



Notice

21 July 2014

Audit and Review Guidelines: Water Licences

The Economic Regulation Authority (**Authority**) has approved the publication of the Audit and Review Guidelines: Water Licences (**Guidelines**).

- [Audit and Review Guidelines: Water Licences \(clean version\)](#)
- [Audit and Review Guidelines: Water Licences \(marked up version\)](#)

The Authority developed draft Guidelines after consultation with a focus group comprising 15 licensees and 7 auditors. The draft Guidelines developed by the focus group were then released for public comment on 13 May 2014. The Authority received two submissions on the draft Guidelines:

- [Public Submission – Hamersley Iron Pty Ltd](#)
- [Public Submission – Department of Health](#)

The Authority has published separate Guidelines for water licences because of the different legislative framework relating to the operational audits (**audits**) and asset management system reviews (**reviews**) of water licences following the commencement of the new licensing requirements in the *Water Services Act 2012* from November 2013.

The purpose of the Guidelines is to inform water service providers licensed by the Authority and external auditors about the Authority's requirements regarding the conduct of audits and reviews of water licensees.

The Guidelines are designed to promote consistency of audits and reviews through:

- informing licensees and auditors about the legislative framework applicable to auditing licensee's compliance with licence conditions;
- informing licensees and auditors about the approach to examine the effectiveness of the reviews;
- describing a framework for the conduct of audits and reviews based on Australian Auditing and Assurance Standards;
- adopting a risk based approach to planning audits and reviews using the risk assessment process in standard AS/NZS 31000:2009;



Notice

- promoting consistency of reporting on audits by mandating a 4-point compliance rating scale. A 4-point adequacy of controls rating scale is mandated for higher risk obligations;
- promoting consistency of reporting on reviews by mandating separate adequacy and performance rating scales; and
- providing a framework for:
 - the criteria the Authority will consider when appointing auditors;
 - the format and content of audit and review plans;
 - the conduct of audits and reviews with reference to the Australian Auditing and Assurance Standards; and
 - the format and content of the audit and review reports.

The use of common rating scales to measure compliance with licence conditions, and the effectiveness of asset management processes enables the Authority to benchmark individual licensees and groups of licensees over time. The Authority's policy is to extend the interval between audits and reviews for licensees who are demonstrating consistent and effective compliance with licence conditions, or asset management effectiveness, as applicable. This approach benefits the licensee through reducing the costs and resources needed for audit and review activities over time.

For further information contact:

General Enquiries

Paul Reid
Economic Regulation Authority
Phone: 08 6557 7900
Email: records@erawa.com.au

Media Enquiries

Richard Taylor
Riley Mathewson Public Relations
Phone: 08 9381 2144
Email: admin@rmpr.com.au