

## AUDITOR-GENERAL'S REPORT - 11 Nov 2008

Questions to the Minister for Water Security and the River Murray - In committee.

(Continued from 28 October 2008. Page 642.)

**Mr PEDERICK:** Volume V, page 1,498 mentions the Living Murray initiative, which establishes arrangements for recovery and management of water to address the declining health of the River Murray system and DWLBC contributions for 2007-08. Given the government's recent actions to purchase water for irrigators through the Critical Water Needs Package, and given that the health of the whole river system is paramount to the long-term survival of the river and irrigators alike, does the government intend to purchase water specifically for the preservation of the Lower Lakes until at least next winter?

**The Hon. K.A. MAYWALD:** Two different issues are involved there. One is the Living Murray purchase of water, which, of course, is purchasing permanent entitlements: it is not purchasing annual allocations. The Living Murray is about the longer term reduction in the amount of water that is available to be extracted in the river on entitlements. So, we are purchasing permanent entitlements. That water will be transferred to the Living Murray licence and will be managed in accordance with the Living Murray business plans. Of course, one icon site under the Living Murray is the Lower Lakes and Coorong; so, they will definitely be beneficiaries of water purchased through that water mechanism.

The critical water allocation is an underwriting of potential future improvements in the water resource for keeping permanent plantings alive, and that critical water allocation will be reduced as improvements arise. What it is doing is providing for irrigators now a fixed minimum knowledge of what water they will get. If there is a shortfall in the improved resource to cover off on that, by the end of the water year the government has guaranteed that we will step into the market and purchase that water. So we are not actually purchasing water specifically for that purpose at this point, but we may need to.

We are monitoring the environment of the Lower Lakes very closely. As I reported to the federal Senate inquiry on the Lower Lakes and Coorong, there could be a shortfall of around 60 gigalitres between when I reported to that inquiry and the end of the year. We are monitoring that on a monthly basis and, as the situation improves or decreases, we are re-throwing that modelling and understanding how much water might be needed. At this stage, we believe we will get through to next winter without having to purchase water to supplement the flows into the Lower Lakes.

Of course, other things are impacting upon water in the Lower Lakes: localised rainfall, and localised inflows from the Finnis, Currency Creek and other inflows. Also, this year a number of wetlands have been closed for the last water year and also for this water year and that is benefiting the Lower Lakes also. At this stage, we are continuing to monitor that. We do not believe it will be necessary to purchase water on the temporary market at this stage to supplement the levels in the Lower Lakes to get us through to next winter, but we are monitoring it very closely.

**Mr PEDERICK:** I refer to Volume V, page 1,490, 'Communication and audit matters—controlled environment'. When will the financial management framework, which was commenced by DWLBC in 2006, be fully developed, documented and implemented? It was noted in the 2006-07 report that audit has been reporting for a number of years that there were many weaknesses in DWLBC's controlled environment, including both transactional and higher level monitoring controls. The current report also notes that initial implementation time frames had not been met and significant work remains to be done.

**The Hon. K.A. MAYWALD:** This is an area on which DWLBC has been working with the Auditor-General. DWLBC believes that it will have substantially resolved the issue by 30 June 2008. However, in some programs ongoing improvements to systems will be implemented. Substantially, the issues raised by the Auditor-General should be in place by 30 June.

**Mr PEDERICK:** I refer to Volume V, page 1,491, 'Financial Management Reporting'. Are monthly financial reports to the committee and detailed explanations of actual to budget variations now regularly available to enable proper governance of the department? If not, when will they be?

**The Hon. K.A. MAYWALD:** The answer is yes. DWLBC is continuing to enhance this process. Further revisions to the reporting format and content have been effected during the first quarter of 2008-09. Progressive enhancements to both the content and presentation of both high level information (for example, using traffic signal form reports) and provision of detailed information (for example, enhanced fund reporting information) are expected during the course of the year and will be made in consultation with the department's newly constituted finance committee. It is anticipated that the finance committee will initiate further changes to the content and the format of reports to improve their effectiveness. Improvements in the quality of variance explanations will be tied to the revised business processes to be implemented as part of the revised budgetary control framework; and that will also include the clarification of roles and responsibilities and accountability for the completion of relevant processes and revised rules for transfer pricing between divisions.

**Mr PEDERICK:** I refer to Volume IV, page 1,208, 'Communication of audit matters—rebate schemes'. In relation to dot point 2, have the inconsistencies in the processing of applications and payments for rebates been resolved? Has it resulted in any lost income that was budgeted?

**The Hon. K.A. MAYWALD:** I do not believe it has resulted in any lost income, but there were some inconsistencies in relation to the rebate scheme earlier on. I am advised that those issues have been resolved.

**Mr PEDERICK:** I refer to Volume V, page 1,491, 'Corporate governance—risk management'. When will the risk management framework be finalised and endorsed?

**The Hon. K.A. MAYWALD:** I am advised that the work will be completed by December 2008.