

## WICA FACT SHEET

# Joining the audit panel for the purposes of the *Water Industry Competition Act 2006*

August 2008

### Introduction

Only an approved auditor can conduct audits on behalf of the Minister, IPART or a licensee for the purposes of the licensing scheme under the *Water Industry Competition Act 2006* (the Act). An approved auditor is a person nominated by IPART, chosen by the licensee from a panel of persons nominated by IPART or nominated by the licensee and approved by IPART.

IPART is in the process of establishing an audit panel, the Water Licensing Audit and Technical Panel ("the Panel"), the members of which may undertake audit activities. IPART's preferred approach is for approved auditors on the Panel to be used to conduct all audits.

### How do I join the panel?

Firms/ individuals may apply for appointment to the Panel with specific staff being nominated as *lead auditors, auditors or technical professionals*.

Applicants should complete the application form available from IPART's website

<http://www.ipart.nsw.gov.au/water/private-sector-licensing/audit-panel.asp>.

Applications for Panel membership can be made at any time by suitable qualified firms/ individuals.

When IPART assesses applications to join the Panel, the following criteria are considered:

- ▼ the capacity of the firm to resource and undertake audits in the water industry
- ▼ the firm's quality assurance and review processes
- ▼ the firm's ethical standards and policies
- ▼ knowledge of the legislative framework and regulatory requirements
- ▼ the qualification, experience and capabilities of the individuals nominated for various audit roles within the water industry.

### Audit Categories

Authorisation will be granted to perform audits in one or more of the following audit categories based on applicants' industry and auditing experience:

- ▼ Water quality
- ▼ Sewage management
- ▼ Infrastructure performance
- ▼ Licence and regulatory compliance
- ▼ Retail supply
- ▼ Environment and catchment management

In addition, there will be a technical services section of the Panel (see the next section for details).

## Audit Roles

Within the audit categories personnel will be given the following defined roles:

*Lead Auditors* are recognised as competent to undertake audits working independently or as the leader of an audit team. *Lead Auditors* have responsibility for signing the final audit reports. A *Lead Auditor* should be able to demonstrate adequate competency relevant to the audit categories for which appointment to the panel is sought.

*Auditors* are recognised as competent to undertake audits as a member of an audit team relevant to the audit categories for which appointment to the panel is sought.

*Technical Professionals* includes senior technical professionals with specific skills, competencies and experience in their technical field but no recognised auditing competency but who would provide specific technical input or advice to a lead auditor or auditor as part of an audit team.

*Technical professionals* are not recognised as competent to lead an audit team. *Technical professionals* may also be engaged by IPART to provide specialist advice.

*Trainees* are graduates with relevant qualifications. *Trainees* may be part of an audit team but are not recognised as having the necessary skills or competencies to undertake a full audit or to provide audit services working alone or independently from a *Lead Auditor/ Auditor*. *Trainees* are not listed on the Panel.

## The Panel Agreement

Successful applicants are required to execute the Audit and Technical Panel Agreement (the "Panel Agreement") prior to appointment to the Panel. The Panel Agreement is the contract between IPART and a Panel member. It outlines the terms and conditions of a Panel member's appointment to the Panel, including, but not limited to the following requirements:

- ▼ the use of suitably qualified personnel as listed on the Panel and the need to devote sufficient resources to ensure that the services are completed as required
- ▼ where a licensee appoints the auditor, it will require concurrence of IPART of the proposed audit team and the detailed audit scope
- ▼ to comply with any guidelines or policies notified to the Panel member by IPART
- ▼ to hold public liability insurance of \$5 million for any one or more claims arising out of the same set of circumstances and a policy of professional indemnity insurance with a reputable insurer
- ▼ to ensure that a lead auditor directs, supervises and leads the undertaking of the audit services and signs all written reports or opinions provided by the Panel member
- ▼ to be bound by the confidentiality obligations, and
- ▼ not to enter into any agreement, arrangement or understanding or participate in any activity which amounts to a conflict of interest without IPART's prior written consent.

A copy of the Panel Agreement will be available shortly on IPART's website at <http://www.ipart.nsw.gov.au/water/private-sector-licensing/audit-panel.asp>.

## Before commencing an audit

Before providing auditing services to a licensee, the Panel member is required to:

- ▼ submit its detailed Scope of Work to IPART. The Panel member must allow 21 days for the review of the Scope of Work, including the proposed audit team. Within 21 days of receiving the Scope of Work, IPART may direct the Panel member to amend the Scope of Work, including the audit team. Panel members are not obliged to provide the services if they do not accept the requested amendments.

- ▼ provide enough information to IPART to enable IPART to determine that the Panel member's proposed audit services is not affected by any conflict of interest.
- ▼ enter into a contract with the licensee once the Scope of Work and the audit team have been finalised.
- ▼ effect professional indemnity insurance and provide proof of insurance to IPART, if required.
- ▼ submit to IPART an executed Deed Poll, which outlines the licensee's acknowledgements and undertakings to IPART in relation to the audit services, including indemnifying IPART from any claims by a Panel member from payment of any fees, costs, or expenses. The Deed Poll also confirms the Panel member's obligations to IPART under the Panel Agreement, including, but not limited to providing audit services with due care, skill, and diligence for the benefit of IPART. The Deed Poll is available at IPART's website at <http://www.ipart.nsw.gov.au/water/private-sector-licensing/audit-panel.asp>.

Appointment to the Audit Panel does not guarantee that a Panel member will be engaged to undertake audit services.

### Who is currently on the Audit Panel?

A list of approved auditors on the Panel is available on IPART's website at <http://www.ipart.nsw.gov.au/water/private-sector-licensing/audit-panel.asp>.

### Further information

For any further information on the Panel or the licensing scheme generally, please contact IPART's Utility Licensing team either by:

- ▼ **phone**  
(02) 9290 8400 (general number)
- ▼ **email**  
[compliance@ipart.nsw.gov.au](mailto:compliance@ipart.nsw.gov.au)

### Legal context for this Fact Sheet

IPART has prepared this Fact Sheet as a general summary of relevant parts of:

- ▼ **the Act**  
Water Industry Competition Act 2006.
- ▼ **the Regulation**  
Water Industry Competition (General) Regulation 2008.

This Fact Sheet should not be relied on as a substitute for legal advice, and is designed to be read in conjunction with the above source documents.