



Water Industry Competition Act 2006

Audit Guidelines – Contingency plan audits

July 2025

Water »

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Amendment record

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1 Introduction

This contingency plan audit guideline (Guideline) applies when IPART requires a contingency plan to be tested.¹ Contingency plans are prepared either by the essential service provider (being the registered operator or registered retailer) for a scheme providing an essential service or by the last resort provider (LRP) designated by the Minister for the scheme.²

Contingency plan testing is a type of audit that tests the adequacy and currency of the contingency plan.

1.1 Legislative framework

Under the *Water Industry Competition Act 2006* (WIC Act), the Minister for Water may designate an LRP³ to step in and provide essential services⁴ if the essential service provider (i.e. registered operator or retailer) fails to continue normal operations of the licensee. Contingency plans must be prepared to assist the LRP to step in and continue to provide the essential services during a last resort event.⁵

A contingency plan can be prepared with the assistance of a technical expert.⁶ By default, the WIC Act requires the contingency plan to be prepared by the LRP. However, an essential service provider can prepare a contingency plan if they give notice in writing to IPART.

IPART can direct that a contingency plan to be tested, and that the testing be carried out as part of an audit.⁷ A technical expert can, or must (where IPART requires), be engaged to test the plan.

IPART will typically require plans prepared by an essential service provider to be prepared with the assistance of, and/or tested by a technical expert. This is to give assurance to the LRP and IPART that the plan has been appropriately prepared.

¹ Section 36 of the *Water Industry Competition (General) Regulation 2024* (WIC Regulation).

² Section 37 of the WIC Regulation.

³ The Minister designates LRPs under section 55 of the WIC Act.

⁴ An 'essential service' is a water or sewerage service provided by means of a scheme's essential infrastructure. Whether a scheme is 'essential infrastructure' is determined by IPART under section 54 of the WIC Act.

⁵ Section 55A of the WIC Act.

⁶ Section 36 of the WIC Regulation. **Note:** unlike an audit of a contingency plan, work by a technical expert to assist in preparing the plan is not covered by this audit guideline.

⁷ Section 43 of the WIC Regulation.

1.2 IPART publishes Audit Guidelines

In addition to this Guideline, IPART has published the following audit guidelines:

- *Audit Guidelines - Fundamentals, process and findings*
- *Audit Guidelines - Compliance audits*
- *Audit Guidelines - Application audits*

These guidelines are available for download from www.ipart.nsw.gov.au.

Contingency plan audits should be carried out in accordance with this Guideline and the *Audit Guidelines - Fundamentals, process and findings*.

1.3 Purpose of this document

The purpose of this document is to provide essential service providers, LRPs and auditors information on:

- when an audit is required to test contingency plans
- who should scope the audit
- the criteria of the audit
- how to report findings.

1.4 Contingency plan audits

Contingency plan audits are conducted to ensure that the information within the contingency plans remains current and readily accessible. These audits will assess the accuracy, relevance, and availability of the information included in the plan. This includes ensuring the plan aligns with the latest operational requirements for the scheme and that key contacts are current.

A technical expert will inspect infrastructure and systems, examine relevant information, and conduct any required testing of the contingency plan to ensure the plan is adequately prepared and complies with legislative requirements.

2 Timing, scope and auditor selection

2.1 Timing

Once the Minister designates a LRP for a scheme, an essential service provider has 15 business days to give notice to IPART if they intend to prepare the contingency plan.

Contingency plans must be submitted to IPART for approval within 6 months of the operational approval for the essential infrastructure being granted, or within a longer period approved by IPART.

Contingency plan audits may be conducted alongside other audits, however a separate standalone assessment may be required when specific triggers occur, such as significant organisational changes, emerging risks, or after an incident. If IPART considers a standalone audit necessary in response to one of these triggers, it will initiate the process. Regular auditing ensures the contingency plan remains current, relevant and effective, providing a reliable tool in the face of unexpected events.

Contingency plan audits will be required when IPART directs the LRP or essential service provider to test the plan or may be required at specified intervals under the contingency plan itself.⁸

2.2 Technical Expert selection

To undertake a contingency plan audit, the licensee should select a technical expert from IPART's *WIC Act Audit Services and Technical Experts Panel* (panel). Refer to section 2 of our *Audit Guidelines – Fundamentals, process and findings* for details about selecting and appointing auditors.

Testing of contingency plans must be completed by a technical expert from our panel.⁹ It is the technical expert's responsibility to ensure that they have access to any additional expertise required to complete the audit.

A technical expert involved in developing a contingency plan is not permitted to audit the currency of the contingency plan for a period of 2 years following its development.

2.3 Scope and criteria for testing contingency plans

IPART will determine the audit scope for contingency plan testing audits.

Testing of contingency plans should ensure that the contingency plan meets the requirements of the legislation and the contingency planning guidelines issued by IPART. These guidelines are available on our [website](#).

⁸ Section 43 of the WIC Regulation.

⁹ [List of approved auditors and technical experts - | IPART](#).

2.4 Audit criteria

Contingency plans need to be audited for adequacy and currency.

To assess the **adequacy** of the contingency plan, the audit may address if the following requirements have been met:

- the plan contains the information required under section 39 of the WIC Regulation
- the plan is consistent with IPART's *Guide to contingency planning and template*¹⁰
- the LRP has been adequately consulted and the views of the LRP have been taken into consideration
- if a technical expert has been consulted in the development of the plan, the views of the technical expert have been taken into consideration
- the plan adequately references, or includes the information needed for the LRP to continue to provide the essential services during a last resort event
- the information and systems referred to in the plan are accessible
- the plan is capable of being implemented in a last resort event.

To assess **currency** of the contingency plan, the audit may address if the following requirements have been met:

- key contacts in the plan are up to date and can be contacted
- key contacts can access correct and appropriate information when requested
- the information in the plan is up to date
- the plan was last reviewed or updated in an appropriate timeframe, if applicable.

We will specify these details in the audit scope, usually in the form of an audit initiation letter to the essential service provider.

2.5 Findings

Technical experts must report audit findings in accordance with section 5 of our *Audit Guidelines – Fundamentals, process and findings* and using the guide provided in **Appendix A**.



Technical experts should test the adequacy and currency of a contingency plan based on the evidence provided and assign an appropriate compliance grade in accordance with **Table 1** below.

Guidance for reporting contingency plan audit findings is provided in Appendix A. Auditors are not required to provide reports in a set style or structure if the elements in Appendix A are met.

We will include the findings from the testing of contingency plans in our annual compliance report to the Minister.

¹⁰ This guide will be updated from time to time and posted on our website here - <https://www.ipart.nsw.gov.au/last-resort-arrangements>.

Table 1 Audit grades for contingency plan audits

Audit grade	Description
<p>Adequate</p> 	<p>Sufficient evidence is available to confirm that the requirements have been met.</p> <p>Minor shortcomings that do not affect adequacy may need to be monitored in future audits. These shortcomings should be noted in the audit report.</p>
<p>Inadequate</p> 	<p>Sufficient evidence is not available to confirm the requirements have been met.</p>

A

Appendices

A Contingency plan audit report requirements

The technical expert must apply the following elements to present the audit findings on each audit criterion.

Item	Description
Statement	Provide a statement as to whether the contingency plan is adequate or inadequate based on the audit grades in .
Audit grade	Auditors must assign an audit grade which reflects the findings of the contingency plan audit and available evidence. The audit grade should be assigned based on whether the requirements of the audit have or have not been met at the time of drafting the report.
Reason for the audit grade	A few sentences to explain why the contingency plan was assigned a particular audit grade. This must be clearly linked to the audit criterion being audited.
Auditor comments and justification	<p>Basis for the finding The auditor must clearly explain how each finding was reached, including:</p> <ul style="list-style-type: none"> Clearly describe the evidence or facts that informed the auditor's finding. Explain how the evidence supports the finding, showing the link between what was observed and the conclusion reached. Include an analysis of the gap between what was observed and what is required by the obligation. Where relevant, also explain the causes of the gap and its potential or actual impacts. <p>Contingency Plan Deficiencies</p> <ul style="list-style-type: none"> Identify any deficiencies in the contingency plan and explain why each deficiency needs to be addressed. <p>Minor Shortcomings</p> <ul style="list-style-type: none"> Identify any minor shortcomings that do not affect the adequacy of the contingency plan but may need to be monitored in future audits. <p>Recommendations for Inadequate Plans</p> <ul style="list-style-type: none"> If the contingency plan, or components of the contingency plan is found to be inadequate, provide clear recommendations of actions that the essential service provider or LRP should take to address the inadequacies. Where applicable, reference the relevant recommendation numbers that support the findings and justification.
Evidence cited	List the evidence cited or alternatively, provide a link/reference to a separate list in another section of the report.
Recommendation(s)	Only to be provided where the audit grade is inadequate. Recommendations must be numbered or labelled logically for reference.
Opportunities for improvement	Can be provided for all audit grades. Opportunities for improvement must be numbered or labelled logically for reference.

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