# Department of Agriculture and Water Resources – Response to KPMG’s Independent Assurance Review Report (January 2019) of the New South Wales Basin Pipe Project

The Australian Government Department of Agriculture and Water Resources (the department), in collaboration with the New South Wales Government Department of Industry - Water (DoI Water), commissioned an independent assurance review by KPMG of the New South Wales Basin Pipe State Priority Project. The review is a requirement set out under the Water Management Partnership Agreement (WMPA). The objective of the review was to examine the governance, risk and control processes of the Basin Pipe project to ensure the effective use of Commonwealth funds.

To review the NSW Basin Pipe project, KPMG selected a random sample of five approved water efficiency schemes representing 26 per cent of all Basin Pipe schemes. Within this sample, KPMG selected four schemes for on-farm verification. The sample covered projects ranging in total cost from $300,000 to over $8 million, covering 31 properties in the Murrumbidgee and Gwydir River valleys.

Overall, KPMG found that DoI Water has developed and implemented controls, processes and structures to assist in the administration of the Basin Pipe project. Some gaps in the project’s control environment were identified relating primarily to document management and maintenance of appropriate supporting evidence. These issues did not indicate inappropriate use of Commonwealth funds—it presented an opportunity to strengthen the project’s control environment and improve future project activity.

The department supports KPMG’s assessment of the NSW Basin Pipe project and is working with the NSW Department of Industry on the gaps and opportunities identified by KPMG.

# Review Key Observations

## 1 Governance and Reporting

DoI Water have established appropriate governance arrangements and have demonstrated regular and fit for purpose project reporting.

## 2 Scheme design and approval

DoI Water has established appropriate processes and procedures to support the assessment and approval of schemes in accordance with the WMPA and Basin Pipe Project Schedule.

## 3 Risk and issue management

DoI Water has a documented approach for identifying, assessing and communicating risks and issues. Key risks and issues appeared to be regularly reviewed and reported to stakeholders.

## 4 Financial management

DoI Water have implemented a number of processes, controls and systems to manage and monitor project expenditure however, processes could be improved to ensure documentation supporting individual scheme payments is retained and accessible.

## 5 Stakeholder engagement

DoI Water established a number of stakeholder engagement mechanisms at the commencement of the project however, activity has been limited since 2016. DoI Water acknowledged that the level of stakeholder engagement was less than initially expected under the business case. Noting the original timeframe for completion of the project, DoI Water elected to focus on targeted communications and engagement with only interested stakeholders (rather than the broader community) to develop additional Basin Pipe schemes within the time available.

## 6 Water transfer

DoI Water have appropriate processes in place to support and coordinate the water transfer process between landholders and the Commonwealth.

## 7 Scheme management

DoI Water appear to have established a number of processes to assist in the management of water efficiency schemes however, gaps were identified in the projects document management protocols and guidance available to project staff.

## 8 On-ground verification

From visual inspection, installed works appeared to generally correspond with the documentation provided, and in particular, technical design documents and inspection reports. Minor variations from the original scope were noted however, these were either considered improvements to the design or resulted in improved cost management.

# Department’s responses to the Areas for improvement and lessons learnt

## 1 Improvement Observation 4.1 Project reporting

*‘To improve the accuracy and transparency of progress reporting, DoI Water should consider expanding current reporting to include the notification of formal handover of infrastructure to landholders.’*

The department supports this improvement observation.

## 2 Improvement Observation 4.2 Financial approvals

*‘DoI Water should update the invoice approval process to ensure requisite approvals and evidence are appropriately recorded and stored on project files. Additionally, DoI Water should consider documenting the approvals process and formally communicating it to relevant staff.’*

The department supports this improvement observation.

## 3 Improvement Observation 4.3 Document management

*‘Prior to the formal closure of the Basin Pipe Project, DoI Water should ensure all relevant project documentation is transitioned to CM9 with importance placed on evidence of key decisions. For any gaps identified, file notes should be prepared to provide an appropriate audit trail.’*

The department supports this improvement observation.

## 4 Improvement Observation 4.4 Staff guidance

*‘For future projects, DoI Water should ensure detailed guidance and/or standard operating procedures covering key or recurring processes are developed and made available to staff.’*

The department supports this improvement observation.

## 5 Improvement Observation 4.4 Inspection follow-up

*‘During on-site inspection, KPMG was unable to confirm whether actual capacity of tanks installed adjacent to the supplementary pump stations corresponded to the agreed design. Inspection appeared to indicate capacity may differ to design however, this could not be confirmed whilst on site due to the visual nature of the inspection. Noting works on this scheme are still underway and final inspection and commissioning has not yet occurred, no significant issues have been raised.’*

*‘KPMG suggest DoI Water verify whether specified tanks still meet design requirements prior to completion of works and determine if a contract variation is required. Details of the relevant tanks have been communicated to management.’*

The department supports this improvement observation.