Australian Government
National Water Commission

2013 – 14 URBAN NATIONAL PERFORMANCE FRAMEWORK

URBAN AUDITING REQUIREMENTS

CONTENTS

INTRODUCTION

BACKGROUND TO THE NATIONAL PERFORMANCE REPORT (NPR)

On 25 June 2004, the Commonwealth, New South Wales, Victoria, Queensland, South Australia, the Australian Capital Territory and the Northern Territory signed the Intergovernmental Agreement on a National Water Initiative (NWI Agreement). Tasmania became a signatory to the NWI Agreement on 2 June 2005 and Western Australia became a signatory on 6 April 2006.

Under the NWI Agreement, the parties to the Agreement (NWI Parties) agreed to:

- report independently, publicly and on an annual basis, on benchmarking of pricing and service quality for urban and rural water utilities (paragraph 75, NWI Agreement); and
- meet the costs of this performance reporting through the recovery of water management costs (paragraph 76, NWI Agreement).

The National Performance Reports (NPRs) provide for a comparison of water utility performance over time and between utilities. Each water utility has the opportunity to benchmark its own performance against those of similar utilities.

The National Water Commission (NWC), the Water Services Association of Australia (WSAA) and representative NWI Parties[1] established a National Framework for Reporting on Performance of Urban Water Utilities Deed ('the deed') which sets out how the Parties will report on the performance of urban water utilities in accordance with the NWI Agreement.

Performance reporting for water supply and sewerage must be relevant, useful and provide meaningful comparisons of key issues affecting water utilities and their customers. In order to do this, NWI parties have developed the National Performance Framework (NPF) to enable a transparent and consistent approach to the process of collecting and reporting data across all Urban Water Utilities.

[1] Represented by the state and territory regulatory and/or policy agencies on the Urban NPR Roundtable Group (RTG). RTG members are NPF audit and/or data coordinators.

REQUIREMENTS FOR NPR DATA TO BE AUDITED

The deed requires parties to use all reasonable endeavours to ensure that a comprehensive audit of the data collected by each urban water utility under the NPF is undertaken at a minimum of three yearly intervals.

The deed establishes the general principle that NPF information will not need to be re-audited if it is already subject to other statutory audit regimes that meet quality and independence requirements. This approach is intended to reduce the administration costs associated with the audits and improve timeliness of the audit process. Readers of the NPR are invited to read the jurisdictional summaries for further information of other regulatory and oversight arrangements for water utilities in each jurisdiction.

BACKGROUND TO THE NATIONAL PERFORMANCE REPORT (NPR) AUDIT REQUIREMENTS

These audit requirements are designed to guide water utilities, jurisdictional audit coordinators and external auditors (NPR participants) in the conduct of audits of NPR performance data.

Auditing is intended to provide enhanced confidence in the accuracy, completeness and reliability of reported information.

Auditing promotes transparency and consistency in the process of collecting and reporting data across all urban water utilities, in order to report performance results that are relevant, useful and enable meaningful comparisons between water utilities over time.

The objective of an NPR audit is to enable the auditor to provide a conclusion as to whether the reported data for the auditable indicators is prepared and reported fairly, in all material respects, in accordance with the current *National Performance Framework (NPF) Urban Water Performance Report Indicators and Definitions* (the 'definitions handbook'). Audits are to be undertaken in accordance with these *NPF Urban Water Performance Report Auditing Requirements and Audit Report Template* (the 'audit requirements').

If these audit requirements are not able to be fully implemented, there is scope for audit coordinators to seek the agreement of the RTG for alternative implementation arrangements for certain utilities or for a time across all utilities within their jurisdiction. Proposals to the RTG should outline the reasons for the alternative approach and a pathway for full implementation. Nothing in these audit requirements, however, is intended to override any jurisdictional regulatory or other reporting or auditing requirements.

The audit requirements promote quality and consistency of NPR audits through:

- outlining the requirements of the Deed;

- articulating the assurance standards to be followed;
- providing a reliability and accuracy grading (rating) system to assess whether reported data is presented in accordance with the NPF indicators (in the absence of another state-based regulatory audit rating system);
- identifying the audit result that must be achieved in order to meet publishing thresholds;
- provision of a template for consistency in submitting the audit report and findings; and
- provision of examples and explanations to provide further clarity for particular issues.

CHANGES TO AUDIT FROM 2011-12 YEAR

The audit requirements for 2011-12 were revised from those in 2010-11 following a comprehensive review of their appropriateness and consideration of measures to improve the transparency, consistency, quality and value of NPR audits. The participation and valuable feedback of NPR participants in this review is greatly appreciated.

The main changes to the audit requirements were:

- clarifying the objective of NPR audits, including removing reference to 'compliance' reporting and auditing and clarifying the ratings approach, to reflect that this represents the auditor's conclusion on data for each indicator;
- clarifying that ASAE 3000 is the relevant assurance standard under which NPR audits are to be conducted;
- requiring 'audits' to be undertaken, not 'reviews'; and
- requiring a short-form audit report to be provided by NPR auditors, in accordance with a template provided in this document, to be published with NPR data.

The review identified that auditors and other NPR participants value the rating system in the audit requirements, and the example procedures and reporting template, and these have been left unchanged. The requirement to undertake audits at least every 3 years also remains unchanged.

In addition, large portions of the text from the deed are no longer explicitly quoted in this document. While relevant detail from Schedule 3 of the deed forms the basis of these audit requirements, direct quotes have been removed so that any reference to 'compliance auditing' or other elements that are no longer relevant do not cause confusion. The intent and requirements of the deed in relation to NPR auditing are satisfied by these amended audit requirements. An exchange of letters between NWI parties will give effect that in the event there is any inconsistency between the annual audit requirements issued by the RTG and the deed, the annual audit requirements prevail.

JURISDICTIONAL SUMMARIES

Summaries of jurisdictional institutional and performance reporting and regulatory arrangements were included for the first time in the 2010-11 NPR at Appendix B. These were included to overcome a lack of clarity surrounding certain issues important in interpreting the NPR data and reporting processes. NPR participants are encouraged to read the summary relevant to their entity and those with whom they make performance comparisons.

PART A – AUDITING REQUIREMENTS

PURPOSE OF NPR AUDITS

NPR audits provide confidence in the accuracy and reliability of reported data while encouraging improvements in reporting systems and processes.

The objective of an NPR audit is to enable the auditor to express an opinion as to whether the reported data is prepared and fairly presented, in all material respects, in accordance with the NPF (per the definitions handbook) and/or any relevant state framework[2].

As part of the NPR audit, auditors will examine:

> **Processes** – the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls and reliability
>
> **Integrity of performance reporting** – the completeness and accuracy of the utility's performance reporting for the NPR.
>
> **Presentation –** whether the reported information is prepared in accordance with the definitions handbook and meets the rating system thresholds for publishing the data, in all material respects, as set out in the audit template.

The audit should identify areas where improvement is required and recommend corrective action if necessary.

AUDIT FREQUENCY

NPR audits are required to be undertaken at a minimum of three yearly intervals.

For example, the first auditing year of the NPR audit cycle was the 2006-07 financial year. Indicators that met the auditing requirements in 2006-07 did not need to be re-audited until 2009-10. If a utility wishes to report an indicator it did not report in the previous year, then this indicator must be audited for it to be published. If a utility has failed an audit for a particular indicator, then it must successfully meet these auditing requirements for that indicator before its result for the indicator will be published.

Not all jurisdictions or utilities are on the same audit cycle. While some jurisdictions require audits of all auditable NPR indicators every three years, some jurisdictions undertake annual regulatory audits and have a portion of NPR indicators audited each year during this process, covering all auditable

[2] Whichever takes precedent for particular indicators, as determined by jurisdictional audit coordinators.

NPR indicators at least once every three years. Utilities that commenced NPR reporting after 2006-07 may be on a different three-yearly audit cycle. Furthermore, audit coordinators have the discretion to require audits more frequently than three-yearly if considered necessary.

OTHER AUDIT ARRANGEMENTS AND THE NPR AUDIT

The NPF seeks to avoid duplication of reporting and auditing. Where possible, the audit findings from other comparable processes should be taken into consideration.

Within a number of jurisdictions there are already independent audit frameworks in place (for example, economic regulators may audit service standards and regulatory accounts, technical regulators such as EPAs and health departments may audit environmental compliance and drinking water quality data and Auditors-General audit financial accounts).

As a general principle, if information required under the NPF is already subject to independent statutory audit regimes, the information will not need to be re-audited, provided that the audit meets the definitions, quality and independence requirements of the NPF. This approach is intended to reduce the costs associated with NPR audits and improve the timeliness of the audit process.

See also 'Audit scope' below.

AUDITOR INDEPENDENCE

Recognising the fundamental purpose of serving the public interest, the audits must be conducted in an independent, rigorous and comparable manner. The minimum requirements for the independence and expertise of auditors, and for the conduct and reporting of audits are set out below.

Independence is a key aspect of ensuring the objectivity of audits. In assessing independence, NPR participants should:

a. have regard to the amount of work that a firm has performed for a water business in the previous two years and whether the firm is being considered for any current work;

b. ensure that each audit team member has not recently been an employee of the water business being audited; and

c. ensure that an auditor does not have any interest, obligation or duty (whether owed to the water business or any other person) which will conflict with the auditor's duties to the Audit coordinator.

Prospective auditors should outline any conflicts of interest or potential conflicts of interest and the manner in which the potential or perceived conflict of interest is proposed to be managed.

The performance of an independent audit carried out under a water business's licence or financial auditing services carried out under *the Corporations Act 2001 (Cth)* are not considered to constitute a conflict of interest.

AUDITOR QUALIFICATION AND EXPERIENCE

Auditors should have:

a. demonstrated skill and relevant experience in assurance and auditing (especially internal audit);

b. relevant qualifications and experience in water engineering including asset management and information systems;

c. knowledge and understanding of the water industry and the operation of water businesses;

d. the ability to conduct the audit in an efficient and professional manner and to make practical, value adding recommendations for improvements in reporting processes and quality;

e. the resource capacity to undertake more than one audit during an audit cycle;

f. no conflicts of interest in conducting the audit; and

g. adequate risk management and insurance.

In particular, the audit team should have a mix of skills that includes:

- professional audit and assurance skills;
- engineering and technical expertise;
- business management consulting skills, particularly in the areas of customer service measurement and development; and
- experience in the audit team in provision of a similar scope of services, including at partner-level or equivalent and who will be required to sign the audit report and take full responsibility for the audit findings.

APPROVAL OF AUDITOR BY AUDIT COORDINATOR

In many jurisdictions the auditor is appointed by the water utility, rather than by the audit coordinator. In these circumstances, or where a panel is not established by the audit coordinator, the water utility must seek approval from the audit coordinator before the appointment of the auditor. In seeking approval, the water utility must demonstrate to the audit coordinator the

auditor's capability to undertake the audit. If utilities have difficulty sourcing an auditor or a reasonable quote in a jurisdiction where a panel is not in place, their audit coordinator may be able to assist with providing names of auditors who have been known to provide value-for-money, quality NPR audits. They may also be able to obtain, via the RTG, names of auditors from other jurisdictions (on panels or otherwise) who may be willing to travel interstate. Utilities can then seek and evaluate quotes from these auditors.

In approving appointment of an auditor, the audit coordinators must consider the auditor's independence, qualifications and experience, as outlined in the previous section.

Audit coordinators shall, if requested, provide an NPF audit briefing in line with their jurisdictional NPF reporting schedule to ensure that the audit requirements are clearly understood by water utilities and their appointed auditors. This should occur prior to audits being undertaken.

The audit coordinator must provide contact details for themselves or the staff member who will be available as a contact point to assist the auditors with any queries.

LEVEL OF ASSURANCE

For NPR audits, reasonable assurance must be provided. That is, an audit is required, not a 'review'.

It is recognised that no audit can provide absolute assurance. This is because of the use of judgements and estimates in reporting, the use of testing by auditors and the fact that most of the evidence available to an auditor is persuasive, rather than conclusive in nature. Therefore, audits are only able to provide reasonable assurance. See 'Auditing 101' at the end of this document for further information on these concepts.

Some NPR auditors, however, have previously limited the assurance provided by their work by calling them 'limited assurance engagements', which are defined by ASAE 3000 as 'reviews' rather than 'audits'.

The difference between a review and an audit, as explained by the audit standards, is the extent of procedures undertaken to form an opinion.

While a 'review' may have been sufficient in the early days of NPF reporting and auditing, this is not considered adequate in a more mature reporting and auditing framework, and is not in accordance with stakeholder expectations or the deed, which clearly specifies an 'audit' is required.

AUDIT SCOPE

The audit scope must cover the indicators which are specified in the definitions handbook as requiring audit. In establishing the scope, information that is subject to another independent audit regime can be used in the conduct of the NPF audit. If the data reported by a utility against an

indicator has previously been audited (for example, by a jurisdictional regulator) and that audit substantially complied with these NPF audit requirements, that indicator is not required to be audited for NPR purposes. The auditor should report this in the audit report and/or refer to the other audit report. If a jurisdictional regulator is conducting or responsible for conducting the audits, it should seek to have the regulatory audit timelines aligned with the NPF audit cycle.

In the case where an NPR indicator comprises components that are subject to regulatory audit processes and un-audited components, the utility in this situation only needs to arrange audit of the un-audited components, rather than the whole indicator. The audit scope should outline which components need to be audited.

Further information on auditable indicators, including indicator definitions, can be found in the *National Performance Framework – 2013-14 urban performance reporting indicators and definitions handbook*.

For example:

> The regulator may require that all billing complaints are audited and reported, including complaints regarding government pricing policy, tariff structures and high but accurate bills. The NPR requirement is that complaints regarding Government pricing policy, tariff structure and high but accurate bills should not be included in the total for the indicator 'billing and account complaints'.
>
> The NPR auditor has the option of auditing the total number of complaints regarding government pricing policy, tariff structures and high but accurate bills and subtracting this total from the total billing complaints audited for regulatory purposes.

The audit coordinator requires sufficient evidence to ensure that indicators audited under statutory frameworks conform to the requirements of the NPR audit. The responsibility for provision of this evidence is at the discretion of the audit coordinator. For example: a health department carries out verification on all state utilities' health credentials. The audit coordinator may request a letter seeking verification that the NPR health indicator '% population where microbiological compliance was achieved' is captured under the health department's verification process and that utilities have subsequently satisfied the NPR standard. Alternatively, the audit coordinator may request that statutory reports/compliance for the particular indicator are cited in the audit report for the utility.

Each audit must assess each auditable indicator and assign a level of accuracy and reliability based on the reported data and the findings of the audit. The required approach for determining data accuracy and reliability is set out in Part B of this document.

The audit must comment on the adequacy of data collection systems and data reporting methods including data management. Suggestions for improvement of data reporting methods and data systems may also be provided. If an indicator does not meet required accuracy and reliability

thresholds (in Part C), the audit report should provide suggestions for remedial actions by the utility. The audit coordinator may suggest a follow up audit to be conducted in these cases.

Auditors must make themselves available for a debriefing on audit-related matters if requested by the utility and/or audit coordinator.

STANDARDS AND METHODOLOGY

NPR audits are required to be conducted in accordance with the following assurance standard:

- **ASAE 3000** '*Assurance Engagements Other than Audit or Reviews of Historical Financial Information*'[3] issued by the Australian Auditing and Assurance Standards Board (AUASB)[4].

The above standard is principles-based and requires auditors to comply with other AUSAB assurance standards where relevant.[5]

To ensure the consistency and comparability of audit results, the methodology employed by auditors must comply with the assurance standards and certain minimum requirements. In particular, the auditor must address the following specific matters:

- Review procedures and/or instructions for data collection and management (are they adequate, are they documented, and are they regularly reviewed?);
- Ensure that the generated information is in accordance with the documented procedures;
- Analyse information systems and quality controls;
- Interview responsible staff and assess their understanding of the task and the procedures, their training and their qualifications/suitability for the task;
- Review relevant records and ensure that the procedures are being followed;
- Identify changes in systems and documented procedures;
- Assess reliability and accuracy of data for each indicator using a suitable grading system (see Part B for default grading system) and assess whether data is prepared in accordance with the definition handbook;

[3] http://www.auasb.gov.au/Standards-and-Guidance/Standards-on-Assurance-Engagements.aspx

[4] http://www.auasb.gov.au/

[5] NPR participants are also encouraged to monitor the development of water accounting and assurance standards which are expected to have increased relevance over time to utilities and the NPR. In particular, the *the Water Accounting Standard 1*, developed by the Water Accounting Standards Board (WASB. Please see http://www.bom.gov.au/water/standards/wasb/ for further details.

- For selected indicators for which there is a large volume of data (e.g. water main breaks, complaints), analyse a sample of data for accuracy and adequacy of reporting;
- Determine the audit result (Y/S/N) of the data for each indicator using the rating system shown at page 15. Note that result thresholds for each indicator are given in column 4 of the Table of Audit Findings in Part C 'Detailed Audit Findings' below; and
- Comment on the adequacy of data collection and management procedures and, if warranted, provide recommendations for improvement. Such recommendations are to be provided for any 'N'-rated data.

In the case where a utility sources data from an external source, the auditor must consider the extent of additional procedures required to gather sufficient appropriate evidence as a basis for their conclusion. For example: a utility collects data on 'connected residential properties' from their local council as they have a more robust database for collection of rates payments. It may be necessary to visit the council to obtain sufficient appropriate evidence as to the reliability and accuracy of the data for this particular indicator.

An auditor may have regard to internal audits and assessments, but in arriving at a conclusion in relation to an audit matter must not rely on it exclusively. Auditors will exercise professional judgment as to the depth of inquiry required.

AUDIT REPORTS

A report template is provided Part C – audit report template below. This template comprises a short-form audit report and a table of audit findings.

The short-form audit report is a standalone expression of the auditor's conclusion and replaces the audit report's executive summary. It outlines, in a comparable and consistent format, the audit approach, conclusion and key issues arising from the audit (exceptions, i.e. 'N'-results) and will be published with the NPR data. It should be no longer than 2-3 pages.

The detailed audit findings table is completed by auditors and provided to the audited utility and their audit coordinator. The audit findings table is not published. It contains details of work undertaken, conclusions and any other detail the auditor considers necessary to adequately explain the audit results, reasons for the accuracy and reliability gradings awarded and suggestions for remedial action.

PART B – AUDIT GRADING SYSTEM

The purpose of Part B is to explain the audit grading system for assessing the accuracy and reliability of NPR data and the approach for determining audit results and whether data is of publishable quality for the NPR.

RELIABILITY AND ACCURACY GRADING

The auditor is required to assess each indicator and assign a level of accuracy and reliability for the indicator, in accordance with the grading system shown below. The intent is to provide ease of assessment and a standardised approach. An alternative grading system may be required by audit coordinators if a State-based regulatory framework exists.

Where there are errors in the data or substantial weaknesses in processes and systems, they should be noted and communicated to the utility during the audit and documented in the audit report.

Reliability (A, B, C, D)

Is data based on sound information and records, and documented procedures; do staff have training and understanding of procedures; is the data in accordance with procedures; have the procedures been reviewed; how are records kept?

A Based on sound records with adequate procedures

B Mostly conforms to A but some deviations which have minor impact on integrity

C Data has significant procedural deviations or extrapolation

D Unsatisfactory data

Accuracy (1, 2, 3, 4, 5)

The accuracy of each indicator should be assessed using a combination of professional opinion (based on the standard of reporting and data management), accuracy of the measuring equipment, and record sampling where appropriate.

1 +/- 5%

2 +/- 10%

3 +/- 20%

4 +/- 50%

5 Greater than +/- 50%

The auditor's assessment of accuracy and reliability is reported as a combination of those characteristics. As an example, based on the above grading system, financial data which is audited

(unqualified) would have a grading of A1, while real water losses which are based on estimated volumes may have a grading of C4.

Not all combinations of reliability and accuracy are appropriate. For example, data for which there are significant procedural deviations is unlikely to have an accuracy of 1 (+/- 5%). This is illustrated in the table below, where the shaded cells are inappropriate combinations.

NPF data gradings

Accuracy	Reliability			
	A	**B**	**C**	**D**
1	A1	B1		
2	A2	B2	C2	
3	A3	B3	C3	D3
4		B4	C4	D4
5			C5	D5

AUDIT RESULTS

Auditors provide their accuracy and reliability grading, and then an audit result as to whether the data for the indicator is presented fairly, in all material respects. The audit result determines whether the data is published in the NPR.

The approach for determining fair presentation and whether data is of a publishable quality (i.e. audit result) is outlined below with result thresholds for each indicator shown in **column 4** of the Table of Audit Findings in Part C. All auditors should report on this basis unless the utility is subject to a state-based regulatory framework, in which case an alternative reporting system may be required. In the case that state regulators and auditors have an alternative grading system to assess whether data is materially accurate and reliable, the templates can be modified to suit the jurisdiction. For example: a jurisdiction may have a multi-layered rating system for an indicator rather than the 3-tiered ('Y' 'S' or 'N') set out below. The layout of the table of audit findings template may be modified to suit these jurisdictional differences, subject to approval of the proposed table of audit findings by the audit coordinator.

Audit results for data are as follows:

Y = Yes, presents fairly (per accuracy and reliability grading, i.e. data is of publishable quality),

S = Substantially presents fairly (i.e. receives an accuracy and reliability grading above the publishable threshold but not sufficient for a 'Y'), and

N = No, it does not present fairly or there is a lack of reliable information (therefore not of publishable quality).

Note, only 'Y' and 'S' audit result data are published. 'N'-audit result data is not published in the NPR and is identified in the auditor's report (see below). For 'N'-rated data, audit coordinators will consider whether the

result is due to repeatedly poor systems or processes, a one-off factor that prevented a higher audit assessment of accuracy and reliability or the reasons the entity was not able to report the data. Auditors should articulate reasons in column '9' of the detailed audit findings table. Audit coordinators may require follow-up investigations or audits, depending on the nature of the reason.

How auditors determine the audit result

The result threshold for each indicator, based on assessed accuracy and reliability, is provided in column 4 of the attached *Table of Audit Findings* (page 21). The result thresholds may differ for each indicator. The required grading for the thresholds for each indicator (column 4) is separated into two parts, "Y" and "S".

The criterion under "Y" (the first part) displays the grading required for auditors to conclude that data presents fairly in all material respects (i.e. to achieve a "Y" in column 6), while the criterion under "S" (the second part) displays the grading required for auditors to conclude that data presents substantially fairly (i.e. to achieve an "S" in column 6). The grading should be assessed based on these criteria. For example, a criterion of "A2" in the first part of column 4 indicates that, for auditors to conclude that data achieves a 'Y' result, an indicator must achieve an assessed grading of A2 or higher (i.e. A1 or A2).

Similarly, for example, a criterion of "B3" in the second part of column 4 indicates that, for an 'S' audit result (and therefore publication), an indicator must achieve an assessed grading of B3 or higher.

Therefore, the audit result shown in column 6 would be "Y" if the assessed grading is equal to or greater than the criterion in the first part of column 4, or "S" if it is less than the criterion in the first part of column 4 but equal to or greater than the criterion shown in the second part of column 4, or "N" if it is lower than both criterion.

For example, if the audit result thresholds in the two parts of column 4 are A2 and B3, and the assessed grading is B4, the audit result for this indicator would be "N". If the assessed grading was B1, then audit result would be "S", while if the assessed grading was A1, then the audit result would be "Y". A grading of A4 would also be "N" as it has failed to achieve the required accuracy.

For the data to be published in the NPR an 'S' or a 'Y' audit result is required.

PART C – AUDIT REPORT TEMPLATE

The purpose of Part C is to provide an audit report template to assist utilities, auditors and audit coordinators in reporting audit results in a consistent, comparable manner that meets the needs of NPR participants and stakeholders.

Auditors must consult utilities (and audit coordinators where relevant) on proposed audit findings before finalising their reports. This allows any errors in fact or interpretation to be corrected.

The audit report should consist of the following:

- Short-form audit report; and
- Detailed audit findings table.

SHORT-FORM AUDIT REPORT

This is a standalone document (2-3 pages) that is of a publishable quality, communicating the main findings of the audit to a wide audience. It does not reveal any confidential information about the water utility.

This short-form audit report takes the place of an Executive Summary. It outlines the scope of the audit, responsibilities and approach of the auditor and provides an overarching conclusion as to the presentation (accuracy and reliability) of all audited indicators and reports findings on an exception basis. That is, only those indicators for which data did not meet required accuracy and reliability thresholds (and therefore not of a publishable quality) are specifically listed. The reasons for those indicators not being covered by the overall audit conclusion are concisely articulated by the auditor.

Not all details of how the audit was conducted are required to be included in this letter as much of the approach is implicit when professional standards are applied in line with ASAE 3000.

A template is provided on page 18 below and must be followed so that audit findings are comparable by utilities, audit coordinators and readers of the NPR.

Auditors are to refer to ASAE 3000 for further guidance if required. Auditors seeking further additional guidance, for example on matters such as modifications to audit reports, might like to review Australian Auditing Standards issued by AUASB (ASAs, for financial report audits). See in particular ASA 701 in relation to modifications for the auditor's report. ASAs are relevant for guidance on principles that NPR auditors can adapt to their specific circumstances, rather than providing definitive guidance for these audits.

TEMPLATE - SHORT FORM AUDIT REPORT

[Auditors, please note that this report covers only NPR-specific indicators, as advised by the audit coordinator, and not indicators that may have been audited for other regulatory purposes by you or other auditors. Red text to be removed and relevant text inserted by auditor.]

Independent Assurance Practitioner's Audit Report

To: [name of the water utility and the jurisdictional audit coordinator = intended users]

Report on [water utility name] National Performance Report (NPR) information

I have audited the following [e.g. 40] indicators in the accompanying NPR data listed below for the period 1 July 201X to 30 June 201X:

- [insert indicators within scope, as determined by water utility/audit coordinator]
- Water Resources (W1, W2..list specific indicator numbers as per definitions handbook)
- Assets (list all relevant categories and indicators as advised by water utility/audit coordinator)
- etc
- etc

The [e.g 50] other indicators reported by [the water utility] in the NPR that are not listed above were not audited as part of this engagement and therefore no conclusion is expressed by me in relation to them. These indicators are not required to be audited by the definitions handbook or are subject to other accountability and audit arrangements as outlined in jurisdictional summary of the NPR.

Responsibility of [the water utility] for the NPR data

[Name of the water utility] is responsible for the:

- preparation and fair presentation of NPF data in accordance with the definitions handbook. This responsibility includes establishing and maintaining appropriate internal controls relevant to the preparation and fair presentation of the NPR data that is free of material misstatement, whether due to fraud or error, and
- ongoing management of the business and determining whether, or the manner in which, any recommendations made in this report are implemented, including assessing such suggestions for improvement for their full commercial impact before they are implemented.

Auditor's responsibility and methodology

My responsibility is to express a conclusion on the National Performance Framework (NPF) data reported by [the water utility] based on our procedures. Our audit has been conducted as required by the NPF audit requirements and in accordance with applicable Australian Standards on Assurance Engagements (in particular *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*) issued by the Australian Auditing and Assurance Standards Board. These standards require compliance with the relevant ethical requirements relating to assurance engagements and that the audit be planned and performed to obtain reasonable assurance whether the NPF data is free from material misstatement and presented in accordance with the definitions handbook.

My audit procedures included making enquiries of the entity and examining processes and systems, including relevant controls, and reported data to obtain supporting evidence, on a test basis, to determine an accuracy

and reliability grading and resultant conclusion rating, using the grading system parameters outlined in the NPF audit requirements. My procedures have been undertaken to form a conclusion as to whether the NPR data of [name of water utility] has been presented fairly, in all material respects, in accordance with the definitions handbook.

[The auditor can insert more details of work performed if they consider that the above paragraph does not adequately capture the nature of their work.]

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit conclusion.

Use of this report

This audit report has been prepared for the [name of intended users – i.e. water utility and audit coordinator] in accordance with the NPF audit requirements [and relevant State/Territory legislation if related to other regulatory reporting]. I disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the [intended users listed above], or for any purpose other than that for which it was prepared.

Conclusion

Based on the procedures described above[, except for the matters noted below *(if any 'N' audit results given)*], the NPR information reported by [the water utility] presents fairly, in all material respects, and in accordance with the definitions handbook.

[The following matters are exceptions to the above conclusion: *(Insert clear description of matters that prevented auditor from providing an unqualified audit opinion)*

- A short paragraph on each indicator that received an 'N' audit result, stating the indicator number, what the accuracy and reliability grading was and resultant conclusion and why the auditor considers that the data was not presented fairly, in all material respects, or why the auditor is not able to draw a conclusion as to whether the data has been prepared in accordance with the applicable framework.
- As this short-form audit report will be publicly available, auditors must write any modifications to the audit conclusion in this section in a manner that is appropriate for publication. This means the writing style should be concise, accessible and professional, and not inflammatory. Reports should also not contain any specific material that could pose security issues for the relevant utility. However this should be balanced with the need to provide enough detail to support the awarding of an audit result.]
- E.g. Indicator C14 did not meet the accuracy and reliability requirements for publication as [the water utility] did not have a system in place that allowed reliable tracking of the per cent of calls answered by an operator within 30 seconds.
- E.g. Indicator A14 did not meet the accuracy and reliability requirements for publication as [the water utility] did not have adequately documented procedures that allowed confidence in the numbers provided to the auditor.]

Yours faithfully

[Assurance Practitioner's signature, name and title, e.g. partner, director]

[Date of the Assurance Practitioner's report]

[Assurance practitioner's address and contact details, if not provided elsewhere on letterhead]

DETAILED AUDIT FINDINGS

Table

A table of Audit Findings is provided on the next page. This template is to be used in the absence of an alternative state-based template provided by audit coordinators.

Auditors are to substitute the examples shown in columns 3, 5, 6, 7, 8 and 9 of the table with the results of their audit. Comments in column 9 should be limited to 3 paragraphs. If further comments are required, provide these in a supplementary attachment. Auditors must also state in the table where an indicator has **not** been audited. All NPF auditable indicators should be listed in the table of Audit Findings even if the water utility is not reporting that indicator

Additional detail

Further explanation of audit exceptions (i.e. 'N' ratings), weaknesses in processes, systems should be concisely articulated in an attachment to the audit findings table as necessary. Audit coordinators can tailor requirements for additional detail to suit their purposes.

These detailed audit findings contained in the table and attachments are not required to be publicly reported under the NPF audit requirements.

TEMPLATE - TABLE OF AUDIT FINDINGS

A table of audit findings template, containing examples to guide auditors and inform utilities, is shown below. The table shows the indicator, rating threshold and suggested procedure in shaded columns (1), (2), (4) and (8). *Example data is shown in columns (3), (5), (6), (7), (8) and (9).

Note 1: This table is a guide only. NPR participants should refer to the definitions handbook to determine which indicators are auditable. Sub-indicators must be audited if totals for auditable indicators are not reported for any reason.
Note 2: If an indicator has not been audited, please enter ('Not Audited') in column (3). Grading system should be used unless the water utility is subject to a state-based regulatory framework.

Indicator			**Accuracy & Reliability**				**Staff Interviewed**	**Procedure** (min. suggested shown, auditors insert actual)	**Comments** (incl suggestions for remedial action) *Example
No. *Note 1* (1)	**Description** (2)	**Data** *Example (3)	**Audit Result Thresholds** Grading reqd to achieve 'Y' or 'S' (4)		**Grading** *Example *Note 2* (5)	**Audit Result** *Example Y/S/N (6)	*Example (7)	(8)	(9)
WATER RESOURCES			**'Y'**	**'S'**					
W7	Total sourced water (ML) *Note: If total sourced water is not reported, sub-categories of W1 – W6 must be audited in order to be reported. The same grading thresholds apply.*	8,600	A2	B2	B2	S	George Bloggs James Watt	Review meter records for each water source (surface water, groundwater, desalination, recycling, bulk supplier & bulk recycled water purchased) at point of abstraction. Review calibration and verification of meters; review any validation checks (e.g. bulk water, secondary meters). Identify and review any adjustments.	Volumes based on meter readings. Meters not calibrated. Also manual recording of meter readings could lead to transcription errors.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure	Comments (incl suggestions for remedial action)
							*Example	(min. suggested shown, auditors insert actual)	*Example
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example			
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
W8	Volume of water supplied - Residential (ML) *Note: If W8 total not reported then sub-categories W8.1 and 8.2 must be audited.*	7,000	A2	B2	A2	Y	George Bloggsh James Watt	Review meter records. Undertaken any validation checks.	No adjustments
W11	Total urban water supplied (ML) *Note: If total urban water supplied is not reported, sub-categories of W9 to 10.4 and W11.1 to 11.3 must be audited in order to be reported. The same grading thresholds apply.*	8,300	A2	B2	B2	S	George Bloggs James Watt	Review each category of water supplied. Verify sum of volume of residential water, commercial, municipal, industrial and other water supplied. Check any adjustments.	No adjustments
W11.1	Total urban potable water supplied (ML) *Note: If total urban potable water supplied is not reported, sub-categories of W8.1, 9.1 and 10.1 must be audited in*		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)	(4)		*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
	order to be reported. The same grading thresholds apply.								
W11.2	Total urban non-potable water supplied (ML) *Note: If total urban non-potable water supplied is not reported, sub-categories of W8.2, 9.2 and 10.2 must be audited in order to be reported. The same grading thresholds apply.*		A2	B2					
W11.3	Total volume of potable water produced (ML) *Derived audit (inputs W11 and W14 audited)*		A2	B2					
W12	Average annual residential water supplied (kL/property) *Note: Derived indicator (inputs*	365	A2	B2	A2	**Y**	George Bloggs James Watt	Divide annual residential water supplied by number of connected residential properties.	

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
	W8 & C2 must be audited to derive this value)								
W14	Volume of bulk water exports (ML) *Note: If W14 total not reported then sub-categories W14.1, W14.2 and W15 reported must be audited. The same grading thresholds apply.*	50	A2	B2	A2	**Y**	George Bloggs James Watt	Review invoice records. Review any validation checks (e.g. meter records).	
W18	Total sewage collected (ML) *Note: If total sewage collected is not reported, sub-categories W16-17 must be audited in order to be reported. The same grading thresholds apply.*	4,500	A2	B2	B2	**S**	George Bloggs James Watt	Review each category of sewage collected. Verify sum of volume of trade waste, residential sewage non residential sewage and non-trade waste collected. Check any adjustments.	
W18.5	Volume of sewage treated effluent (ML)		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
W19	Sewage collected per total property (kL/property) *Note: Derived indicator (inputs W18 & C8 must be audited to derive this value)*	197	A2	B2	B2	S	Gordon Crick Alf Watson	Divide total sewage collected by number of sewerage connected properties	
W26	Total recycled water supplied (ML) *Note: If total recycled water is not reported the sub-categories of W20 to W25.1 must be audited in order to be reported. The same grading thresholds apply.*	350	A2	B2	A2	Y	Gordon Crick Alf Watson	Identify and review sources of data including STW meter readings (Residential, Commercial, municipal & industrial, Agricultural, On-site, Environmental and Other recycled water supplied). Review calibration and verification of meters. Identify and review any adjustments.	On site volumes estimated by field staff. Other town water substitution metered. Meters recently calibrated.
W27	Recycled water (percent of effluent recycled) *Note : Derived indicator (inputs W26 & W18 audited and W15 and W6 are sub-categories of*	11%	A2	B2	A2	Y	Gordon Crick Alf Watson	Divide total recycled water supplied by total sewage collected.	

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action) *Example
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	(9)
	audited indicators)								
ASSETS									
A2	Length of water mains (km)	516	A1	B2	A2	**S**	George Bloggs James Watt	Identify source and accuracy of base data. Identify source for additions and subtractions. Includes trunk mains and reticulation.	Base data is from old network drawings and has only been partially verified. Additions/subtractions are from field records for mains replacement used to update asset register.
A3	Properties served per km of water main *Note: Derived audit (inputs A2 and C4 audited)*	34	A1	B2	A2	**S**	Gordon Crick Alf Watson	Divide total number of connected properties – Water by length of water mains.	
A5	Length of sewerage mains and channels (km)	513	A1	B2	A2	**S**	Gordon Crick Alf Watson	Identify source and accuracy of base data. Identify source for additions and subtractions. Includes trunk mains, reticulation and rising mains.	Base data is from old network drawings and has only been partially verified. Additions/subtractions are from field records for mains replacement used to update asset register.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)			*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
A6	Properties served per km of sewer main *Note: Derived audit (inputs A5 and C8 audited)*	41	A1	B2	A2	S	Gordon Crick Alf Watson	Divide total number of connected properties – sewerage by length of sewer mains and channels	
A8	Water main breaks (number per 100km of water main) *Note: Partially derived indicator: Only audit number of main breaks. Length of mains is auditable indicator A2.*	1.7	A1	B2	C2	N	George Bloggs James Watt	Identify break classification criteria. Identify systems for capturing and reporting break data. Review records for a representative number of events including field record, computer record, plan of break location and extent including valves. Divide number of water main breaks by length of water main (A2)	Field records show break data including type of break, duration and properties affected. These records are vetted by water supply engineer and then entered into asset data base. Many records reviewed were not entered into asset data base and several did not record the number of properties affected. The number of properties determined from plans which show the land boundary and not the number of properties
A9	Infrastructure leakage index (ILI)	2.9	NA	NA	NA	S	George Bloggs James Watt	Review calculations for leakage While no grading thresholds have been provided for this indicator and subsequently no grading can be applied, the auditor should still provide a	

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
	Note: Process audit only							result based on an audit of the process.	
A10	Real losses (L/connection/day) *Note: Partly derived indicator: Some elements require audit elsewhere.*	137	A2	B4	B3	S	George Bloggs James Watt	Identify source and accuracy of base data including assumptions. Review calculations for leakage. ***Leakage calculations should be based on results from a water balance carried out in accordance with recommended best practices and Guidelines developed during the WSAA PPS-3 Project (2008-11). Checks based on leakage estimates from night flows during lowest winter consumption periods can also be used to identify systematic errors in leakage estimates for small systems However***, as a water balance has large inherent inaccuracies due to metering errors and imprecise estimated un-metered water, it is inadequate for determining the relatively small real losses. Divide real losses (L) by number of connections and by 365. Note that number of connections is not number of connected properties. Note: Process audit only	Based on NWI default values together with real losses calculated from master meters. Master meters have not been recently calibrated and are likely to have significant errors.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure	Comments (incl suggestions for remedial action)
							*Example	(min. suggested shown, auditors insert actual)	*Example
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example			
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
A11	Real losses (kL/km water mains/day) *Note: Partly derived indicator: Some elements require audit elsewhere.*	4.5	A2	B4	B3	**S**	George Bloggs James Watt	Identify source and accuracy of base data including assumptions. Review calculations for leakage. Leakage should be based on results from latest drop test or waste metering. A water balance can also be done as a check. However, as a water balance has large inherent inaccuracies due to metering errors and imprecise estimated un-metered water, it is inadequate for determining the relatively small real losses. Divide real losses (kL) by length of water mains and by 365. Note: Process audit only	
A14	Sewerage mains breaks and chokes (No. per 100 km of sewer main) *Note: Partly derived indicator: Some elements require audit elsewhere.*	15	A1	B2	C2	**N**	Gordon Crick Alf Watson	Identify break and choke classification criteria. Identify systems for capturing and reporting break data. Review records for a representative number of events including field record, computer record	Field records show break and choke data including type of break, duration and properties affected. These records are vetted by sewerage engineer and then entered into asset data base. Many records reviewed were not entered into asset data base and several did not record the number of properties affected. The number of properties determined from plans which show the land boundary

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S' (4)		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)			*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
								and extent of affected area. Divide number of sewer main breaks by length of sewer main.	and not the number of properties.
A15	Property connection sewer breaks and chokes (No. per 1000 properties) *Note: Partly derived indicator: Some elements require audit elsewhere.*	2.1	A1	B2	B2	**S**	Gordon Crick Alf Watson	Identify break and choke classification criteria. Identify systems for capturing and reporting break data.	
ENVIRONMENTAL									
E1	Percent of sewage treated to a primary level	0	A2	B2	A2	**Y**	Gordon Crick Alf Watson	Verify process and volume treated (from STW inlet meter) compared to all sewage treated.	Processes agree with definitions supplied by NWI. Volumes measured by inlet meters to STW.
E2	Percent of sewage treated to a secondary level	18	A2	B2	A2	**Y**	Gordon Crick Alf Watson	Verify process and volume treated (from STW inlet meter) compared to all sewage treated.	Processes agree with definitions supplied by NWI. Volumes measured by inlet meters to STW.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
E3	Percent of sewage treated to a tertiary level	82	A2	B2	A2	Y	Gordon Crick Alf Watson	Verify process and volume treated (from STW inlet meter) compared to all sewage treated.	Processes agree with definitions supplied by NWI. Volumes measured by inlet meters to STW. All sewage treated to tertiary level.
E4	Percentage of sewage volume treated that was compliant	95	A2	B2	A2	Y	Gordon Crick Alf Watson	Verify licence reporting and confirm volume compliant. Divide volume compliant by total volume treated.	Reporting is in accordance with licence and volume compliant confirmed. % compliant calculation accurate.
E5	Number of sewage treatment plants compliant at all times	3	A2	B2	A2	Y	Gordon Crick Alf Watson	Verify licence reporting and confirm compliance. Verify reporting of compliant plants.	Reporting is in accordance with licence. Compliant plants agree.
E6	Public disclosure of your sewage treatment plant performance *Note: Process audit only*	YES				Y	Gordon Crick Alf Watson	Verify that performance is publicly disclosed (e.g. on a public website).	Performance is publicly disclosed in DWE annual Benchmarking Reports.
E7	Compliance with environmental regulator –	Yes				Y	Gordon Crick	Verify licence reporting and confirm compliance. Verify performance complies with licence.	Reporting accurately conveys compliance with regulator

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
	sewerage						Alf Watson		
E8	Percent of biosolids reused *Note: Process audit only*	100	A2	B3	A2	**Y**	Gordon Crick Alf Watson	Review and verify determination of biosolids dry weight and percent reuse. Validate any assumptions. Verify reuse is beneficial reuse.	Weight based on weighbridge records. Moisture content estimated from regular testing. Calculations verified to accuracy +/- 10%.
E12	Total net greenhouse gas emissions (net tonnes CO2 equivalent per 1000 connected properties) *Note: If the 'total net greenhouse emissions' is not reported, the sub-categories of E9 – 11.1 must be audited in order to be reported. The same grading thresholds apply.* *Process audit only.*	20,000	N/A	N/A	N/A	**S**	Gordon Crick Alf Watson	Review calculation of emissions. Sum of water, sewerage and other. Verify any assumptions. While no grading thresholds have been provided for this indicator and subsequently no grading can be applied, the auditor should still provide a result based on an audit of the process.	
E12.1	Total net greenhouse gas emissions – bulk utility (net tones CO2-equivalents per ML)	20,000	N/A					While no grading thresholds have been provided for this indicator and subsequently no grading can be applied, the auditor should still provide a	

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)			*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
								result based on an audit of the process.	
E13	Sewer overflows reported to environmental regulator (per 100km of sewer main) *Note: Partly derived indicator: Some elements require audit elsewhere.*	19	A2	B2	A3	S	Gordon Crick Alf Watson	Identify overflow classification criteria. Identify systems for capturing and reporting overflow data. Review records for a representative number of events including field record, computer record and extent of affected area. Divide number of sewer overflows reported to environmental regulator by length of sewer main.	
CUSTOMERS									
C2	Connected Residential properties – water supply ('000)	15,000	A1	B2	A2	S	George Bloggs James Watt	Identify source and accuracy of base data. Reconcile with financial data including assessments and vacant lots. Review number of multiple dwellings and number of properties per multiple dwelling.	Number of properties per multiple dwelling is not correlated with records which will create some discrepancies.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)	(4)		*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
C4	Total connected properties – water supply ('000) *Note: If total connected properties is not reported, sub-category of C3 must be audited. Same grading threshold applies.*	17,050	A1	B2	A2	S	George Bloggs James Watt	Identify source and accuracy of base data. Reconcile with financial data including assessments and vacant lots. Review number of multiple dwellings and number of properties per multiple dwelling.	Number of properties per multiple dwelling is not correlated with records which will create some discrepancies.
C8	Total connected properties – sewerage ('000) *Note: If total connected properties is not reported, sub-categories of C6 and C7 must be audited. Same grading thresholds apply.*	15,840	A1	B2	A2	S	Gordon Crick Alf Watson	Identify source and accuracy of base data. Reconcile with financial data including assessments and vacant lots. Review number of multiple dwellings and number of properties per multiple dwelling.	Number of properties per multiple dwelling is not correlated with records which will create some discrepancies.
C13	Total water and sewerage complaints (per 1000 properties)	40	A1	B2	A1	Y	George Bloggs James Watt	Review systems for capturing and reporting complaints data. Total consists of water quality, water service, billing & account, sewerage	Complaints system accurate and extensive. Records each complaint, classifies the complaint and generates a report to management on the number and subject

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)	(4)		*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
	Note: If 'total complaints' is not reported, sub-categories of C9 - 12 must be audited in order to be reported. The same grading thresholds apply. Partially derived indicator, Total connected properties - water C4 is audited.							service and other complaints. Review records for a representative number of events (written, verbal, electronic or telephone), including means of recording, complaint type, issue, multiple complaints, capturing and reporting complaints. Divide number of water and sewerage complaints by number of water connected properties.	of complaints.
C14	Per cent of calls answered by operator within 30 seconds (%)	60	A1	B2	A1	Y	George Bloggs James Watt	Review systems for capturing and reporting connect time. Ensure definition of call answering is as per Handbook. Review method of assessing calls which drop out or are diverted and ensure IVR messages are included in connect time.	Automated system to record telephone connect time. System is accurate and includes IVR. System records each drop out or diversion separately and generates a report to management.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S' (4)		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)			*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
C15	Average duration of an unplanned interruption – water (minutes)	180	A2	B2	A2	Y	George Bloggs James Watt	Review systems for capturing and reporting duration of interruption. Review records for a representative number of events, including field record, computer record and means of verification.	Field records show extent and duration of interruption including type of interruption, duration and properties affected. These records are vetted by water engineer and then entered into asset data base. The duration is taken from the time of notification of the interruption (or from internal alarms) and ends when all valves have been opened and water is available to customers. All records reviewed were entered into the asset data base.
C16	Average sewerage interruption (minutes)	3	A2	B2	A2	Y	Gordon Crick Alf Watson	Review systems for capturing and reporting repair time. Review records for a representative number of events, including field record, computer record and means of verification.	Field records show details of breaks/chokes including description, duration and properties affected. These records are vetted by sewerage engineer and then entered into asset data base. The repair time is taken from the time the utility is aware of the interruption (or from internal alarms) and ends when normal service is available to customers. All records reviewed were entered into the asset data base.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1 (1)	(2)	(3)	(4)		*Note 2* (5)	Y/S/N (6)	(7)	(8)	(9)
C17	Average frequency of unplanned interruptions – water (per 1000 properties) *Note: Partially derived indicator, Total connected properties - water C4 is audited.*	25	A2	B2	A2	Y	George Bloggs James Watt	Divide total number of water supply customer interruptions by the number of water connected properties.	
C18	No. of customers to which restrictions applied for non-payment of a water bill (per 1000 properties) *Note: Partially derived indicator, Total connected properties - water C4 is audited.*	2.6	A1	B1	A1	Y	George Bloggs James Watt	Review systems for capturing and reporting restrictions. Divide number of customers with restrictions by number of water connected properties	Data obtained from legal section. Accurate records of customers to which restrictions applied
C19	No. of customers to which legal action applied for non-payment of a water bill (per 1000 properties)	0.6	A1	B1	A1	Y	George Bloggs James Watt	Review systems for capturing and reporting legal action.	Data obtained from legal section. Accurate records of customers to which legal action applied.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
	Note: Partially derived indicator, Total connected properties - water C4 is audited.							Divide number of customers with legal action by number of water connected properties.	
HEALTH									
H2	Number of zones where microbiological compliance was achieved.	2/2	A2	B2	A2	**Y**	George Bloggs James Watt	Verify results for each zone and verify number of zones complying.	Results confirmed.
H3	% of population where microbiological compliance was achieved.	100	A2	B2	B2	**S**	George Bloggs James Watt	Verify results for each zone. Verify population for each zone from utility accounts, utility database or from census.	Results confirmed. Population served from utility database which is updated annually.
H4	Number of zones where chemical compliance was achieved.	½	A2	B2	A2	**Y**	George Bloggs James Watt	Verify results for each zone and verify number of zones complying.	Results confirmed.
H7	Public disclosure of drinking water quality performance	Yes	N/A	N/A	N/A	**Y**	George Bloggs James Watt	While no grading thresholds have been provided for this indicator and subsequently no grading can be applied, the auditor should still provide a	Performance is disclosed annually in NSW Performance Monitoring Report.

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No.	Description	Data *Example	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S'		Grading *Example	Audit Result *Example	*Example		*Example
Note 1			(4)		*Note 2*	Y/S/N			
(1)	(2)	(3)			(5)	(6)	(7)	(8)	(9)
	(Yes/No)							result based on an audit of the process.	
FINANCE									
F1	Total revenue - water ($000)		A1	N/A					
F2	Total revenue - sewerage ($000)		A1	N//A					
F3	Total income for whole of utility ($000)		A1	N/A					
F4	Residential revenue from usage charges - water (%)		A1	N/A					
F5	Revenue per property for water supply services ($/property) *Note: Derived indicator, Total connected properties – water*		A2	B2				Indirect audit. Mark as audited if numerator and denominator passed audit.	

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
	C4 is audited. *Derived audit – inputs audited*								
F5.1	Revenue for water supply services ($/ML) – Bulk utility *Derived audit – inputs audited*		A2	B2					
F6	Revenue per property for sewerage services ($/property) *Derived audit – inputs audited*		A2	B2					
F6.1	Revenue for water supply services ($/ML) – Bulk utility *Derived audit – inputs audited*		A2	B2					
F7	Income per property for utility ($/property) *Derived audit – inputs audited*		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
F7.1	Income for whole of utility ($/ML) – Bulk utility *Derived audit – inputs audited*		A2	B2					
F8	Revenue from Community Service Obligations ($)		A1	N/A					
F11	Operating cost - water ($/property) *Note: Partially derived indicator, Total connected properties – water C4 is audited.*		A2	B2					
F11.1	Operating cost – bulk utility water ($/ML) *Note: Partially derived indicator, Total ML is audited.*		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
F12	Operating cost – sewerage ($/property) *Note: Partially derived indicator, Total connected properties – sewage C8 is audited.*		A2	B2					
F12.1	Operating cost – bulk utility sewerage ($/ML) *Note: Partially derived indicator, Total ML is audited.*		A2	B2					
F13	Combined operating cost water and sewerage ($/property) *Derived audit – inputs audited*		A2	B2					
F13.1	Combined operating cost – Bulk utility water and sewerage ($/ML)		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
	Derived audit – inputs audited								
F14	Total water supply capital expenditure ($000s)		A1	N/A					
F15	Total sewerage capital expenditure ($000s)		A1	N/A					
F16	Total capital expenditure for water and sewerage ($000s) *Derived audit – inputs audited*		A1	N/A					
F28	Water supply capital expenditure ($/property) *Derived audit – inputs audited*		A2	B2				Indirect audit. Mark as audited if numerator and denominator passed audit.	
F28.1	Water supply capital expenditure ($/ML) – Bulk utility		A2	B2					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or 'S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
	Derived audit – inputs audited								
F29	Sewerage capital expenditure ($/property) *Derived audit – inputs audited*		A2	B2					
F29.1	Sewerage capital expenditure ($/ML) – Bulk utility *Derived audit – inputs audited*		A2	B2					
F20	Dividend paid ($000s)		A1	N/A					
F21	Dividend payout ratio (%) *Note: Partially derived indicator, dividends paid is audited.*		A1	N/A					
F22	Net Debt to equity %		A1	N/A					

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
F23	Interest Cover		A1	N/A					
F24	Net profit after tax ($000s)		A1	N/A					
F30	NPAT Ratio (%) *Derived audit – inputs audited*		A1	N/A					
F25	Community Service Obligations ($000s)		A1	N/A					
F26	Capital works grants - water ($000s)		A1	N/A					
F27	Capital works grants- sewerage ($000s)		A1	N/A					
PRICING									

Indicator			Accuracy & Reliability				Staff Interviewed	Procedure (min. suggested shown, auditors insert actual)	Comments (incl suggestions for remedial action)
No. *Note 1* (1)	Description (2)	Data *Example (3)	Audit Result Thresholds Grading reqd to achieve 'Y' or ' S' (4)		Grading *Example *Note 2* (5)	Audit Result *Example Y/S/N (6)	*Example (7)	(8)	*Example (9)
P7	Annual bill $ based on 200 kL/a (water & sewerage) *Note: if combined water & sewerage is not reported – then the sub categories of 'water' or 'sewerage' needs to be audited.*		A1	N/A				This is calculated based on the tariff table. The audit is not a check of the tariff determination bur rather applying the tariff to 200KL water, plus sewerage charges.	
P8	Typical residential bill $ (water & sewerage) *Note: if combined water & sewerage is not reported – then the sub categories of 'water' or 'sewerage' needs to be audited.*		A2	B2				This is calculated based on the tariff table. The audit is not a check of the tariff determination bur rather applying the tariff to average water supply, plus sewerage charges. For a representative number of bills check that the tariff has been charged correctly and report finding if this is not the case.	

GLOSSARY

Audit coordinator	Each state and territory (NWI Party) has nominated an audit coordinator in the relevant regulatory or policy agency who is responsible for all NPR-audit related matters, including determining the interaction of NPR audits with state-based regulatory or other audits, establishing panels of audit providers (optional), approving auditors etc. The audit coordinator may be the same person as the jurisdictional data coordinator for NPR purposes.
Audit requirements	This document, the *NPF Urban Water Performance Report Auditing Requirements and Audit Report Template, found at www.nwc.gov.au*
Definitions handbook	*National Performance Framework (NPF) Urban Water Performance Report Indicators and Definitions, found at www.nwc.gov.au*
Deed	The agreement between the National Water Commission (NWC), the Water Services Association of Australia (WSAA) and representative NWI Parties (states and territories) to establish a National Framework for Reporting on Performance of Urban Water Utilities Deed and which sets out how the parties will report on the performance of urban water utilities in accordance with the NWI Agreement.
NPF	National Performance Framework for urban water utilities, as articulated in the *National Performance Framework (NPF) Urban Water Performance Report Indicators and Definitions*.
NPR	National Performance Report for urban water utilities
NWI	National Water Initiative 2004
Roundtable Group (RTG)	NWI parties are represented by state and territory regulatory and/or policy agencies. These representatives, along with a representative from the Water Services Association of Australia (WSAA), are responsible for establishing the NPF and producing the NPR in accordance with the NWI and the Deed.

* For assurance-related terms that are not listed in the glossary above, please see ASAE 3000 and other AUASB-issued audit and assurance standards for their definitions.

APPENDIX A - INTRODUCTION RELEVANT TO INTERPRETATION OF AUDIT REPORTS

This introduction will precede the auditors' reports in the NPR. It will be provided to assist readers of the NPR to understand the background to the NWI, NPF and NPR and audit requirements.

It is presented here so that auditors know the contextual information with which their audit reports will be presented.

Introduction

The National Water Initiative Agreement (NWI) exists between the Commonwealth, State and Territory governments. Under the NWI, parties agree to report independently, publicly and annually for benchmarking of pricing and service quality for urban and rural water delivery agencies.

A deed between the National Water Commission, the Water Services Association of Australia and representative NWI parties sets out how the parties report on the performance of urban water utilities in accordance with the NWI (the deed). The deed requires parties to use all reasonable endeavours to ensure that a comprehensive audit of the data collected by each urban water utility is undertaken at a minimum of three yearly intervals to verify the accuracy and reliability of data.

The deed establishes the general principle that NPF information will not need to be re-audited if it is already subject to other statutory audit regimes that meet quality and independence requirements. This approach is intended to reduce the administration costs associated with the audits and improve timeliness of the audit process. Readers of the NPR are invited to read the summaries outlining other regulatory and oversight arrangements for water utilities in each jurisdiction.

The objective of an NPR audit is to enable the auditor to provide a conclusion as to whether the reported data for the indicators is prepared, in all material respects, in accordance with the *201X-1X National Performance Framework (NPF) Urban Water Performance Report Indicators and Definitions* (the 'definitions handbook'). The audits are undertaken as required by the *201X-1X NPF Urban Water Performance Report Auditing Requirements*.

The following information has been prepared by Caroline Spencer of Vista Advisory, who undertook the review of audit requirements on behalf of the National Water Commission (NWC) and the NPR jurisdictional Roundtable Group. This is provided as an overview only for NPR participants, in particular those involved in reporting but not experienced in audit and assurance techniques, to facilitate a shared understanding of the role and limitations of auditing. It is not intended as a comprehensive source of information on audit and assurance.

APPENDIX B - AUDITING 101 – WHAT AN AUDIT IS AND WHAT IT IS NOT

Audits enhance the confidence of users in reported information. However, there are some common misconceptions about audit.

In particular, there is a widespread belief that information that has 'passed' audit is 100% correct. This is not true.

Audit can only ever provide reasonable, not absolute, assurance. This is because it would be excessively time consuming and expensive to examine or recalculate every transaction or, in the case of the NPR, every input and output of every data point or line item (e.g. all water meter readings). The value of such an exhaustive audit is unlikely to outweigh the cost.

Therefore, there are methods used by auditors to provide reasonable assurance to stakeholders without having to verify every single transaction or data point.

Audit techniques

Audit techniques include examining a sample of relevant transactions, data points or line items to obtain and evaluate evidence in order to form a conclusion about the population from which the sample was drawn. Auditors may use a statistically valid sample, or may focus on examining elements with particular characteristics, such as those of high value or high risk[6], or ensuring they are looking at a range of transactions across different profiles of the data.

Auditors also examine processes and systems and test controls that are in place to prevent error or fraud. Weaknesses in controls and risks in processes will require a larger sample of transactions or line items to be examined.

Auditors also undertake analytical procedures, the results of which are used to determine the extent of further detail testing of transactions. This may involve analysing trends over time, identifying deviances from entity or industry trends, and identifying results that just look odd and warrant further investigation.

Materiality

Audit materiality relates to the importance of an item or matter to the overall story of performance or the decisions of stakeholders. Items that are more important will receive more audit attention. Items that are not considered to be material to answering the particular audit question(s) may not be examined in any detail or at all.

[6] Risks may be assessed on the basis of incentives to misstate particular information or significance to the overall reported information and the use of that information, or the risk of error arising from complexity of processes or calculations.

Judgement

Ultimately auditing is a matter of judgement. This is one reason why a newly appointed auditor may identify 'problems' that were not detected or considered material by a previous auditor; because things considered important to one person may be less important to another in telling a particular story of performance.

A sound understanding of the industry is important for ensuring an auditor's judgement is properly framed.

What about standards?

Audit standards help guide auditors in the conduct of their audits. When auditors state that they have conducted their audits in accordance with certain standards, users are entitled to have confidence that certain safeguards have been put in place to protect the quality of the audit and therefore the veracity of the audit opinion. Australian assurance standards[7] cover such things as requiring the auditor to understand the water utility and subject matter, consider the appropriateness of audit criteria, properly plan the audit procedures, obtain sufficient appropriate evidence, maintain adequate documentation and provide their report in a certain format.

In addition, audit standards require auditors to meet the fundamental ethical requirements of the profession relating to integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Limitations on scope

Importantly, the scope of an audit defines what is examined by the auditor. If something is not within the agreed scope of the audit engagement, the auditor will not look at it or give an opinion on it.

Furthermore, if there are matters so fundamental to the question on which the auditor has been asked to provide an opinion, but which have been excluded from the scope for some reason, the auditor may be required for ethical reasons to not accept the engagement. This may include for example, an audit opinion requested on a narrow aspect that is likely to mislead, or is suspected to be used to mislead, as to the veracity of broader aspects of a matter.

Value of audit

It is consistently proven that having a second set of eyes look at something and separately consider what it all means is valuable. Someone removed from the day-to-day operations can detect inconsistencies, inefficiencies or errors in a way that those working in close

[7] Issued by the Australian Auditing and Assurance Standards Board (AuASB), http://www.auasb.gov.au/

proximity to the issue or under time pressures often cannot do. This is particularly so if that person has experience working with or auditing similar entities and issues and, consequently, knows where to target their enquiries.

Therefore, not only does an audit opinion add value to the information being audited, but the knowledge and perspective that the right auditor can share with their auditees can be extensive. The value can far exceed the cost of the audit where the audit process results in:

- things being done more efficiently and effectively following process and system improvements, and
- better decisions being made on the basis of information in which managers have more confidence.

'Passing' or 'Failing' audit

While the terms 'pass' and 'fail' can be useful for explaining, in very simple terms, the outcome of an audit, these terms are not particularly accurate in describing what the auditor found. Terms that at least more accurately reflect the NPR audit requirements are whether the reported data for a particular indicator achieved an accuracy and reliability grading which allows its publication in the NPR. The grading must meet certain thresholds for the auditor to conclude that, in 'assurance-speak', the data presents fairly in all material respects.

Finally

It is important to bear in mind that due to limitations of audit scope, the audit techniques used and judgements around materiality, audited information may contain errors. Those errors, however, should not be so fundamental to the interpretation of the information that it is not useful for decision making or that the overall picture of performance is distorted.