



## WHAT

IPART has updated its audit guideline for public water utilities (PWUs). The guideline sets out our expectations for auditors and PWUs regarding the conduct of operational audits.

IPART audits the PWUs annually to check that they comply with their licence clauses.

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



## WHY

We updated the PWU audit guideline to:

- ▼ improve the efficiency of our audit process
- ▼ address recent changes to each of the PWU operating licences
- ▼ clarify our approach, and
- ▼ reflect learnings from previous audits and stakeholder feedback.

We also amended our audit grades to be consistent with our other compliance functions.



## WHO

The PWU audit guideline will apply to our audits of:

- ▼ Hunter Water
- ▼ Sydney Water, and
- ▼ Water NSW.



## HOW

We made the draft audit guideline available on our website for stakeholder and public submissions. The submissions we received are available on our website.

We have analysed and addressed the submissions in our PWU audit guideline. The final PWU audit guideline is consistent with IPART's *Compliance and Enforcement Policy, December 2017*.



## WHAT NEXT

We have published the final PWU audit guideline on IPART's website.

If you wish to discuss any matters in the guideline, please contact:

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## 1 What changes have we made to the audit guideline?

We have made the following changes to the existing audit guideline:

- ▼ Amended the audit grades by reducing the number of compliant grades from three to two, and amended the definitions to more closely align with IPART's audit grades for energy networks and private water utilities (WIC Act licensees).
- ▼ Amended our guidance on how we audit the various management systems.
- ▼ Clarified the process regarding the auditing of water quality clauses with requirements for the Australian Drinking Water Guidelines (ADWG) and Australian Guidelines for Water Recycling (AGWR), including auditing of individual elements within the ADWG and AGWR.
- ▼ Clarified our guidance on the provision of evidence outside the audit period.
- ▼ Clarified our guidance on how to deal with matters outside the audit scope during the audit.
- ▼ Adjusted the audit schedule to respond to feedback from PWUs regarding resourcing constraints at particular steps in the audit process. We have also provided flexibility in when we undertake audits and the length of the audit period to minimise the constraints imposed by a limited pool of auditors.
- ▼ Amended the guideline structure to include an 'Audit Fundamentals' section. This is consistent with IPART's Electricity Networks Audit Guideline, and allows us to clarify administrative issues for auditors and PWUs.
- ▼ Removed the Statement of Compliance template from Appendix A. We will place this template in the Reporting Manual for each PWU.
- ▼ Removed the 'Auditor Selection' section from the body of the guideline to the appendices as we now use the NSW Government's Performance and Management Services Scheme (PMSS) to engage auditors.
- ▼ Provided a modified Audit Report Template in the appendices to simplify the auditor's report.
- ▼ Removed repetition and references to out-of-date standards.
- ▼ General editing.