practice in the management of water market sensitive information. Since the reporting period for the audit most of the recommendations from the audit have been or are being addressed as part of the department’s ongoing practices to improve systems and procedures. The department will continue to prioritise these improvements as recommended by the report.

Our detailed response to the report is provided below.

Dr Simon Banks, Commonwealth Environmental Water Holder will respond independently to the audit recommendations related to controls around the sale of water allocations in the Goulburn catchment.

<b>Recommendations</b>	<b>Department Response</b>
1. The department review and update its policy and procedural framework to clearly outline how controls such as information barrier arrangements operate, and include sufficient information on what constitutes compliance so that staff can clearly meet these requirements	<p><b>Accepted</b></p> <p>The department has developed a <i>Governance Framework for Water Purchasing</i> that addresses many of the matters identified in the audit.</p> <p>The Governance Framework has been in place since April 2024. It includes an updated information management plan and probity plan to guide water purchase activities and includes new controls to ensure information barriers are in place.</p> <p>The Governance Framework has been shared with relevant water purchasing staff and training sessions are held to inform staff of</p>

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	<p>their obligations, including probity and information management.</p> <p>Since May 2024, staff attendance at the Governance Framework training sessions has been logged and sessions recorded. Staff who cannot attend live, and all new staff, are required to complete the training via the recorded sessions.</p> <p>The Governance Framework will be reviewed annually to ensure that future learnings are incorporated.</p>
<p>2. The department should ensure that staff engaged in water trading activities are trained in legislative and policy requirements and other processes and protocols before water announcements are made.</p>	<p><b>Accepted</b></p> <p>Since February 2023, the department has instituted staff training for all staff involved in water purchasing to ensure they are aware of Basin Plan requirements around sensitive water market information, probity and procedures regarding the management of sensitive information.</p> <p>The training package has been revised to reflect audit recommendations with a greater emphasis on the need for robust control measures and staff compliance with Basin Plan trading rules.</p> <p>Training materials have been updated to reflect current information policies and procedures.</p> <p>New staff are required to complete the training and refresher courses are held as new programs are developed and as required by business units.</p> <p>Future training sessions on sensitive water market information will be recorded and staff attendance will be logged.</p> <p>The department is considering additional options to improve accessibility and governance for training, such as a new eLearning module.</p>

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<p>3. The department should clearly outline what its information barrier arrangements are and precisely who they apply to i.e., which systems these are established within, which staff have a 'need to know', and therefore, how staff access to relevant matters and folders is restricted, reviewed and revoked</p> <p>4. The department should also clearly outline which information systems should not be used to store information relating to water trading activities, as these systems may not have appropriate information barriers.</p> <p>5. The department should periodically review and audit access logs to have assurance over the effectiveness of its information barrier arrangements.</p>	<p><b>Accepted</b></p> <p>The department has conducted a review of access permissions for information management systems. The requirement for business units to actively restrict access to market sensitive information in these and other systems is included in the training for all relevant Water Group staff.</p> <p>The department has established registers and will continue to implement processes to monitor access provisions. This includes monitoring to ensure staff lists and access rights are current. The records information and management procedures have been updated to ensure that access permissions are checked at the point of record creation. Task cards have been created and circulated to staff members to maximise compliance, and staff awareness is promoted through training.</p> <p><i>The Water Purchasing Records and Information Management Plan is reviewed annually.</i></p> <p>Information barriers have been improved throughout procurement processes by restricting access to information to officers directly involved in the tender process via securely locked electronic folders.</p> <p>These processes will be regularly reviewed to ensure that future learnings are incorporated.</p> <p>The department is considering additional measures such as spot audits of information access controls.</p>
<p>6. The department should continue to review and enforce the completion of its interest declarations to have assurance that it has visibility of all actual, perceived, or potential conflicts that could impact its water trading activities</p>	<p><b>Accepted</b></p> <p>The department has mandatory annual training through eLearning courses including integrity training which includes a strong focus on ethical decision making, confidentiality, conflicts of interests and upholding the APS values.</p> <p>In addition, all staff involved in the water purchase program must complete conflict of interest declarations specific to water</p>

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	<p>purchasing. This includes overarching declarations, as well as procurement specific declarations. Conflict statements are also tracked by business units as a further preventative measure.</p> <p>The Probity Plan for water purchasing has been updated to clarify key personnel to whom these requirements apply.</p> <p>Information barrier arrangements have been updated to limit access to water market sensitive information.</p> <p>Processes will be regularly reviewed to ensure that future learnings are incorporated.</p>