

11 July 2018

WHAT

IPART is updating its Audit Guidelines for private water utilities licensed under the WIC Act.¹

IPART audits its licensees annually or biennially to check they comply with their licence conditions.

We apply a risk-based regulatory model which allows us to focus on allocating resources to areas of higher risk.



WHY

The objectives of the update are to:

- ▼ reflect recent changes to WIC Act licences
- ▼ address changes to our internal processes, including merging the separate ‘brownfield’ and ‘greenfield’ guidelines
- ▼ incorporate learnings from previous audits, and
- ▼ address recent stakeholder feedback.

We also propose to amend the audit grade definitions, to be more consistent with other compliance functions undertaken by IPART.



WHO

The guideline will apply to all WIC Act licensees.

Auditors are required to use the audit guidelines when undertaking audits, as well as the relevant auditing standards.



HOW

Our draft audit guideline is available for stakeholder comment.

We are seeking input from licensees, auditors, relevant government agencies and other interested parties.

We will consider all stakeholder submissions and undertake our own analysis before issuing a final audit guideline.



WHEN

Stakeholder submissions are open for approximately four weeks, and will close on 7 August 2018.

We will release the final audit guideline in September 2018. Auditors and licensees will then use the revised guideline from the date the guideline is issued.



WHAT NEXT

We have published the draft audit guideline on IPART’s website.

If you are interested in this review, please contact:

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¹ *Water Industry Competition Act 2006.*

1 What changes are proposed in the audit guideline?

The following changes are proposed to the current audit guidelines:

- ▼ Amending the audit grades definitions to align with IPART's audit grades in the *Compliance and Enforcement Policy*, December 2017 (**C&E Policy**) and the recently amended *Public Water Utility Audit Guideline* – June 2018. We seek to improve consistency, provide certainty for the regulated entities and the public and avoid auditor interpretation issues.
- ▼ We will retain the current number of audit grades in the current WIC Act Audit Guidelines, but amend the audit grade wording to align with our C&E Policy.
- ▼ Including an 'Audit Fundamentals' section to clarify administrative issues for auditors and licensees.
- ▼ Clarifying the process for water quality compliance with the Australian Guidelines for Water Recycling (AGWR). If the auditor assigns an element-by-element compliance grade, the auditor should assign an overall grade which, in the auditor's opinion, weighs the relative significance of the individual element grades.
- ▼ Removing the Statement of Compliance template from Appendix A of the current documents. We note that this template is now in the Reporting Manual.
- ▼ Removing the 'Auditor Selection' section – relevant information is available on the IPART website.
- ▼ Adding guidance for auditing of retail supplier licences.
- ▼ Providing a simplified Audit Report Template in the appendices, to allow auditors to report in accordance with the audit standards.
- ▼ Aligning the audit requirements more closely with the definitions and terms used in the audit standard ISO 19011.
- ▼ Removing repetition and references to out-of-date standards.
- ▼ General editing.

We have also sought to address licensees and auditor's comments regarding the cost of audits by removing reporting templates to make it simpler to issue reports, as well as providing guidance on follow-up audits, and how to achieve a reduced frequency of auditing.

2 How are we going to consult?

We are releasing a draft guideline to seek input from licensees, auditors, selected government agencies and other interested parties on these changes. We will consider all stakeholder submissions and undertake our own analysis before issuing a final audit guideline.

3 What is the timetable for the update?

Table 1 Timetable for review of guideline

Milestone	Indicative dates – WIC Act audit guideline review
Draft audit guideline released for consultation	11 July 2018
Submissions close	7 August 2018
Release new audit guideline	September 2018
Audit guideline comes into effect	1 October 2018

We prefer all stakeholders make their submissions through the IPART website. You can access the submissions page [here](#).