



Water Industry Competition Act 2006

Audit Guidelines – Fundamentals, process and findings

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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IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

Amendment record

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1 Introduction

1.1 Purpose of this document

This guideline on audit fundamentals, process and findings (Guideline) applies to audits conducted under the *Water Industry Competition Act 2006* (WIC Act).

Licensees are required to comply with IPART issued audit guidelines as a condition of their licences.¹ Auditors or technical experts appointed by IPART conduct audits in accordance with the audit guidelines.

The purpose of this Guideline is to:

- Outline licensee obligations relating to audits under the WIC Act.
- Detail requirements for auditors and technical experts when conducting audits under the WIC Act.
- Provide licensees with information on engaging auditors and technical experts and preparing for audits.
- Provide auditors and technical experts with an understanding of IPART's approach to audits and the principles that apply when providing an audit service to IPART or to licensees.

1.2 Legislative framework

Licensees are required to comply with obligations under the WIC Act, *Water Industry Competition (General) Regulation 2024* (WIC Regulation), their licences and relevant approvals.²

IPART is responsible for monitoring and reporting to the Minister on a licensee's compliance with its obligations.³

Audits help IPART to assess whether licensees are constructing and operating schemes or delivering water and sewerage services in a way that protects public health, the environment and consumers. We also use audits to support our assessment of applications for licences and approvals under the WIC Act⁴ or to test contingency plans.⁵

IPART appoints auditors to carry out audits and technical experts to undertake testing of contingency plans. In some cases, the same person may act as both an auditor and a technical expert.

¹ Standard conditions B2.2 retailer licences and C2.3 operator licences.

² These obligations may also refer to other legislation, statutory instruments or documents. For example, licence conditions require compliance with the codes of conduct, asset management plans and systems, water quality management systems, sewage management plans and systems, and with aspects of the *Environmental Planning and Assessment Act 1979*, *Protection of the Environment Operations Act 1997*, *Public Health Act 2010*, Plumbing Code of Australia, Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling.

³ *Water Industry Competition Act 2006* (NSW), section 85(1).

⁴ This includes applications to vary approvals and licences.

⁵ Technical experts can also be engaged to prepare contingency plans.

IPART may engage a specific auditor or technical expert to complete an audit or test a contingency plan. Alternatively, we may require an applicant, licensee, essential service provider or Last Resort Provider (LRP) to engage an auditor or technical expert from a panel of auditors and technical experts.⁶

1.3 IPART publishes Audit Guidelines

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

- *Audit Guidelines - Application audits*
- *Audit Guidelines - Compliance audits*
- *Audit Guidelines - Contingency plan audits*

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

All audits must be carried out in accordance with this Guideline and the relevant audit guideline listed above (where applicable).

The guidelines are not binding on IPART and we may depart from these where we consider it to be appropriate or necessary. Auditors, technical experts and licensees must comply with the guidelines and any alternative direction provided by IPART.

If the guidelines are unclear or you consider they are not suitable for particular circumstances, auditors, technical experts and licensees should seek clarification from IPART. In these cases, we may provide specific advice on the application of the guidelines or appropriate departures from the guidelines where necessary.

IPART will advise relevant parties (e.g. licensees, auditors and LRPs) of any departures from these guidelines.

1.4 Process for revision

These guidelines are published by IPART. We will review and amend these guidelines from time to time. The guidelines are intended to supplement (and not replace) the application of recognised audit standards.

We will consult affected licensees and other interested stakeholders before making any significant revisions to the guidelines. We will then notify stakeholders of the revisions to the guidelines and the commencement date of any new requirements. In determining the commencement date for new requirements, we will allow a reasonable period for licensees for transitioning to the new requirements.

⁶ See sections 35, 36 and 54 of the WIC Regulation.

2 Guidance for auditors and technical experts

This chapter summarises our guidance and expectations for auditors and technical experts conducting audits under this Guideline.

2.1 Appointment to the WIC Act Audit services and technical experts panel

IPART has established a panel of pre-approved auditors and technical experts to assist licensees in engaging suitable auditors or technical experts for certain types of audits.

Organisations apply for inclusion on the *WIC Act Audit Services and Technical Experts Audit Panel* (Audit Panel) and nominate individuals into specific 'classifications', including 'lead auditor', 'auditor' and 'technical expert', within the relevant audit categories. A lead auditor automatically qualifies to be included as an auditor for the same category of audit.

Preparing or testing contingency plans must be done by a technical expert. This is a separate category on our Audit Panel.

A table summarising the different audit categories is detailed in Table 1 of this guide.

Further information about the Audit Panel, including how auditors or technical experts can apply to join, is available on IPART's website.⁷

2.2 Auditor and technical expert requirements

Auditors and technical experts **must be independent** of the licensee, and we expect licensees to respect that independence. Auditors and technical experts must also ensure that they have the level of expertise to undertake audits to a high standard.

2.2.1 Conflict of interest

The auditor/technical expert must submit a conflict of interest statement to IPART as part of their audit proposal. A template is attached **in Appendix A**.

In the conflict of interest statement, the auditor/technical expert must either:

- confirm that the auditor/technical expert has no actual, potential or perceived conflict of interest; or
- disclose and describe any actual, potential or perceived conflict of interest.

⁷ WIC Act Audit Services and Technical Experts Panel | IPART

If a conflict is identified, the auditor/technical expert must outline how they propose to manage it. IPART will review the proposed management approach and determine whether the conflict of interest can be appropriately managed. If IPART decides that it cannot be managed effectively, the licensee will need to engage a different auditor/technical expert.

While each case will be considered individually, the following types of conflicts would not generally be permitted:

- an auditor/technical expert or member of the audit team providing or proposing to provide other services to the licensee during the audit period.
- the auditor/technical expert has performed advisory services or technical functions for the licensee within the past 2 years, relating to obligations being audited.
- a material proportion⁸ of the auditor/technical expert's total annual revenue in any given year is derived from fee-paying services provided to the licensee
- the auditor/technical expert is the current internal auditor for the licensee.
- for contingency plan audits (only): the technical expert was involved in preparing the contingency plan. (Note: involvement in preparing a contingency plan is not considered a conflict for application or compliance audits.)

If the auditor/technical expert becomes aware of any conflict of interest after being appointed, the auditor/technical expert must notify the licensee and IPART as soon as possible.

On request, the auditor/technical expert must provide IPART with any information regarding any conflict of interest. The auditor/technical expert must have adequate internal procedures to identify and manage potential conflicts of interest before accepting engagements with IPART.

If a conflict of interest arises, IPART may require the auditor/technical expert to withdraw from the engagement.

2.2.2 Auditors and technical experts must be suitably qualified

Auditors and technical experts must ensure that they have a sufficient level of expertise to undertake technically complex audits to a high quality in accordance with recognised audit standards. Expertise must be relative to the qualifications or technical requirements.

Depending on the scope of the audit, IPART may ask the auditor/technical expert to add specific expertise to the audit team or ask the licensee to select another auditor/technical expert with appropriate expertise to conduct the audit.

2.2.3 The auditor/technical expert may assemble a team

The audit team must have the required skills and expertise to satisfactorily prepare for and carry out all aspects of an audit. To cover the necessary skills and expertise, audit teams may need to be multidisciplinary and may include other auditors or technical experts.

⁸ If you are unsure if the portion of auditor or technical experts revenue is material, please contact your IPART contact to discuss.

The audit team can be comprised of individuals performing the specific roles of 'lead auditor', 'auditor' and 'technical expert'. If more than one auditor or technical expert is required to complete the audit, a lead auditor must lead the audit team. We have discussed these specific roles under separate headings below.

If only one auditor or technical expert is required to complete the audit, an auditor from the 'auditor' category can be selected to complete the audit.

Lead Auditor

The lead auditor must ensure the quality of the audit and timely delivery against agreed milestones. Lead auditors must use suitably qualified personnel and employ sufficient resources to complete all work as scheduled.

The lead auditor should be involved in all communications with IPART and the licensee, and supervise and direct the work of the key personnel that make up the audit team.

In particular, the lead auditor must:

- ensure that audit work is not started before the audit proposal is approved by IPART
- ensure that the audit proposal and audit reports have been reviewed and checked for accuracy and quality assurance purposes
- communicate significant issues arising from the audit to IPART
- be present at the audit inception, issues and closing meetings, and
- ensure all conclusions in the audit report are justified and supported by evidence.

We expect lead auditors to have:

- extensive auditing experience
- experience in the type of audit being conducted
- experience applying the type of audit standard being used
- recognised lead auditor qualifications.

Auditors

We consider it desirable for auditors to have recognised auditor qualifications and/or auditing experience.

If no lead auditor is required, the auditor must provide the same services as the lead auditor listed above, except supervising and directing the work of the key personnel that make up the audit team.

Technical Experts

Testing of contingency plans must be completed by a technical expert. It is the technical expert's responsibility to ensure that they have access to any additional expertise required to test contingency plans. Technical experts can inspect infrastructure and systems, review relevant information, and carry out any necessary testing of contingency plans. These processes ensure that contingency plans are properly prepared and meet all legislative requirements.

2.3 IPART expects quality work

IPART holds auditors and technical experts undertaking audits for IPART, or of businesses regulated by IPART, to high professional standards and expects that auditors/technical experts will conduct audits and prepare reports with rigour.

2.3.1 Auditing standards

We expect that audits are conducted to one of the following standards:

- ASAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Standard on Assurance Engagements (Australia)
- ASAE 3100 – Compliance Engagements, Standard on Assurance Engagements (Australia)
- AS/NZS ISO 19011 – Guidelines for auditing management systems, Standards (Australia), and
- ISAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information, International Standard on Assurance Engagements.

It is the auditor/technical expert's responsibility to select an acceptable standard in the audit proposal. If an auditor/technical expert has identified a more suitable standard for the audit, they should contact IPART before submitting their audit proposal for approval.

2.3.2 Peer review

Peer review is an important quality assurance process under the IPART audit framework. A peer reviewer:

- ideally should be equivalent or higher in authority and experience to the lead auditor/technical expert,
- should be on the audit panel. If not, the audit proposal must include the curriculum vitae (CV) for the peer reviewer. They must have at least 5 years of experience in the water industry working on projects that align with the material being audited (i.e. working on water infrastructure projects including asset management if reviewing a new infrastructure audit report),
- may be involved in the conduct of the audit or approval of audit reports (for example, if 2 auditors conduct the audit, they can review each other's work), and
- may be within or external to the audit firm.

To objectively evaluate the lead auditor's/technical expert's conclusions and findings, the peer reviewer should have equal or greater professional standing with the lead auditor or technical expert. The proposed peer reviewer must be nominated in the audit proposal.

The appointment of a peer reviewer should not limit or preclude the lead auditor or technical expert from using expertise outside the audit team to review or assist with particular technical elements of the engagement.

2.3.3 Quality assurance

Auditors and technical experts must have a robust quality assurance process. Many auditors may already operate under established quality assurance frameworks, such as ISO 9001 - *Quality Management systems*. While these frameworks provide a strong foundation, they may not have been specifically designed to address risks unique to IPART audits.

To ensure audit integrity and effectiveness, audit planning must include a review of the existing quality assurance framework to confirm its suitability for managing IPART-specific risks. The lead auditor or technical expert should assess whether the framework adequately covers the scope and nature of risks associated with IPART's audit requirements and make any necessary adjustments to ensure compliance and reliability.

2.3.4 Conduct at audits

Auditors are expected to uphold professional conduct at all times and engage collaboratively with IPART and licensees. They should ensure they are prepared, particularly during site verifications, to ensure the process is carried out efficiently and effectively. All audit deliverables must be completed in accordance with IPART's guidelines, reflecting accuracy, clarity, and compliance with established standards.

If IPART considers that an auditor or technical expert has not met our expected standards of professionalism or thoroughness, we will provide feedback and request that they address all issues. In some cases, we may also request a meeting to discuss the concerns and agree on steps to resolve these issue.

3 Guidance for Licensees

3.1 Auditor nomination process

A licensee has the option of selecting an auditor or technical expert from the Audit Panel or nominating an auditor or technical expert from outside of the Audit Panel to conduct an audit.

3.1.1 Audit Services and Technical Experts Panel

IPART has established an audit panel of pre-approved auditors and technical experts to assist licensees in engaging suitable auditors and technical experts for audits.

Table 1 lists the responsibilities and requirements for each auditor category,

If the licensee is engaging only one auditor/technical expert to conduct the audit, it can select from either the auditor or the lead auditor panel classification. If the licensee is engaging more than one auditor/technical expert to conduct the audit, it must engage at least one lead auditor to lead the audit team. The audit team can include other team members with specific expertise or auditors-in-training, however, only the "approved lead auditor" can act as lead auditor.

IPART may ask for additional expertise to be added to an audit team for a specific audit depending on the scope. This will be addressed at the audit proposal stage.

Our current list of approved auditors and technical experts is available on our [website](#). Table 2 shows the types of audits that can be conducted by an approved auditor or technical expert.

Table 1 Auditor / technical expert categories

Auditor / technical expert category	Auditor responsibilities and requirements
Licence and regulatory compliance auditor	<ul style="list-style-type: none"> Assess operator compliance with licence obligations, approvals and regulatory requirements. Review compliance with approved management plans (e.g. water quality, infrastructure, environmental and contingency). Check adherence to reporting obligations, customer service standards and relevant codes/guidelines. Understand WIC Act, IPART's regulatory framework and specific licence conditions. Examine documents, procedures and operations for non-compliances or opportunities for improvement.
Drinking water quality auditor	<ul style="list-style-type: none"> Assess the management of drinking water supply systems in protecting public health against the Australian Drinking Water Guidelines (ADWG). Evaluate the provider's application of the ADWG framework, particularly around identifying and controlling risks to water quality. Review the adequacy of risk assessments, identify likely hazards and the effectiveness of measures used to manage hazards across the water supply system. Understand catchment management practices and their role in ensuring safe drinking water, especially for water supply and network operations.

Auditor / technical expert category	Auditor responsibilities and requirements
Recycled water quality auditor	<ul style="list-style-type: none"> • Assess the management of recycled water schemes in protecting public and the environment against the ADWG. • Evaluate the adequacy of risk assessments, identify likely hazards and review measures to control these risks. • Confirm the recycled water quality is fit for purpose and complies with the AGWR. • Review system design and operation, including process flow diagrams and critical control points for managing pathogens and chemical contaminants. • Evaluate log reduction values (LRVs), supporting documentation and validation plans. • Assess the adequacy of the technology used and whether treatment processes consistently meet required safety targets.
Infrastructure performance auditor	<ul style="list-style-type: none"> • Assess whether essential infrastructure operates safely, reliably and meets regulatory and licence requirements. • Evaluate the adequacy of infrastructure to support continuous service delivery. • Review emergency procedures, contingency plans and alternative service provisions. • Confirm infrastructure readiness and compliance before commercial operational approval.
Sewage management and land disposal auditor	<ul style="list-style-type: none"> • Assess whether sewerage infrastructure delivers safe, reliable and continuous performance in line with environmental regulations. • Evaluate the adequacy of emergency procedures, contingency plans and alternative service provisions for sewerage management. • Assess infrastructure capacity to manage sewage sustainably without environmental risk, especially where treated effluent is disposed of to land. • Review water balance calculations, treatment technology and storage/buffering systems. • Evaluate land and soil capability assessments to ensure the system's design and operation adheres to environmental protection requirements.
Contingency plan technical expert	<ul style="list-style-type: none"> • Assess adequacy of contingency plans for managing service disruptions and emergencies. • Ensure scheme can maintain or restore safe and reliable services following such events. • Understand technical and operational aspects of water and sewerage infrastructure. • Apply risk management principles to evaluate contingency plan effectiveness. • Review backup systems, alternative service arrangements, emergency response communication protocols and recovery strategies. • Determine whether a scheme meets the requirements for licensing under the WIC Act.

Table 2 Auditor selection category

	Audit type					
	Compliance audit	Water quality management system / Technology assessment	Sewage management plans and systems / Sustainability assessment	Asset management plan and systems	New infrastructure audit	Testing of contingency plan
Auditor/Technical expert category	Licence and regulatory compliance	✓				
	Drinking water quality	✓				
	Recycled water quality	✓				
	Infrastructure performance			✓	✓	
	Sewage management and land disposal		✓			
	Contingency plan technical expert					✓

3.1.2 Nominating an auditor from outside of the Audit Panel

If a licensee intends to use an auditor/technical expert who is not an Audit Panel member, the licensee should nominate the auditor/technical expert prior to an audit commencing. We will assess the nominated auditor/technical expert to ensure we are satisfied that the auditor/technical expert has the necessary independence, experience and qualifications to carry out the audit.

The licensee should submit an auditor/technical expert nomination to IPART via email to your assigned key contact⁹ and cc WICA@ipart.nsw.gov.au. The email should include sufficient information for IPART to make a decision about the suitability of the auditor/technical expert. This must include attachments providing evidence that the auditor/technical expert has the following:

- adequate and suitable experience in auditing
- professional qualifications, and adequate and suitable experience in the field of the particular audit.

IPART may request further information if required and will consider the nominations in a timely manner.

⁹ All licensees are assigned an IPART key contact, who can guide you through this process.

3.1.3 The '3 in 5 rule' – Compliance Audits

To maintain independence and bring fresh perspectives, the same auditor should not conduct more than 3 out of every 5 compliance audits.¹⁰ This '3 in 5' audit rule only applies to compliance audits and is designed to ensure that different auditors are engaged over time.

We may approve exemptions to this requirement in situations where there is a shortage of suitably qualified auditors. However, exemptions will only be approved if we are satisfied that a fresh perspective can still be achieved. For example, by using a different audit team and ensuring that the independence of the auditor is not compromised.

If an auditor has previously completed a compliance audit for a licensee, the audit proposal must include a table summarising this audit history (see Box 1).

3.2 Conduct during audits

Licensees must cooperate with auditors/technical experts and IPART during the audit and provide reasonable access to infrastructure and information.¹¹ Licensees must be prepared for audit interviews and ensure that appropriate personnel are available.

¹⁰ This refers to the audit firm, not just the lead auditor or audit team.

¹¹ Under section 85A of the WIC Act, it is a condition of every licence and approval that the registered operator and licensee, as applicable, must cooperate with and facilitate a compliance audit.

4 The Audit Process

This chapter describes the audit process that must be followed when undertaking an audit under the WIC Act, from audit initiation to delivery of the final report.

Table 4.1 below provides a summary of the timeframes for completion of steps in the audit process. Licensees must allow adequate time for a comprehensive audit to take place. The licensee is responsible for managing the audit and allowing sufficient time to complete all steps of the process.

Table 4.1 Summary of Audit steps and indicative timeframes

Step	Reference to sections of guide	Responsible party	Timeframe	Description
Audit scope	4.3 of this Guideline 2.3 of the Compliance Audit Guideline 3.3 of the Applications Audit Guideline 2.3 of the Contingency Plan Audit Guideline	IPART/ Auditor/ Technical expert		See audit guideline relevant for the audit type (i.e. application audit, compliance audit or contingency plan audit). Note that the audit scope for compliance audits is determined by IPART, whereas it is determined by the auditor and approved by IPART for all other audits.
Nominate auditor	3.1.1 or 3.1.2 of this Guideline	Licensee		An auditor/technical expert should be nominated in Water Industry Licensing Management Application (WILMA). If an appropriate pre-approved auditor/technical expert on the Audit Panel cannot be engaged, the licensee can nominate a preferred auditor/technical expert for approval.
Approve auditor through WILMA		IPART	5 working days if selected from the panel	IPART will review and approve the auditor selection to ensure they have the appropriate qualifications and meet the 3 in 5 rule.
Submit audit proposal	4.4 of this Guideline	Auditor/Technical expert		The auditor should submit the audit proposal through WILMA. The proposal should address the requirements set out in Box 1 below.
Approve audit proposal		IPART	10 working days	IPART to approve the audit proposal. If amendments are requested, the approval timeline for this task will restart.
Request evidence/ Audit Questionnaire (optional)	4.5 of this Guideline	Auditor/Technical expert		If required, the auditor/technical expert should request evidence required for the audit prior to the audit interviews and field verification with sufficient time for the licensee to provide the material to the auditor/technical expert.

Step	Reference to sections of guide	Responsible party	Timeframe	Description
				Note – the request for information should directly relate to compliance with the obligations listed in the audit scope.
Submit evidence to auditor for review	4.5 of this Guideline	Licensee		The Licensee should provide evidence to show compliance with the licence and approval obligations. Evidence can be provided to the auditor/technical expert either before or during the audit interviews and field verification. Note – evidence provided should clearly demonstrate compliance with the licence or approval obligation being audited.
Inception meeting	4.6 of this Guideline	All		Auditors/technical expert must schedule an inception meeting between the auditor/technical expert, the licensee and IPART before commencing audit interviews. Note – this meeting can be held at the start of the audit interviews and field verification component of the audit if an earlier meeting is not required.
Audit interviews and field verification site visit	4.7 of this Guideline	All		The auditors/technical expert completes the audit interview and field verification. In most cases this should be completed at the licensee's site.
Close out meeting	4.6 of this Guideline	All		Auditors/technical expert must arrange a closing meeting to discuss audit findings and recommendations and provide the licensee with an opportunity to raise any concerns or discuss issues.
Auditor issues preliminary draft report	5.1.1 of this Guideline	Auditor/Technical expert		The auditor prepares a preliminary draft report for review by IPART only.
IPART reviews preliminary draft report		IPART	5 working days	IPART to review the draft report to ensure sufficient detail and clarity around compliance grades.
Auditor issues draft audit report	5.1.2 of this Guideline	Auditor/Technical expert	5 working days	Auditor/technical expert to address any comments by IPART and issues the draft audit report to IPART and the Licensee.
Licensee reviews draft audit report		Licensee/ IPART	10 working days	Licensee to review draft audit report and provide comment back to auditor.
Issue Final Report	5.2 of this Guideline	Auditor/Technical expert	10 working days	After the Final Report has been issued, the audit is complete.

4.1 WILMA

All audit documentation (e.g. audit scopes, proposals, draft and final audit reports) must be submitted via the WILMA. Further details on WILMA are available on our [website](#).

4.2 Audit initiation

IPART or the licensee may initiate an audit. In most cases, where the licensee is required to undertake an audit in response to a direction from IPART or to meet a regulatory obligation, it will be required to initiate the audit.

Please refer to the relevant audit guideline (see section 1.3) for information about how each audit type is initiated.

4.3 Audit Scope

The audit scope will depend on the type of audit being completed. Please refer to the relevant audit guideline (see section 1.3) for information about how each audit type is scoped.

4.3.1 Matters outside the audit scope

In general, we require auditors and technical experts to stay within the audit scope. However, an auditor may identify issues that could pose a significant risk to public health or the environment which fall outside the scope of the audit. This generally only arises in compliance audits.

We require the auditor to notify IPART if such an issue is identified (via the IPART representative in attendance at the audit in the first instance). IPART will determine, in consultation with the auditor and licensee if appropriate, whether to adjust the scope of the audit, or whether to investigate the issue further outside the audit scope. Where necessary, IPART will refer the matter to the relevant agency.

The auditor should consult with IPART about where and how to document such findings.

4.3.2 Interpretation of a condition or obligation

If, during an audit, there is a disagreement between the auditor/technical expert and the licensee as to the interpretation of a condition or obligation, the auditor/technical expert is to refer the disagreement to IPART. IPART may provide the auditor/technical expert with guidance as to how the legislation, licence, approval or other instrument is to be interpreted for the purposes of the audit.

The auditor/technical expert may also request guidance from IPART on the interpretation of a condition or obligation in the absence of a disagreement.

4.3.3 Scope variation

IPART may seek to vary the scope of the audit, at any time throughout the audit process. We will discuss the impact of changing the scope of the audit with the licensee. This will include how the variation may affect the timeline, cost or outcomes of the audit, prior to issuing the variation to the audit scope.

4.4 IPART must approve an audit proposal before the audit begins

IPART must approve the audit proposal before an audit can commence.

Details about what should be included in an audit proposal are identified in **Box 1**.

Audit proposals should be submitted by the auditor/technical expert through WILMA. IPART will endeavour to approve an audit proposal within 10 business days after submission of the proposal. However, should additional information be required, the 10-day period will reset from the time at which the information is provided.

Box 1 What is in an audit proposal

An audit proposal (issued to IPART by the auditor/technical expert) must include the following information:

- The audit standard to be applied.
- The Conflict of Interest Statement (see Appendix A).
- Table of auditor/technical expert history with the applicant, licensee, essential service provider or LRP and if the auditor/technical expert has previously been engaged by this person for the same audit category.
- Audit scope, including the audit type, relevant guidelines, actions from previous audits, and/or legislation against which it will be audited.
- The audit team assembled,^a covering Panel membership qualifications, skills, and category of the Panel and Quality Assurance reviewers.
- A work schedule outlining the dates of the audit, as agreed by the auditor/technical expert, licensee and IPART. The schedule must include details and sequence of:
 - key activities (including report preparation and details of facilities to be visited).
 - timing of each milestone in the audit and expected completion date.
 - the audit team members and the amount of time allocated to each activity.
- A timeline of events including the date:
 - of the audit interview(s) and field verification(s),
 - by which subsequent information must be provided,
 - by which a draft report will be provided by the auditor/technical expert to the licensee and IPART,
 - by which the licensee will provide comments on the draft report and any additional information to be presented, and
 - by which the auditor/technical expert will release the final audit report.

It is the responsibility of the auditor/technical expert to ensure that the audit scope is appropriate for assessing the licensee's compliance with the legal requirements.

a. Any other staff, employees or contractors may only help the audit team in areas such as administrative support and/or auditor training. All work by non-Panel Members must be undertaken within the direct control and supervision of the Lead Auditor.

4.5 Audit evidence

It is the applicant/licensee/essential service provider/LRP's (relevant party) responsibility to demonstrate compliance with its obligations.

The relevant party must:

- ensure the auditor/technical expert is provided audit evidence in a timely manner.
- where large documents or volume of data are being provided, identify the sections that the relevant party believes supports their compliance with the obligation.

Auditor/technical expert may find it useful to provide an audit questionnaire to the relevant party prior to the audit interviews and field verification. This provides the relevant party with an opportunity to prepare audit evidence in advance and facilitates a smooth and timely audit. The relevant party should seek to clarify any ambiguity at this stage to prevent delays and misunderstandings during the audit process.

The Audit Questionnaire could include:

- The obligation to be audited, including specific elements of relevant guidelines if applicable.
- The scheme to which the Audit Questionnaire relates to (if multiple schemes are being audited),
- The information or documents required by the auditor/technical expert, and number of records if relevant.

The relevant party should note that the Audit Questionnaire does not preclude or limit an auditor/technical expert from making further requests for information during the audit interviews or field verification. The relevant party is also not restricted from providing any other evidence to demonstrate its compliance.

After the audit interviews, the auditor/technical expert should coordinate requests for further information with the relevant party following interviews. This is to ensure that the auditor/technical expert has sufficient evidence to complete the draft report while allowing the relevant party reasonable time to provide the evidence. Evidence should not be provided after the draft audit report is issued, unless IPART agrees that the evidence can be considered by the auditor.

4.5.1 Requesting sensitive or confidential material

Auditors should only request information necessary to complete the audit, and licensees are expected to comply with these requests.

Licensees should take reasonable steps to protect sensitive information. The licensee is not required to provide sensitive documentation to the auditor/technical expert in advance. Instead, they may choose to present the evidence during the audit interviews or the field verification if that is their preference. The auditor does not need to retain a copy of the evidence—sighting it during the audit is sufficient. However, IPART may request to view the sighted evidence at a later date, and the licensee must be able to provide it upon request.

If a licensee is concerned that the information requested is not directly related to the obligation under audit, they should contact IPART for review.

Similarly, if an auditor asks for information that the licensee is not willing to share, the auditor may contact IPART who will review the validity of the request.

4.6 Inception and closing meetings

Auditors must schedule an inception meeting between the auditor/technical expert, the relevant party and IPART before commencing audit interviews. The meeting may be held by teleconference, video conference or in person. Alternatively, the inception meeting can be held at the beginning of the audit interviews and field verification.

Inception meetings provide the auditor with an opportunity to outline the proposed audit procedures, discuss any logistical concerns regarding the provision of documents or field verification and for any unresolved issues to be discussed. The auditor/technical expert may have preliminary questions regarding the scheme, system or plan, or may wish to discuss the outcomes of previous audits where these are available.

Auditors/technical expert must arrange a closing meeting to discuss audit findings and recommendations and provide the relevant party with an opportunity to raise any concerns or discuss issues. The meeting can occur at the conclusion of the field verification if the auditor is able to explain any non-compliances they have found to the licensee. Otherwise, it must be held within 2 weeks of the audit interviews.

Auditors/technical expert must invite IPART to participate in these meetings.

4.7 Audit interviews and Field verification site visits

Most audits will require that an auditor/technical expert visit the relevant party's head office or operational sites to review documents, data and systems, infrastructure and assets.

In some exceptional circumstances, audits or parts of the audit may be able to be performed remotely. Auditors/technical expert can conduct audit interviews via video conferencing and/or in person. However, our preference is that field verifications are conducted in person to inspect the water industry infrastructure and systems. These must be conducted in line with the requirements of the auditor/technical expert's nominated audit standard and taking into consideration any restrictions. Auditors/technical expert must seek information from the relevant party regarding any site-specific safety requirements or other logistical constraints that may need to be addressed.

Auditors/technical expert must arrange field verifications in a timely manner with consideration of the resourcing needs of both the relevant party and the auditor team. Auditors/technical expert must notify IPART in a timely manner to enable IPART officers the option to attend.

4.8 Invitation to audit meetings

The relevant party must ensure that an IPART representative is invited to all audit interview meetings and any other key audit meetings (including inception meetings, closing meetings and issues meetings). IPART must be notified of confirmed audit meeting details as soon as practicable prior to the audit meetings to ensure that IPART is given sufficient notice to attend the meeting. IPART does not have to be invited for informal discussions.

4.9 Communication with IPART regarding issues of concern

Where an issue arises during an audit, auditors/technical expert or relevant party may contact IPART (the nominated IPART representative of the audit) to seek clarification of IPART requirements, to address issues that are outside the audit scope, or to discuss a matter of disagreement. IPART may request that the auditor/technical expert organise a meeting with the relevant party to address the issue. IPART may provide additional clarification to the auditor/technical expert or to the relevant party. We may decide to change the audit scope (see 4.3) or undertake other actions to address an unforeseen issue or a matter of disagreement.

4.9.1 Escalation of issues

We will assign an IPART representative to oversee the audit. The nominated IPART representative will be familiar with the relevant application, licensed utility or scheme, and the scope of the audit, and may attend the audit interviews or field verification.

Where an issue relating to the audit arises that cannot be resolved through the audit process through discussions with the IPART representative, the relevant party or an auditor/technical expert may formally escalate an issue to IPART in writing.

The escalation correspondence must clearly outline the issue (including references to relevant legislation or licence or approval conditions, where relevant). The escalation correspondence must be sent by email to the nominated IPART representative, with IPART's Director, Regulation and Compliance, copied in. The nominated IPART representative will then arrange a meeting with the notifier to discuss pathways for resolution.

Escalation of an issue should be applied as a last resort.

Where the issue relates to the behaviour of IPART employees, the notifier can contact the Director, Regulation and Compliance, or the Executive Director, Regulation and Compliance.

5 Reporting on the audit findings

Auditors/technical expert must prepare audit reports in line with the nominated audit standard. IPART requires that the reports:

- are comprehensive – addressing all audit criteria and providing sufficient detail to allow IPART and the relevant party to understand the audit procedures that were carried out to support the audit findings
- are clear – reports must be written using plain English and must be unambiguous
- are evidence based – all statements must be substantiated with evidence
- have outcome focused recommendations, and
- are free of errors.

Detailed reporting requirements are provided for each type of audit in the Appendices of the relevant audit guidelines (see section 1.3).

5.1 Draft Report

5.1.1 Preliminary review

Auditor/technical expert must provide the draft audit report to IPART to review and to the relevant party initially for information. We are not assessing findings and recommendations at this stage.

IPART will:

- review the draft report for completeness, accuracy and clarity.
- seek amendments where the report does not sufficiently address the audit criteria identified in the audit proposal or where the audit report is unclear or erroneous.
- refuse to accept receipt of reports that are not of a sufficient quality or that do not comply with auditing standards.

After IPART's review, an updated draft report will be released to the relevant party for comment.

A minimum of 5 working days must be allowed for IPART to conduct our review of the draft report, and a further 5 working days must be allowed for the auditor to incorporate any changes to the draft, if required.

IPART will complete our review in a timely manner and once we are satisfied that the draft audit report has met the requirements, we will request that the auditor release an updated draft report to the relevant party for comment.

5.1.2 Formal review

Once the updated draft report is released for comment, IPART and the relevant party will review the report and audit findings.

The relevant party's comments should be limited to ensuring that the audit report is comprehensive and factually correct. For example, the relevant party may comment on the draft audit report where it believes the auditor/technical expert has not considered all available evidence, or the auditor/technical expert has misinterpreted a piece of information. The relevant party should not provide alternative wording for the audit report to the auditor/technical expert in any circumstances.

A minimum of 10 working days must be allowed for IPART and the relevant party to provide a written response to the updated draft audit report for the auditor/technical expert to consider.

The relevant party should consider how much time to allow for the review of the updated draft audit report when agreeing to a timeframe with the auditor/technical expert at the planning stage. The relevant party's review time may increase depending on the size and scope of the audit and should be confirmed in the audit proposal. In some circumstances, a meeting may be required to address an issue of concern.

5.2 Final Report

Once the auditor/technical expert has addressed any feedback from IPART and the relevant party, the auditor/technical expert must submit a final report to IPART and the relevant party in accordance with the timeline agreed to in the audit proposal. IPART would consider the audit complete once the auditor/technical expert has issued the final report and has held a closing meeting.

5.3 Actions that arise from audit findings

Recommendations: Auditors/technical expert must include recommendations for rectifying non-compliances or inadequacies. Recommendations must be clearly stated, numbered or labelled logically, and outcomes focused where appropriate.

While IPART relies on the auditor/technical expert's recommendations to inform our response to the audit, we may recommend that the relevant party take a different action to rectify a shortcoming or non-compliance. We will communicate the outcome of the audit and any actions we will require the relevant party to undertake, at the conclusion of the audit. We will also communicate the outcome of the audit to the auditor/technical expert.

Opportunities for improvement (OFI): Auditors/technical expert may also identify OFI where they consider they can add value or improve outcomes. These must not normally relate to a non-compliance or inadequacy.

We provide the following guidance about OFIs:

- The auditor/technical expert is not required to suggest OFIs, but we welcome auditors/technical expert sharing their experience and observations of other utility operations.
- OFIs are suggestions that may improve business performance and general efficiency.
- OFIs can be suggested for any area of the relevant party's operations. OFIs do not have to be linked to a legislative or licence obligation.
- The auditor must not suggest OFIs to address compliance issues. They must not replace recommendations.
- OFIs must be numbered or labelled logically for reference.
- Licensees are not obliged to resolve OFIs.

Appendices

A Conflict of Interest Statement

This conflict of interest statement is given by (**Auditor/Technical Expert/Auditor and Technical Expert**) in connection with the proposed audit of (**Auditee**) for the [audit name/type(s)] which is/are intended to take place from[date] to[date]

I, [full name], of the Auditor/Technical Expert, declare that I am authorised to provide this declaration and that:

- the Auditor/Technical Expert/Auditor and Technical Expert does not have any conflicts of interest in respect of the audit; or
- the Auditor/Technical Expert/Auditor and Technical Expert has included in the attached document a description of all conflicts of interest, actual or perceived, to the best of my knowledge, in respect of the audit, and an explanation of how such conflicts will be managed.

[Attach a separate document providing an explanation of all the conflicts of interest, and the proposed process to manage them. Submit this with the audit proposal.]

Date:

Signed:

Name:

Designation:

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