



# Independent review of water engagement policy

**Department of Planning & Environment (DPE)  
Final Report**

6 April 2022

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# Independent review of Water Engagement Policy – Audit Report

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# Independent review of Water Engagement Policy – Audit Report

## 1. Executive Summary

### Context

Between August 2017 and March 2020, the NSW Independent Commission Against Corruption (ICAC) undertook investigations into complaints about water management in NSW. The [final report](#) was released in November 2020 (Report).

To address identified corruption risks and promote integrity of water management in NSW, the Report made 15 recommendations. Three of these recommendations related to stakeholder engagement (see below). Recommendation 9 recommended that the Department of Planning and Environment (DPE), formerly known as the Department of Planning, Industry and Environment (DPIE), task an independent reviewer to conduct, on a recurrent basis, reviews of the steps taken to implement its [Water Stakeholder and Community Engagement Policy](#) (Policy) and the Policy's effectiveness across DPE-Water. DPE-Water is therefore seeking assurance that water stakeholders have their interests heard in a fair, balanced and transparent way, as per Recommendation 9 of the ICAC report.

KPMG were engaged to undertake the independent review (audit) of the existing Policy and its implementation across DPE-Water's stakeholder engagement activities. The audit involved a gap analysis against the AA1000 Accountability Principles and Stakeholder Engagement Standard (SES) and the International Association of Public Participation (IAP2) Quality Assurance Standard to identify improvement opportunities; selection of three stakeholder engagements (South Coast Regional Water Strategy; Murrumbidgee Surface Water Resource Plan; and Measurement and metering for floodplain harvesting and non-urban water metering roadshow consultation) for a deep-dive review of engagement practices; and providing guidance on a recurring audit program to be implemented by DPE-Water.

The specific objective, scope and approach of the audit is detailed in **Appendix 1** to this report.

#### ICAC Recommendation 8

That the DPIE publishes all stakeholder and community engagement plans concerning water management when they are complete.

#### ICAC Recommendation 9

That the DPIE tasks an appropriately qualified and experienced independent reviewer to conduct, on a recurrent basis, reviews of the steps taken to implement its 'Water stakeholder and community engagement policy' and the policy's effectiveness.

The independent reviewer should have the function of making such recommendations as they think necessary to ensure that all stakeholders have their interests heard in a fair, balanced and transparent way.

#### ICAC Recommendation 10

That the DPIE develops a model procedure concerning the conduct of meetings with external stakeholders in respect of water management issues that includes requirements to:

- make records of these meetings
- publish meeting details including attendees, organisations represented and meeting agendas, on the water area of the DPIE's website at least monthly.

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## 1. Executive Summary continued

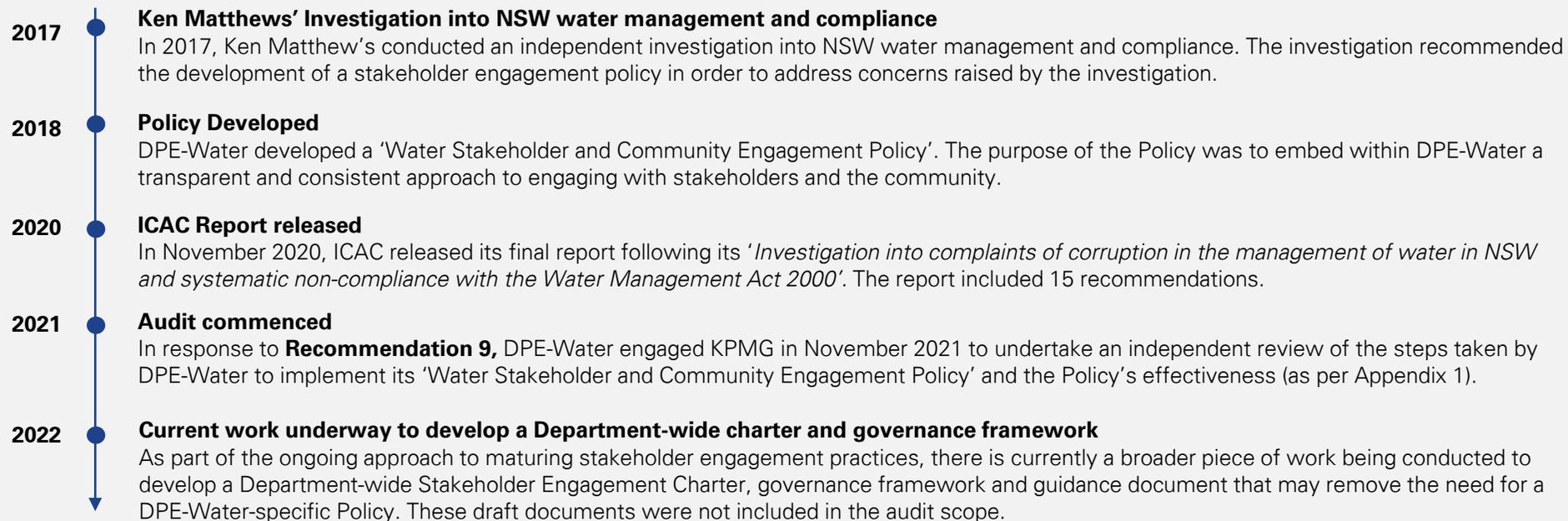
### Background

DPE-Water is responsible for the management of NSW’s surface water and groundwater resources. Its key responsibilities include water planning and implementation of interstate programs, water information and modelling, and policy and regulation of local water utilities.

Over the past 5 years, DPE-Water's approach to stakeholder and community engagement has come under scrutiny (see timeline on the following page). The Division has sought to address these issues in a number of ways. DPE-Water recognises that collaborating with stakeholders leads to better public policy outcomes, improved service delivery, and enhanced customer satisfaction.

As part of its stakeholder engagement, DPE-Water engages with individuals and groups within the community; external stakeholders such as government agencies, local government, business, industry; Traditional Owners; and internal stakeholders such as staff across the Department. The Water Relationships Team, within DPE-Water, was created to provide greater oversight and support of stakeholder and community engagement activities and are currently working towards a more strategic focus, enhancing governance, coordinating engagement activities, and considering how individual project engagement impacts the overall relationship between the Department, and stakeholders and the community.

### Timeline



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### Findings Summary and Conclusion

The audit identified four key findings (**two high and two moderate rated findings**) which require management attention to ensure stakeholder engagement policy commitments, processes and practices across DPE-Water are enhanced and aligned with better practice stakeholder engagement principles.

Key roles and responsibilities within DPE-Water need greater definition, including executive ownership, to drive accountability for the Policy’s implementation and monitoring, and to manage the role of stakeholder engagement within broader Government-led policy and decision-making processes. Stakeholder and Community Engagement Plans are a critical tool for ensuring fair, balanced and transparent engagement. The effectiveness of these Plans could be strengthened by using and maintaining them as living documents, to reflect the dynamic nature of stakeholder engagement. Evaluation and sharing of lessons learned during stakeholder engagement programs across DPE-Water needs to be formalised and embedded into current processes.

The planning and implementation of three **stakeholder engagement programs** sampled as part of the audit process suggested a good understanding of and commitment to better practice stakeholder engagement principles, despite varying levels of awareness of the content of the Policy, and in some cases, limited involvement of the Water Relationships Team in the stakeholder engagement program. A key strength, observed in each program, was a strong focus on identifying the appropriate stakeholders to engage. Personnel interviewed highlighted that they draw on learnings from previous engagement activities and processes, however, these learnings are generally captured in ad hoc ways or remain as personal or team-based knowledge.

**Overall, the independent review concluded that DPE-Water have demonstrated a strong commitment and made good progress towards planning and delivering stakeholder engagement programs that enable all stakeholders to have their interests heard in a fair, balanced and transparent way. However, a number of gaps in the application of better practice standards (AA1000 and IAP2) to the Water Stakeholder and Community Engagement Policy are reflected in the findings and need to be addressed. In particular, to have confidence that DPE-Water’s stakeholder and community engagement processes are effective in mitigating corruption risks identified by ICAC in relation to Recommendation 9 on corruption prevention, and specifically the risk of improper favouritism towards particular stakeholder groups, the Policy’s application to direct lobbying activities needs to be clarified.**



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#### Rating definitions (see Appendix 3 for further detail)

<b>Critical</b>	Issue represents control weaknesses, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives
<b>High</b>	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives
<b>Moderate</b>	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives

1. Executive Summary continued

Findings and recommendations

Ref #	Finding	Potential Impacts/Risks	Recommendations
1	There is a lack of ownership of and accountability for the Policy, its scope is unclear in some areas, and some aspects require additional detail to align with better practice standards	<ul style="list-style-type: none"> <li>- The Policy and the better practice principles it reflects are not implemented consistently across stakeholder engagement programs due to lack of ownership and accountability.</li> <li>- Insufficient attention is given to stakeholder engagement processes and outcomes within some Government-led policy and decision-making processes, resulting in commitments to fair, balanced and transparent stakeholder engagement practices not being met.</li> <li>- Lack of clarity around the policy’s application to direct lobbying activities results in a failure to apply better practice principles to some forms of engagement with industry bodies and other representative groups and may pose a corruption risk of improper favouritism towards particular stakeholder groups.</li> </ul>	<p>1.1 New policy commitments (currently in development in the form of a new stakeholder engagement Framework and Charter) should respond to the key gaps identified – refer to <i>Detailed Findings: Finding 1</i>.</p> <p>1.2 Key roles and responsibilities for ownership of the Policy (including at the executive level), implementation and monitoring should be defined.</p> <p>1.3 A Policy implementation plan, including internal communications and training, should be developed and rolled out once new policy commitments are finalised.</p> <p>1.4 Implement an ongoing monitoring process to ensure compliance with the Policy and stakeholder engagement principles – refer to <i>Section 3 re recurring audit program</i>.</p> <p>1.5 Review the Policy content and current practices regarding direct lobbying and provide clarity on how better practice principles are to be applied to these activities.</p>
2	The roles, responsibilities and structure of the Water Relationships Team requires clarification	<ul style="list-style-type: none"> <li>- The Water Relationships Team does not have sufficient visibility or influence over stakeholder engagement planning and delivery to fulfill its governance role, potentially resulting in stakeholder engagement processes not being aligned with better practice principles.</li> <li>- Stakeholder engagement activities are not conducted consistently, or with sufficient recognition of the Policy and the better practice principles it reflects.</li> </ul>	<p>2.1 Clarify the role and responsibilities of the Water Relationships Team and other teams involved in stakeholder engagement and/or communications, to ensure better practice stakeholder engagement principles are applied consistently across business units and that they are appropriately resourced.</p> <p>2.2 Once roles and responsibilities are defined, they should be communicated across DPE-Water by the relevant Executive, to ensure communications set an appropriate tone from the top to support a strong culture of stakeholder engagement.</p> <p>2.3 In addition to communicating its’ role, the Water Relationships Team should undertake internal engagement with key DPE stakeholders to increase understanding of the support needed by different business units and the services and resources available to support engagement.</p>

2  
High findings

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Ref #	Finding	Potential Impacts/Risks	Recommendations
3	Stakeholder and Community Engagement Plans are not being developed consistently or used as living documents for the ongoing planning and management of engagement programs and risks	<ul style="list-style-type: none"> <li>- DPE-Water’s commitment to align with better practice standards is not translated into practice due to inconsistent approaches to planning or a failure to respond to the dynamic nature of engagement processes.</li> <li>- Rapid shifts in the political landscape and policy compromise the timing of engagement programs, and the role of stakeholder engagement in decision-making processes, undermining stakeholder trust in DPE-Water.</li> </ul>	<p>3.1 Develop a Stakeholder and Community Engagement Plan template that is dynamic and enables regular review, updates and tracking of progress against planned activities (for example an excel-based tool to support the visualisation of timeframes and associated tasks).</p> <p>3.2 Review the sign-off process for Plans to ensure it takes into account the role of the Plans as living documents. Relevant stakeholders should have oversight of any significant changes to Plans throughout the delivery of the engagement program.</p> <p>3.3 Define the protocols for managing planned community and stakeholder engagement commitments and timelines in the event of changes in the political landscape.</p>
4	There is limited formal evaluation and sharing of lessons learned during stakeholder engagement programs across DPE-Water	<ul style="list-style-type: none"> <li>- Knowledge is not shared and lessons learned from one engagement are not transferred to subsequent engagements, hindering the development of institutional knowledge of DPE-Water’s stakeholders, their needs and priorities and the most effective ways to engage with them.</li> </ul>	<p>4.1 Develop a consistent method of capturing and sharing evaluations and learnings to support ongoing improvements in the quality of, and efficiencies in, stakeholder engagement practices. Consider building learnings/ knowledge sharing into stakeholder engagement guidance (processes, tools).</p>

# 2

Moderate findings

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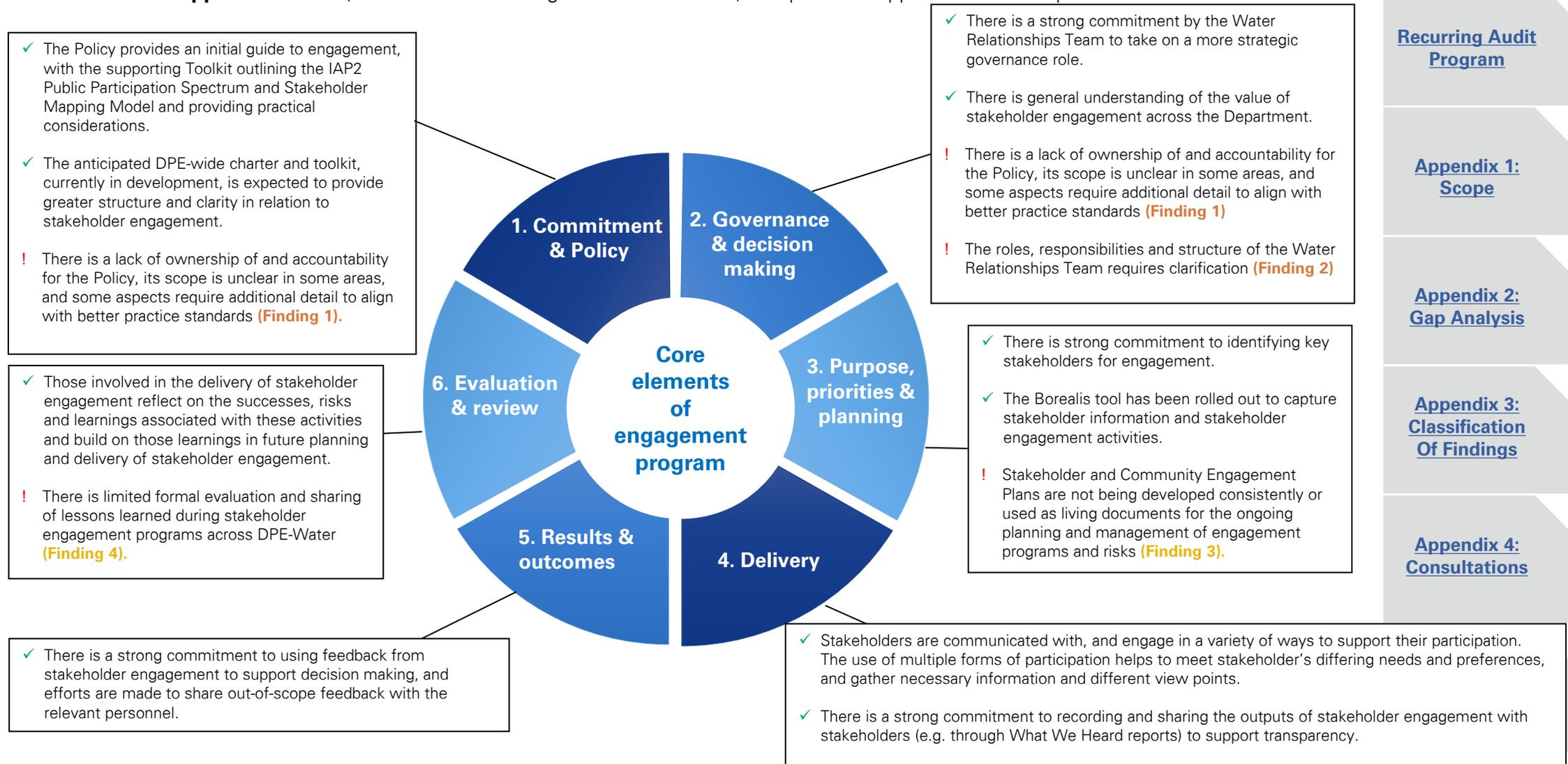
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## 1. Executive Summary continued

### Summary of Stakeholder Engagement Gap Analysis

KPMG Banarra’s stakeholder engagement gap analysis tool (summarised in the figure below) is founded on the key guiding principles underpinning the AA1000SES and the IAP2 Spectrum and Quality Assurance Standard. The wheel below highlights both the key positive observations and findings associated with each of the core elements of stakeholder engagement. Results of the completed gap analysis have been included in **Appendix 2** which, in addition to outlining Recommendations, also provides Opportunities for Improvement\* for consideration.



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\*Note. Opportunities for Improvement do not constitute formal recommendations as they do not directly address the audit findings but instead reflect opportunities to strengthen DPE's overall approach.



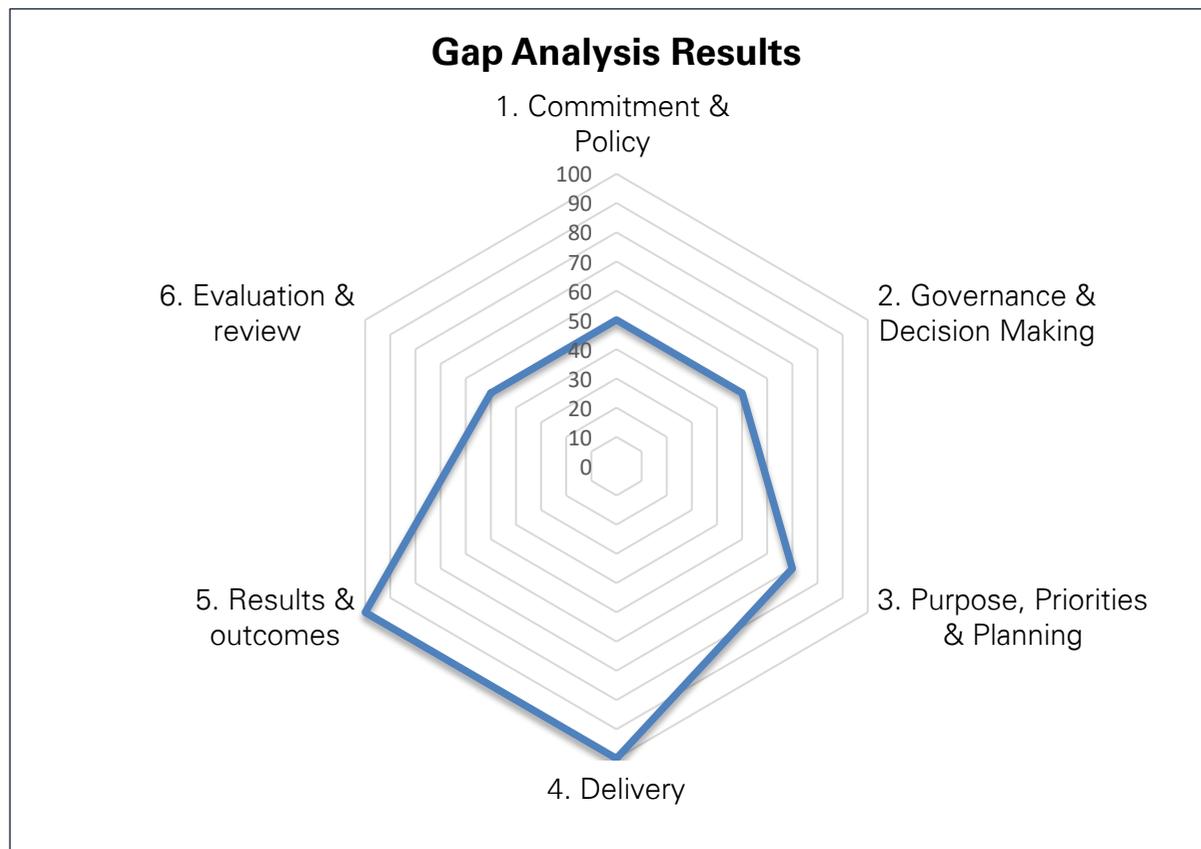
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## 1. Executive Summary continued

### Summary of Stakeholder Engagement Gap Analysis

KPMG Banarra’s stakeholder engagement gap analysis tool is made up of six core elements, which each reflect multiple criteria, based on the requirements included in the AA1000SES and the IAP2 Spectrum and Quality Assurance Standard.

The figure below summarises the results of the gap analysis, based on the extent to which DPE-Water’s current approach to each core element reflects better practice principles and activities. Each core element is given a score out of 100%, based on the number of criteria used to analyse the element and the extent to which the criteria was met (i.e. fully, partially, or not met). The gap analysis results reflect the audit findings, which focus on those core elements displaying lower maturity. Further detail is provided in **Appendix 2**, including detail on how scoring was calculated.



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### Sample of Stakeholder Engagement Programs

A key element of the audit process was the independent selection and review of three DPE-Water stakeholder engagement programs, which are outlined below. The programs were selected to reflect the diversity of DPE-Water engagements with consideration given to timeframes (including pre- and post-COVID), scale and complexity. The nature of the engagements was also considered through the inclusion of a mix of once off and ongoing engagement activities; and those with a focus on issues raised within the ICAC report or recent media attention.

#### South Coast Regional Water Strategy

**Description:** A long-term regional water strategy (Strategy) is being developed to guide how the NSW Government can best manage challenges in the South Coast region.

##### Key features:

- Draft Strategy was on public exhibition from 30 October to 13 December 2020.
- 12 formal submissions received.
- 2 public information sessions held, with 8 attendees.
- 3 Aboriginal community sessions were held, with 17 attendees.
- One live webinar convened with nine attendees.

##### Key observations:

- Identifying appropriate First Nations people to engage was a significant challenge. An iterative stakeholder identification process was used, which highlighted a strong commitment as well as a previous lack of knowledge and capability in this space.
- Interviewees were knowledgeable about stakeholder engagement principles, but had differing levels of understanding of the existence and content of the Policy.

#### Murrumbidgee Surface Water Resource Plan

**Description:** The purpose of the Murrumbidgee Surface Water Resource Plan (Resource Plan) is to set out how NSW will meet its obligations under the Murray-Darling Basin Plan 2012 in the Murrumbidgee Surface Water Resource Plan Area.

##### Key features:

- Draft Resource Plan was on public exhibition from 5 June 2019 to 14 July 2019.
- 4 public information sessions were held, with a total of 98 attendees.
- 21 written submissions were received, with 39 specific issues raised for consideration.

##### Key observations:

- Interviewee reflected that DPE personnel involved in engagement planning contributed significant knowledge that they had built up over time, e.g. which issues would likely be contentious in which regions.
- *The Murrumbidgee Water Resource Plan: Fact sheet - Outcomes from Consultation*, is an example of efforts taken to communicate how engagement outcomes are used in decision making.

#### Measurement and metering for floodplain harvesting and non-urban water metering roadshow consultation

**Description:** Elton Consulting was engaged by DPE-Water to independently facilitate a series of roadshow consultation sessions focussed on the implementation of the Floodplain Harvesting Measurement and Non-Urban Water Metering policy and regulations.

##### Key features:

- 5 sessions held from 22 February to 11 March 2021 (number of participants indicated in brackets): Dubbo (44), Narrabri (56) Walgett (5), Goondiwindi (58) and Moree (43).
- Suppliers and installers of metering equipment were also invited to enable water users to engage directly with these suppliers and installers (noting the new regulations require water users to invest in this equipment).

##### Key observations:

- The use of a range of methods to advertise the roadshow supported self-identification by stakeholders.
- Interviewees were knowledgeable about stakeholder engagement principles, but had differing levels of understanding of the existence and content of the Policy.
- Each roadshow session built on reflections and learnings from previous sessions.

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## 2. Detailed Findings

### Finding 1. There is a lack of ownership of and accountability for the Policy, its scope is unclear in some areas, and some aspects require additional detail to align with better practice standards

High

#### Link to core elements: Commitment and Policy; Governance and Decision Making

The [Water Stakeholder and Community Engagement Policy](#) (Policy) was established in 2018 to address a recommendation in the Matthews report. It is understood that there was limited consultation with key stakeholders from the Water division in the development of the Policy, or a structured approach to rolling out and operationalising the Policy across DPE-Water.

Since the development of the Policy, there have been numerous organisational restructures and the Water Relationships Team was created to provide greater oversight and support of stakeholder and community engagement activities. The Policy has not been reviewed since it was established, and key roles and responsibilities outlined within the Policy are currently redundant.

A review of the Policy against global good practice standards (the AA1000 Accountability Principles and Stakeholder Engagement Standard and the IAP2 Quality Assurance Standard) identified a number of gaps (refer to Appendix 2 for further detail on gap analysis results):

- The Section labelled *Principles* does not reference or draw on the concept of 'responsiveness' (AA1000APS, AA1000SES), which speaks to the need for a commitment to using engagement outputs and feedback in decision making. IAP2 also reflects this principle, particularly through its Core Values which includes 'the promise that the public's contribution will influence the decision.'
- The Policy requires stakeholder mapping, however, this would benefit from further detail. For example, it should specify that DPE-Water will undertake stakeholder mapping and prioritisation at both division-level and for individual engagements.

- The Section labelled *Procedures* does not reflect the full requirements of a stakeholder and community engagement plan, for example:
  - *Point 2* requires that a stakeholder and community engagement plan is developed, but does not provide sufficient guidance – noting that AA1000SES requires Plans to include aspects such as pre-engagement activities (4.1.2), engagement risks (4.2.3) and resource requirements (4.2.1); and
  - *Point 8* refers to information captured during engagement being recorded in (what is now) Borealis and reported to line management etc, but does not reflect a commitment to how this information is used to inform decisions (which is key to the AA1000SES principle of responsiveness).

Finally, under the section labelled *Legislation*, the reason for the inclusion of two pieces of legislation associated with Lobbying of Government Officials is unclear and may cause confusion. Interviewees explained that this legislation only addresses engagement with third-party lobbyists but not the direct lobbying undertaken by industry groups that has been the subject of scrutiny. The policy is unclear on whether this form of lobbying is within its scope. The ICAC report highlighted risks associated with the Policy continuing to allow for targeted engagement and for two-way consultation and information sharing with selected stakeholder groups and noted specifically that productive water users "tend to be more vocal and organised than people with diffused interests...often choosing to approach government directly". The resulting findings and recommendations on corruption prevention focused on the need for increased transparency and additional controls to address the risk of improper preferencing or favouritism. Clarifying that all engagement activities, whether initiated by the Department or by stakeholder groups themselves, are subject to the application of better practice principles would support this aim.

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## 2. Detailed Findings continued

### **Finding 1. There is a lack of ownership of and accountability for the Policy, its scope is unclear in some areas, and some aspects require additional detail to align with better practice standards (continued)**

#### **Potential impact:**

Risk that:

- the Policy and the better practice principles it reflects are not implemented consistently across stakeholder engagement programs due to lack of ownership and accountability
- Insufficient attention is given to stakeholder engagement processes and outcomes within some Government-led policy and decision-making processes, resulting in commitments to fair, balanced and transparent stakeholder engagement practices not being met.
- Lack of clarity around the policy's application to direct lobbying activities results in a failure to apply better practice principles to some forms of engagement with industry bodies and other representative groups and may pose a corruption risk

#### **Recommendations:**

- 1.1 New policy commitments (currently in development) should respond to the key gaps identified.
- 1.2 Key roles and responsibilities for Policy ownership (including at the executive level), implementation and monitoring should be defined.
- 1.3 A Policy implementation plan, including internal communications and training, should be developed and rolled out once new policy commitments are finalised.
- 1.4 Implement an ongoing monitoring process to ensure compliance with the Policy and stakeholder engagement principles – *refer to Section 3 re ongoing audit program.*
- 1.5 Review the Policy content and current practices regarding direct lobbying and provide clarity on whether better practice principles are applied to these activities.

High

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## 2. Detailed Findings continued

### Finding 2. The roles, responsibilities and structure of the Water Relationships Team requires clarification

#### Link to core element: Governance and decision making

Stakeholder engagement is still largely operating in siloes with engagement at the individual program and project level across DPE-Water with varying support from the central Communications and Media Team and Water Relationships Team. The Water Relationships Team was established approximately four years ago to provide greater oversight and support of stakeholder and community engagement activities and are currently working towards a more strategic focus, enhancing governance, coordinating engagement activities, and considering how individual project engagement impacts the overall relationship between the Department, and stakeholders and the community.

Discussions with personnel involved in three stakeholder engagement programs highlighted that stakeholder and community engagement and communications is supported by the DPE-Water Relationships Team, as well as other teams across DPE-Water (e.g. Water Infrastructure NSW, central Communications and Media Team) between the Department, and stakeholders and the community.

However, the operating structure of the Water Relationships Team is yet to be formally defined and communicated and some stakeholder engagement is occurring within DPE-Water with no connection to the Water Relationships Team. As a result, there is a lack of a holistic, whole-of-system view on stakeholder engagement activities to ensure consistency with processes, and alignment of the Policy principles and better practice standards. This limits the ability to undertake analysis to identify systemic learnings and drive change.

It is noted that a number of activities currently under way by the Water Relationships Team are specifically intended to address these issues, including the implementation of the Borealis stakeholder engagement software, however at the time of this audit, personnel across different business units had varying levels of visibility and understanding of the work currently underway.

High

There is a need to clarify the role and responsibilities of the Water Relationships Team for all business units within DPE-Water, including their relationship to engagement teams across various areas.

#### Potential impact :

Risk that:

- The Water Relationships Team does not have sufficient visibility or influence over stakeholder engagement planning and delivery to fulfill its governance role, potentially resulting in stakeholder engagement processes not being aligned with better practice principles.
- Stakeholder engagement activities are not conducted consistently, or with sufficient recognition of the Policy and the better practice principles it reflects.

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2. Detailed Findings continued

**Finding 2. The roles, responsibilities and structure of the Water Relationships Team requires clarification (continued)**

**Recommendations:**

2.1 Clarify the role and responsibilities of the Water Relationships Team and other teams involved in stakeholder engagement and/or communications, to ensure better practice stakeholder engagement principles are applied consistently across business units and that they are appropriately resourced. Consideration should be given to:

- Governance and oversight;
- Reporting lines;
- Interactions/co-dependencies between DPE-Water teams and other DPE divisions such as Water Infrastructure NSW;
- The forecasted pipeline of engagement activities.

2.2 Once roles and responsibilities are defined, they should be communicated across DPE-Water by the relevant Executive, to ensure communications set an appropriate tone from the top to support a strong culture of stakeholder engagement.

2.3 In addition to communicating its' role, the Water Relationships Team should undertake internal engagement with key DPE stakeholders to increase understanding of the support needed by different business units and the services and resources available to support engagement.

High

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## 2. Detailed Findings continued

### Finding 3. Stakeholder and Community Engagement Plans are not being developed consistently or used as living documents for the ongoing planning and management of engagement programs and risks

Moderate

#### Link to core elements: Purpose, priorities and planning

The Policy outlines under the heading, 'Procedures' a multi-stage process leading to the 'sign-off' of stakeholder engagement plans, after which engagement occurs 'in line with the approved engagement plan.' This does not support the use of these Plans as dynamic, living documents.

In addition, interviews identified that, on some occasions, the development of Stakeholder and Community Engagement Plans may be rushed, created at the end of the stakeholder engagement planning process, and/or not be used as an ongoing planning tool.

Review of Stakeholder and Community Engagement Plans and interviews provided evidence that risks are considered during the planning process, as are strategies to control risks. A key risk that personnel in engagement roles identified as having little influence over, was the political landscape, which meant that, on some occasions, policy decisions and engagement timelines may change rapidly. This risk was not included in any of the three Stakeholder and Community Engagement Plans selected for review, or in the Toolkit created to support the Policy.

#### Potential impact:

Risk that:

- DPE-Water's commitment to align with better practice standards is not translated into practice due to inconsistent approaches to planning or a failure to respond to the dynamic nature engagement processes.
- Rapid shifts in the political landscape and policy compromise the timing of engagement programs, and the role of stakeholder engagement in decision-making processes, undermining stakeholder trust in DPE-Water.

#### Recommendations:

- 3.1 Develop a Stakeholder and Community Engagement Plan template that is dynamic and enables regular review, updates and tracking of progress against planned activities (for example an excel-based tool to support the visualisation of timeframes and associated tasks).
- 3.2 Review the sign-off process for Plans to ensure it takes into account the role of the Plans as living documents. Relevant stakeholders should have oversight of any significant changes to Plans throughout the delivery of the engagement program.
- 3.3 Define the protocols for managing planned community and stakeholder engagement commitments and timelines in the event of changes in the political landscape.

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## 2. Detailed Findings continued

### **Finding 4. There is limited formal evaluation and sharing of lessons learned during stakeholder engagement programs across DPE-Water.**

#### **Link to core element: Evaluation and review**

Interviewees acknowledged that there is a significant amount of information and knowledge held by DPE-Water personnel derived from past engagement activities that would be valuable to share across the relevant teams. It was noted that future stakeholder engagement programs would greatly benefit from documenting lessons learned.

For example, it was noted by some interviewees that identifying stakeholders was a key challenge, particularly for stakeholder groups such as Aboriginal communities and smaller agricultural businesses. However, knowledge gained about who and how best to engage in a particular locality is not currently captured and shared systematically.

While engagement personnel monitor and reflect on the progress of stakeholder engagement programs, evidence was not sighted of a consistent approach to periodic evaluation, or of lessons being collated and shared to support future planning. Learnings and reflections appear in a variety of digital locations including on the Department's shared drive.

Interviewees emphasised the lack of time allocated during or at the completion of stakeholder engagement programs to pause, reflect and consistently capture, share and build on the lessons learned from the stakeholder engagement programs. It was noted that this was partially a result of time pressures and engagement personnel moving immediately from one stakeholder engagement program to the next.

#### **Potential impact:**

- Risk that knowledge is not shared and lessons learned from one engagement are not transferred to subsequent engagements, hindering the development of institutional knowledge of DPE-Water's stakeholders, their needs and priorities and the most effective ways to engage with them.

#### **Recommendation:**

4.1 Develop a consistent method of capturing and sharing evaluations and learnings, to support ongoing improvements in the quality of, and efficiencies in, stakeholder engagement practices. Consider building learnings/ knowledge sharing into stakeholder engagement guidance (processes, tools)

Moderate

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## 3. Recurring Audit Program

Below is the proposed recurring audit program framework for DPE-Water to monitor the alignment of the Water Stakeholder and Community Engagement Policy and processes against better practice principles and standards. The gap analysis tool utilised for this audit (**Appendix 2**) outlines key areas that need to be considered in assessing alignment with the AA1000SES and IAP2 better practice principles. DPE-Water, through the Water Relationships Team, should undertake the annual process internally to ensure the Policy commitments are being implemented and continue to align with better practice principles. The two-yearly audit program should be undertaken by an independent third party. Collectively, this will enable ongoing assurance that water stakeholders have their interests heard in a fair, balanced and transparent way, as per Recommendation 9 of the ICAC report.

	Audit scope	Key activities to be undertaken	Benefits
Annual	Implementation of the Policy commitments (and supporting tools)	Review status of actions within the Policy implementation plan (per recommendations in Finding 1) and ensure accountability for key actions. Progress reporting should be provided to the Executive sponsor.	The audit will assist in identifying opportunities to continue strengthening DPE-Water’s stakeholder engagement approach and will drive accountability for the implementation of the Policy commitments, and alignment with stakeholder engagement principles and standards.
		Review the Water Stakeholder and Community Engagement Policy commitments (including any new supporting governance frameworks, charter, tools) to ensure any changes to IAP2 and AA1000SES are reflected, and any organisational changes to roles and responsibilities are also reflected and communicated.	
Two-yearly	Execution of audit program	A robust sampling methodology should be developed to give greater confidence that the full breadth of engagement activities undertaken are adequately considered – refer to the sampling methodology adopted for this Audit ( <b>Appendix 1</b> ) for key considerations.	Stakeholder participation in this process is important to building trust and credibility in engagement review processes and outcomes. This participation will also help shape recommendations that speak to the experience and needs of all water stakeholders.  Importantly, more deeply involving stakeholders enables DPE-Water to: <ul style="list-style-type: none"> <li>• Show a commitment towards evolving its overall approach along the IAP2 spectrum</li> <li>• Build stakeholder trust in the intent, ambition and integrity of NSW Government’s water management decision-making and management</li> <li>• Understand how it can best hear the interests of water stakeholders in a fair and balanced way, given its own ambition, resources and operational needs.</li> </ul>
		In line with the defined sampling methodology, select a sample of engagements and review engagement plans and processes undertaken to ensure required processes were followed, as per the defined Policy commitments and supporting guidance.	
		Plan the audit program so a selection of engagement processes being undertaken for a program can be observed in real time. Feedback surveys or workshops can be embedded within engagement programs to reduce stakeholder fatigue, enable required actions to be implemented immediately and learnings shared for future engagements.	
		Prepare and aggregate the report providing a whole of system view on positive observations, key learnings and opportunities for improvement. This report should be shared with the relevant Deputy Secretary and should articulate key actions to drive change (including action owners and due dates), and monitoring and reporting on the implementation status of these actions.	

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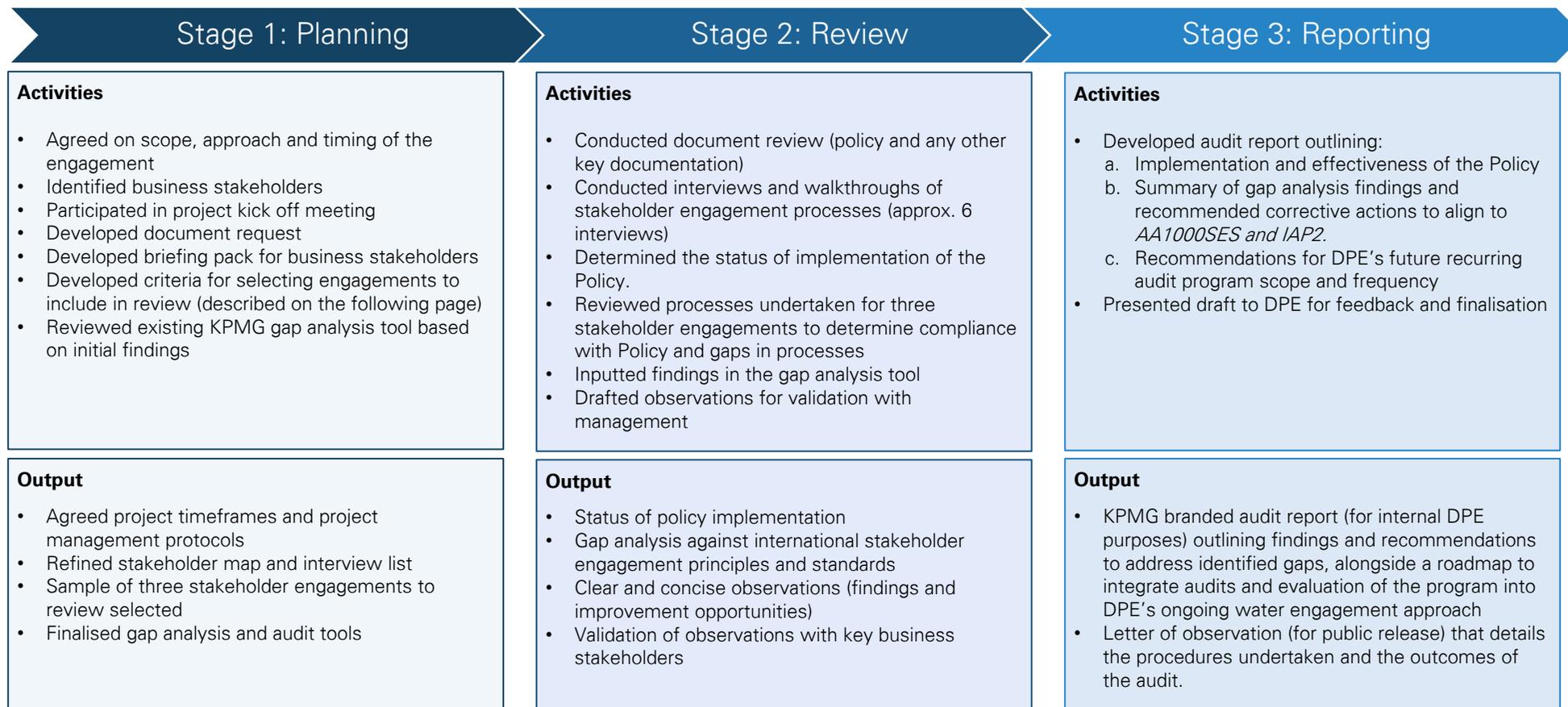
# Independent review of Water Engagement Policy – Audit Report

## Appendix 1: Scope

The Audit focused on three scope areas:

1. Assessing DPE-Water’s current implementation and effectiveness of the *Water stakeholder and community engagement policy (2018) (IND-1-245)*.
2. Identifying gaps, corrective actions, and providing recommendations aligned with better practice stakeholder engagement principles, to ensure water stakeholders have their interests heard in a fair, balanced and transparent way, as per Recommendation 9 of the ICAC report ‘Investigation into complaints or corruption in the management of water in NSW and systematic non-compliance with the Water Management Act 2000’.
3. Recommending a scope and frequency for the future recurring audit program.

The Audit approach is summarised below.



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# Independent review of Water Engagement Policy – Audit Report

## Appendix 1: Scope continued

### Criteria used to select engagements:

The audit scope included a deep-dive on three engagement programs. These were selected to reflect the diversity of DPE-Water engagements (to the extent possible (when considering three engagements) through consideration of the following factors:

- Timeframes (including engagements conducted pre- and post-COVID 19);
- Scale and complexity;
- The nature of the engagements – e.g. once off / ongoing engagement activities; and
- Focus on issues raised within the ICAC report or recent media attention.

### Methodological limitations

- The review scope and timeframes did not allow for engagement with or observation of interactions with external stakeholders or with all specialist engagement teams across DPE-Water (of which there are many). Stakeholder participation in audit processes is important to building trust and credibility and helps shape recommendations that speak to the experience and needs of all water stakeholders.

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# Independent review of Water Engagement Policy – Audit Report

## Appendix 2: Gap Analysis

**Appendix 2 provided on the following pages.**

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Independent review of Water stakeholder and community engagement policy

Appendix 2. Gap Analysis

6 April 2022



Core Element	Reference to Standard	Criteria	Rating (Yes=2 / Partial=1 / No=0)	Gap	See Finding:	Recommendations to address findings / Opportunities for Improvement for consideration
<b>1. Commitment and Policy</b>						
<b>1A. Formal public commitment to best practice principles</b>	AA1000SES (2.1)  IAP2 (2B - Level of stakeholder influence communicated; 7. Participant influence)	Make a formal commitment to best practice principles and communicate it externally and internally  AA1000SES: inclusivity, materiality and responsiveness IAP2: purposeful, inclusive, transformative, proactive	1	The <i>Water Stakeholder and Community Engagement Policy</i> (Policy) highlights a commitment to the following principles: purposeful, inclusive, timely, transparent, and respectful.  The section of the Policy labelled Principles does not reference the principle of 'responsiveness' (AA1000SES), which speaks to the need for organisations to 'act transparently on material issues'. IAP2 also reflects this principle, particularly through its Core Values which includes 'the promise that the public's contribution will influence the decision.' The principle of 'transparent' included in the Policy addresses the need to 'set clear expectations around how participants' input will inform outcomes'. However this does not explicitly commit DPE-Water to act transparently to address issues identified through stakeholder engagement.  Several additional gaps were identified in the Policy: -The Policy requires stakeholder mapping, however, this would benefit from further detail. For example, it should specify that DPE-Water will undertake stakeholder mapping and prioritisation at both division-level and for individual engagements.  -The Section labelled Procedures does not reflect the full requirements of a stakeholder and community engagement plan, for example: -- Point 2 requires that a stakeholder and community engagement plan is developed, but does not provide sufficient guidance (other than 'why consultation is needed, the audiences and groups to be consulted and the methods and information that will be used'. AA1000SES requires Plans to include aspects such as pre-engagement activities (4.1.2), engagement risks (4.2.3) and resource requirements (4.2.1); and -- Point 8 refers to information captured during engagement being recorded in (what is now) Borealis and for outcomes to be reported to 'line management, C&E and other areas as appropriate', but does not reflect a commitment to how this information is used to inform decisions (which is key to the AA1000SES principle of responsiveness).  -In the section labelled Legislation, the reason for the inclusion of two pieces of legislation associated with Lobbying of Government Officials is unclear and may cause confusion. It was also noted by interviewees that this legislation addresses engagement with third-party lobbyists but not the direct lobbying undertaken by industry groups, and that the policy is unclear on whether this form of lobbying is within its scope.  The Policy has not been reviewed since it was established, and key roles and responsibilities outlined within the Policy are currently redundant.  Finally, while policy commitments should be communicated externally and internally, some interviewees involved in the case studies (South Coast Regional Water Strategy and Measurement and Metering Roadshow) had a low level of understanding of the existence and content of the Policy, although they were knowledgeable about stakeholder engagement principles.	1	<b>1.1</b> New policy commitments (currently in development) should respond to the key gaps identified.  <b>1.2</b> Key roles and responsibilities for Policy ownership (including at the executive level), implementation and monitoring should be defined.  <b>1.3</b> A Policy implementation plan, including internal communications and training, should be developed and rolled out once new policy commitments are finalised.  <b>1.5</b> Review the policy content and current practices regarding direct lobbying and provide clarity on whether best practice principles are applied to these activities.
<b>1B. Strategy to guide engagement</b>	AA1000SES (3.1 - 3.3)	Set a strategy that demonstrates clear understanding of why an organisation is engaging (the purpose), what issues to engage on (the scope), and who needs to be involved in the engagement (ownership, mandate, stakeholders).  Involve stakeholders in defining the purpose of the engagement.	1	AA1000SES requires the involvement of stakeholders in defining the purpose of stakeholder engagement. It is noted that the Policy was established in 2018 to address a recommendation in the Matthews Report. It is understood that there was limited consultation with key stakeholders from the Water division in the development of the Policy, or a structured approach to rolling out and operationalising the Policy across DPE-Water.	1	<b>Opportunity for Improvement:</b> Conduct internal engagement during the development or review of new Policy Commitments, to draw on internal expertise and build buy-in
<b>2. Governance and Decision Making</b>						
<b>2A. Integration of stakeholder engagement principles into governance, strategy and management</b>	AA1000SES (2.2-2.4)	Integrate stakeholder engagement principles into organisational governance, organisational strategy and organisational management.  (Low = Stakeholder engagement is not integrated into the activities of the business, and is an 'add on' with an additional budget)	1	While, overall, interviewees spoke about the centrality of stakeholder engagement to the Department, on some occasions stakeholder engagement principles or processes may not be fully integrated into governance (as per AA1000SES 2.2). As discussed further under 'Purpose, priorities and planning' below, a key risk to engagement timelines and input identified by participants was that changes in the political landscape, on occasion, mean that policy decisions and engagement timelines may change rapidly - for example, it was noted in interviews that political pressures can cause 'last minute changes'.  Further gaps and recommendations relating to governance, strategy and management are captured in Section 2B: Mandate and ownership.	1	<b>1.4</b> Implement an ongoing monitoring process to ensure compliance with the Policy and stakeholder engagement principles
<b>2B. Mandate and ownership</b>	AA1000SES (3.3.1) Mandate and ownership	Establish a mandate and owners for engagement, through the development of a business case for stakeholder engagement (which places authority and resources behind the engagement that have appropriate competencies) and justification of the level of expenditure.	1	Since the development of the Policy, there have been numerous organisational restructures and the Water Relationships team has been created to provide greater oversight and support of stakeholder and community engagement activities. The Policy has not been reviewed since it was established, and key roles and responsibilities outlined within the Policy are currently redundant, meaning that the Policy does not provide a clear indication of the owners of the Policy, which is key to supporting a clear mandate for the purpose, scope and ownership of stakeholder engagement (see AA1000SES, 3.3.1)  Stakeholder engagement is still largely operating in siloes with engagement at the individual program and project level across DPE-Water with varying support from the central Communications and Media team and Water Relationships Team. The Water Relationships Team was established approximately two years ago to provide a more strategic focus, enhancing governance, coordinating engagement activities, and considering how individual project engagement impacts the overall relationship.  Interviews highlighted that stakeholder and community engagement and communications is supported by the DPE-Water Relationships teams, as well as other teams across DPE-Water (e.g. Water Infrastructure NSW, central Communications and Media team, as well as Aboriginal liaison officers), depending on factors such as the availability of personnel with appropriate capability.  However, the operating structure of the Water Relationships Team is yet to be formally defined and communicated and some stakeholder engagement is occurring within DPE-Water with no connection to the Water Relationships Team. As a result, there is a lack of a holistic, whole-of-system view on stakeholder engagement activities to ensure consistency with processes, and alignment of policy principles and best practice standards. This limits the ability to undertake analysis to identify systemic learnings and drive change.	2	<b>2.1</b> Clarify the role and responsibilities of the Water Relationships Team and other teams involved in stakeholder engagement and/or communications, to ensure best practice stakeholder engagement principles are applied consistently across business units and that they are appropriately resourced. Consideration should be given to: --Governance and oversight; --Reporting lines; --Interactions/co-dependencies between DPE-Water teams and other DPE divisions such as Water Infrastructure NSW; --The forecasted pipeline of engagement activities.  <b>2.2</b> Once roles and responsibilities are defined, they should be communicated across DPE-Water by the relevant Executive, to ensure communications set an appropriate tone from the top to support a strong culture of stakeholder engagement.  <b>2.3</b> In addition to communicating its' role, the Water Relationships team should undertake internal engagement with key DPE stakeholders to increase understanding of the support needed by different business units and the services and resources available to support engagement.

3. Purpose, Priorities and Planning						
3A. Defined purpose and goals	AA1000SES (3.1) Purpose	Establish a clearly defined purpose and goals for stakeholder engagement and stakeholder participation.	2	NA	NA	NA
	IAP2 (1A. Clear problem statement/ purpose)	Involve stakeholders in defining the purpose of the engagement.				
3B. Defined scope	AA1000SES (3.2) Scope	Establish a clearly defined scope for stakeholder engagement and stakeholder participation.  Define the scope by determining: <ul style="list-style-type: none"> <li>• a list of priority issues requiring consultation (the subject matter and material issues the engagement will address);</li> <li>• the parts of the organisation (e.g. regions, divisions etc.) and associated activities, products and services the engagement will address; and</li> <li>• the time frame the engagement will address.</li> </ul> Where relevant, involve stakeholders in defining the scope of the engagement, and adjust the scope of engagement based on the views of stakeholders during the engagement. In particular, state how stakeholder input will influence the issue/decision at the outset of an engagement activity.	2	NA	NA	NA
	3C. Stakeholder identification and mapping	AA1000SES (3.3.2, 4.1.1) Stakeholder identification and mapping  IAP2 (1C. Affected stakeholders identified; 3A. Understanding of participant values and interests; 4B Stakeholder analysis)	Identify, understand and map/profile the relevant stakeholders, using international best practice for stakeholder identification, mapping and auditing. Profiling and mapping should be reviewed and revised, as appropriate, throughout the process.  Establish understanding of participants' values, interests and needs; and identify barriers to participation and make efforts to overcome them (Knowledge of stakeholder interests/needs should be based on their input).  Ensure that stakeholder representatives are selected from the full diversity of the community.  Ensure thorough stakeholder analysis, through an iterative process	1	AA1000SES highlights the need for a 'methodology for systematically identifying stakeholder groups (3.3.2) and a 'methodology to profile and map stakeholders' - both 'stakeholder groups as well as individual stakeholder representatives' (4.1.1).  Identifying appropriate First Nations people to engage was a significant challenge identified by interviewees involved in engagement on the South Coast Regional Water Strategy. An iterative stakeholder identification process was used, which highlighted a strong commitment to stakeholder engagement, but a previous lack of knowledge and capability in this space.  Some interviewees identified gaps in the guidance for the process of stakeholder mapping and prioritisation. The Stakeholder Engagement Toolkit - Water Relationships provides guidance, however, it is unclear how stakeholders should be mapped, i.e. to balance the voices of stakeholders that will have an impact or influence, as well as those who are affected, or are vulnerable or hard to identify/reach. In addition, the Toolkit provides a list of state and national peak bodies, regional peak bodies and agencies for consideration, but does not provide a strategic or high level mapping of these stakeholder types or groups.	NA
3D. Engagement levels and methods	AA1000SES (4.1.2) Engagement levels and methods	Determine the appropriate methods and level of engagement required for each consumer cohort and stakeholder, with consideration of different levels of engagement such as monitoring, advocating, informing, transacting, consulting, negotiating, involving, collaborating and empowering) and the methods appropriate to each level.	2	NA	NA	NA
	IAP2 (2A. Engagement level endorsed; 3B. Engagement technique; 5. Dialogue re engagement technique)  IAP2 Public Participation Spectrum	Demonstrate that the appropriate level of engagement has been endorsed by the decision-maker. Stakeholders should be involved in establishing the level of engagement.  Engagement techniques identified to support stakeholders' interests and needs, based on stakeholder input.  Dialogue between representatives on the most suitable way of engaging participants - ensuring that the project sponsor has enabled participants to have a key role in determining the engagement processes and techniques				
3E. Pre-engagement activities	AA1000SES (4.1.2) Engagement levels and methods (pre-engagement)	Determine the appropriate pre-engagement activities necessary to facilitate the different engagement methods selected as appropriate to each stakeholder group.	2	NA	NA	NA
3F. Boundary of information disclosure	AA1000SES (4.1.3) Boundaries of disclosure	Establish and communicate the boundaries of information disclosure to stakeholders.	2	NA	NA	NA

<p><b>3G. Stakeholder engagement plan</b></p>	<p>AA1000SES (4.1.4, see Figure 8) Draft stakeholder engagement plan</p>	<p>Develop a stakeholder engagement plan that includes tailored and appropriate stakeholder engagement activities and methodologies. It at a minimum* should include:</p> <ul style="list-style-type: none"> <li>- tasks and timelines;</li> <li>- contact persons;</li> <li>- technologies used;</li> <li>- ground rules;</li> <li>- comfort requirements;</li> <li>- engagement risks;</li> <li>- resource requirements, budget;</li> <li>- channels of communication;</li> <li>- monitoring and evaluation; and</li> <li>- reporting the engagement outputs and outcomes.</li> </ul> <p>*It should also include the elements outlined above (Fig. 8 in the AA1000SES Standard): mandate; purpose and scope; owners of the engagement, their roles and responsibilities; identifying stakeholders; profiling and mapping stakeholders; pre-engagement activities; engagement levels and methods; and boundaries of disclosure.</p> <p>Work with stakeholders to plan engagement approaches and prioritise when engagement will occur, where practical. It should consider factors that may impede stakeholder engagements and how they can be overcome.</p>	<p>1</p>	<p>AA1000SES requires that an engagement plan is developed that 'documents the engagement process' and brings together a number of elements (4.1.4).</p> <p>Interviews identified that, on some occasions, the development of Stakeholder and Community Engagement Plans may be rushed, created at the end of the stakeholder engagement planning process, and/or not be used as an ongoing planning tool. Reasons given for this included: that Plans are not treated as a project plan, with accountability; that actions are assigned generically; or that timelines are condensed due to a range of factors (e.g. changes in the political landscape).</p> <p>There was some inconsistency in the content of communication/engagement plans developed for the three stakeholder engagement programs, for example, the <i>Non-urban water metering reforms - Communication plan – 2019-2021 (working document)</i> (Communications Action Plan, August 2020) does not include a section on Risk, and the <i>Draft South Coast RWS SEP - Version 2</i> does not include reference to the stakeholder mapping process (i.e. based on influence, impact, or other criteria) or indicators/reference to a monitoring process.</p> <p>Interviews identified that, once engagement plans are developed, they are not always used as living documents. Further to this, the Policy outlines, under the heading 'Procedures', a multi-stage process leading to the 'sign-off' of stakeholder engagement plans, after which engagement occurs 'in line with the approved engagement plan.' This does not support the use of these Plans as dynamic, living documents.</p>	<p>3</p>	<p><b>3.1</b> Develop a Stakeholder and Community Engagement Plan template that is dynamic and enables regular review, updates and tracking of progress against planned activities (for example an excel-based tool to support the visualisation of timeframes and associated tasks).</p> <p><b>3.2</b> Review the sign-off process for Plans to ensure it takes into account the role of the Plans as living documents. Relevant stakeholders should have oversight of any significant changes to Plans throughout the delivery of the engagement program.</p>
<p><b>3H. Financial, human and technological resources</b></p>	<p>AA1000SES (4.2.1) Mobilise resources</p>	<p>Identify and gain approval for the financial, human and technological resources required for carrying out successful engagement.</p>	<p>1</p>	<p>AA1000SES highlights the need for 'financial, human (including capacity building) and technological required by those carrying out the engagement, as well as by the stakeholders invited to participate' (4.2.1) and that these resources should be documented in the stakeholder engagement plan.</p> <p>Human - Some limitations were identified by interviewees, e.g. that on some cases there has been insufficient capacity to meet engagement needs, or that engagement has been conducted by people with insufficient capability (e.g. in terms of the capability to engage effectively with Aboriginal communities). Personnel in dedicated engagement roles, however, were consistently perceived as being skilled and experienced.</p> <p>Technological - Borealis has supported improved coordination of engagement activities and recording and sharing of stakeholder information, although there is some variance in terms of how it is used and some stakeholders felt it is not yet used to its full capacity.</p> <p>Stakeholder engagement plans did not provide detailed planning of the resources required, particularly considering the significant financial resources required to undertake stakeholder engagement.</p>	<p>2</p>	<p>See 2.1</p>
<p><b>3I. Build stakeholder capability</b></p>	<p>AA1000SES (4.2.2) Build capacity  IAP2 (4A. Enable contribution)</p>	<p>Identify where stakeholder capacity and capability to engage needs to be built (knowledge, skills, opportunity), and ensure that opportunities for participation effectively enable contribution - in part through ensuring existing resources and networks are effectively used and providing additional support resources where required</p>	<p>2</p>	<p>NA</p>	<p>NA</p>	<p>NA</p>
<p><b>3J. Identify and control engagement risks</b></p>	<p>AA1000SES (4.2.3) Identify and prepare for engagement risks</p>	<p>Identify and prepare for engagement risks, including those risks associated with:</p> <ul style="list-style-type: none"> <li>- Unwillingness to engage;</li> <li>- Participation fatigue;</li> <li>- Creating expectations of change that the organisation is unwilling or unable to fulfil;</li> <li>- Lack of balance between weak and strong stakeholders;</li> <li>- Disruptive stakeholders;</li> <li>- Uninformed stakeholders;</li> <li>- Disempowered stakeholders;</li> <li>- Technical barriers in case of online engagement processes; and</li> <li>- Conflict between participating stakeholders.</li> </ul> <p>Prepare contingency plans to deal with the most likely or damaging risks.</p> <p>Adjust the plan or methodology when conflict cannot be resolved or consultation cannot continue.</p>	<p>1</p>	<p>AA1000SES (4.2.3) requires that 'the owners of the engagement shall formally identify, assess and address engagement risks'. The <i>Non-urban water metering reforms - Communication plan – 2019-2021 (working document)</i> (Communications Action Plan, August 2020) does not include a section on Risk.</p> <p>A key risk that personnel in engagement roles identified as having little influence over was the political landscape, which meant that, on some occasions, policy decisions and engagement timelines may change rapidly - for example, it was noted in interviews that political pressures can cause 'last minute changes'.</p> <p>This risk, and appropriate risk mitigation measures, were not considered consistently in the three Stakeholder and Community Engagement Plans selected for review, or in the Toolkit created to support the Policy.</p> <p>Mitigation measures do not appear to control risks to engagement best practice principles, e.g.:</p> <ul style="list-style-type: none"> <li>- The <i>Draft South Coast RWS SEP - Version 2</i> does refer to the risk that COVID 19 impacts may lead to the impact of: 'Political pressures - project priority and status may diminish with a call for funding to be diverted elsewhere', with mitigation measures such as 'Development and distribution of communications material about the necessity of the program.'</li> <li>- The <i>Murrumbidgee Surface Water Resource Plan – engagement plan (V3, 21/05/2019)</i> included the risk, 'Change of government due to NSW election', with two mitigation measures: 'update key messaging regularly' and 'openly communicate impact of this change on QRPs development internally'</li> </ul>	<p>3</p>	<p><b>3.3</b> Define the protocols for managing planned community and stakeholder engagement commitments and timelines in the event of changes in the political landscape.</p>

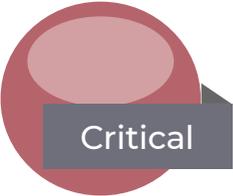
4. Delivery						
<b>4A. Invite stakeholders</b>	AA1000SES (4.3.1) Invite stakeholders to engage	Invite individual stakeholders to participate in engagement well in advance, and use appropriate communications and follow up methods for each stakeholder.  Invitation communications should include: <ul style="list-style-type: none"> <li>• The purpose and scope of the engagement;</li> <li>• The engagement process and timelines;</li> <li>• What stakeholders are expected to contribute and how their input will be used;</li> <li>• The benefits to the stakeholder invited to participate;</li> <li>• Logistical and practical information about the engagement;</li> <li>• How to respond;</li> <li>• Additional information that will be provided; and</li> <li>• Next steps.</li> </ul> Maintain a contact database of invitees, their preferred method of communication and their responses.	2	NA	NA	NA
<b>4B. Brief stakeholders</b>	AA1000SES (4.3.2 - Brief stakeholders; 4.3.3 - Ground rules)  IAP2 (1B - Decision making process; 2B - Level of stakeholder influence communicated; 6A-B - Balanced information)	To ensure the success of the engagement, provide participating stakeholders with comprehensive and balanced briefing materials (reflecting all sides of the argument; expert, objective and independent) in good time to allow them to read and digest the information, and which format takes into account relevant language, disability and literacy issues.  Briefing materials should include: <ul style="list-style-type: none"> <li>• The purpose and scope of the engagement;</li> <li>• The nature of the issues, why they are considered material and associated risks and opportunities;</li> <li>• How the issues are currently managed within the organisation;</li> <li>• What policies and systems are already in place; and</li> <li>• What the organisation can and wants to do about the issues.</li> </ul> Involve stakeholders in the development and identification of briefing materials, including the identification of appropriate communication channels.	2	NA	NA	NA
<b>4C. Document the engagement and outputs</b>	AA1000SES (4.3.4) Document the engagement and its outputs	Document the engagement and its outputs, capturing: <ul style="list-style-type: none"> <li>- the purpose and aims of the engagement;</li> <li>- the methods used;</li> <li>- who participated and who did not;</li> <li>- the time frame;</li> <li>- a verbatim record (not always necessary, but may be useful; permission may be required);</li> <li>- a summary of stakeholder concerns, expectations and perceptions;</li> <li>- a summary of key discussions and interventions; and</li> <li>- outputs (e.g. queries, proposals, recommendations, agreed decisions and actions).</li> </ul>	2	NA	NA	NA
5. Results and outcomes						
<b>5A. Develop action plan to respond</b>	AA1000SES (4.3.5) Develop an action plan	Develop an action plan that articulates how the company will respond to engagement outputs.  The action plan should provide a response to all outputs of the engagement, and be developed in conjunction with those who will have responsibility for implementing it.  It should also: ensure decisions and actions take into account stakeholder concerns, expectations and perceptions, key discussions and interventions; ensure that roles and responsibilities are well-defined; offer realistic time frames for completion	2	NA	NA	NA

5B. Report on engagement, outputs and action plan	AA1000SES (4.4.4 - Report on engagement; 4.3.6 - Communicate engagement outputs and action plan)	Communicate the outputs and action plan to participants of the engagement in an appropriate and timely manner.	2	AA1000SES requires that 'the owners of the engagement shall communicate the outputs and action plan to participants ... in an appropriate and timely manner' (4.3.6).  Some interviewees raised concerns about the timeliness of reporting back to stakeholders. Time required to publish reports such as What We Heard Reports differed between the three stakeholder engagement programs, for example: - The <i>Murrumbidgee WRP: Submissions summary report</i> was written in January 2020 to respond to feedback received 6 months prior during the public exhibition period for the draft Murrumbidgee Surface Water Resource Plan package from 5 June - 12 July 2019 (6 months) - The <i>What We Heard Report</i> for the draft South Coast Regional Water Strategy was published in December 2021 to respond to feedback received 12 months prior during the public exhibition period from 30 October - 13 December 2020.  One interviewee also raised a concern that there can be multiple lines of review before responding to a stakeholder's email, which takes a long time and can negatively impact on stakeholder relationships.	NA	<b>Opportunity for improvement:</b> Review feedback timelines and processes to be followed when communicating the outputs of stakeholder engagement and responding to stakeholder queries.
5C. Demonstrate participant influence	IAP2 (7. Participant influence)	Clearly demonstrate how participant input has influenced the process, via: * feedback is collated and made freely available to the participants * opportunities are provided to explore the feedback in depth, discuss its implications and determine the future steps	2	NA	NA	NA
6. Evaluation and review						
6A. Establish indicators linked to engagement purpose	AA1000SES (4.1.5) Establish indicators	Establish measurable and objective indicators (beyond stakeholder feedback) in the context of clear statements of purpose about stakeholder engagement. This could include Key Performance Indicators (KPIs) to quantify the benefits of stakeholder engagement through cost/benefit analysis.	1	AA1000SES requires that indicators for the 'quality' of stakeholder engagement, and 'engagement impact' should be established (4.1.5).  There was some inconsistency in the extent to which indicators were established.  Indicators contained in the <i>Murrumbidgee Surface Water Resource Plan – engagement plan</i> (V3, 21/05/2019) provides a mix of 'measurements', which were linked to the objectives of the engagement plan. Some of these measurements focused on number of attendees or responses (e.g. number of email responses, clicks on web pages), while others looked at sentiment, e.g. number of likes/shares on social media and the number of positive/negative media articles. No indicators were included to measure or evaluate the extent to which the stakeholder feedback was taken onboard and influenced the decision-making process.  The <i>Non-urban water metering reforms - Communication plan – 2019-2021 (working document)</i> (Communications Action Plan, August 2020) does not include indicators, and interviews suggested a focus on participant numbers. A focus on participant numbers is also reflected in the Communications Action Plan, which states: "DPIE has conducted many communication and engagement activities since 2019 to ensure affected water users are aware of their obligations under the new rules, including >20,000 letters, 4,000 emails, 2,500 text messages and 4,000 direct phone calls."  The <i>Draft South Coast RWS SEP - Version 2</i> does not include indicators or reference to a monitoring process.	4	<b>Opportunity for improvement:</b> Explore the development of indicators based on quality and impact of stakeholder engagement.
6B. Monitor and evaluate the engagement	AA1000SES (4.4.1) Monitor and evaluate the engagement	Systematically monitor and periodically evaluate and review: * The overall quality of the stakeholder engagement; * Progress towards meeting the purpose, scope and target participation rates for engagement; * Progress against the planned stages and timeline for stakeholder engagement; * Engagement outputs and outcomes (including the effectiveness of stakeholder engagement processes); * Reporting  Base monitoring and evaluation on set criteria or indicators, where relevant.	1	AA1000SES highlights the importance of monitoring and evaluation of both the 'quality of individual engagements' and the 'overall quality of the stakeholder engagement' program.  While engagement personnel monitor and reflect on the progress of stakeholder engagement programs, evidence was not sighted of a consistent approach to periodic evaluation, or of lessons being collated and shared to support future planning or stakeholder engagement programs and activities (other than the measurements included in the <i>Murrumbidgee Surface Water Resource Plan – engagement plan</i> (V3, 21/05/2019)). Interviews identified that learnings and reflections are recorded in a variety of digital locations including on the shared drive.  For example, an interviewee involved in the <i>Murrumbidgee Surface Water Resource Plan</i> case study reflected that DPE personnel involved in engagement planning contributed significant knowledge that they had built up over time, e.g. which issues would likely be contentious in which regions, but that this information wasn't necessarily captured formally.  Interviewees emphasised the lack of time allocated during or at the completion of stakeholder engagement programs to pause, reflect and consistently capture, share and build on the lessons learned from the stakeholder engagement programs. It was noted that this was partially a result of time pressures and engagement personnel moving immediately from one stakeholder engagement program to the next.	4	<b>4.1</b> Develop a consistent method of capturing and sharing evaluations and learnings, to support ongoing improvements in the quality of, and efficiencies in, stakeholder engagement practices. Consider building learnings/ knowledge sharing into stakeholder engagement guidance (processes, tools)
6C. Learn and improve	AA1000SES (4.4.2) Learn and improve	Identify and act on specific improvements	1	AA1000SES states that organisations should 'identify and act on specific improvements' (4.4.2).  While there is commitment to learning and improving stakeholder engagement processes (individuals interviewed highlighted examples of learnings they had taken and build on, and the creation of the Water Relationships team and adoption of Borealis are examples of efforts made to improve stakeholder engagement across DPE-Water), there is a lack of formal process to support improvements to be made on a regular, as-needed basis in response to evaluation and learnings (see 6B. Monitor and evaluate the engagement).	4	See <b>4.1</b> and Section 3 - the <b>Recurring Audit Program</b>

## Appendix 3: Classification of Findings

### Findings criteria

The following table outlines KPMG’s criteria used to classify (rate) the report findings. The criteria reflect a generic risk classification, and the ratings focus on the actions required to respond to the findings, with particular attention to the time to respond as well as level of escalation required.

Rating	Definition	Action(s) required
	Issue represents control weaknesses, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>Requires Secretary / Deputy Secretary attention.</li> <li>Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days.</li> </ul>
	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>Requires prompt management action.</li> <li>Requires Deputy Secretary attention.</li> <li>Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.</li> </ul>
	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>Requires short-term management action.</li> <li>Requires general management attention.</li> <li>Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.</li> </ul>
	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>Requires management action within a reasonable time period.</li> <li>Requires process manager attention.</li> <li>Timeframe for action is subject to competing priorities and cost / benefit analysis, e.g. 9-12 months.</li> </ul>

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# Independent review of Water Engagement Policy – Audit Report

## Appendix 4: Consultations



The table below outlines all personnel who were involved in discussions and contributed to the findings detailed in this Audit Report.

Name	Title
Sally Anderson-Day	Senior Project Officer, Water Relationships
Linda Barach	Manager, Water Relationships
Niamh Brady	Communications Manager
Alison Crocker	Director, Engagement
Peter Hansen	Senior Project Officer
Natasha Hudson	Director, Office of the CEO NSW Water Sector
Mitchell Isaacs	Chief Knowledge Officer
Jeremy Kinley	Manager, Regional Water Strategies
Eva Kokkelmans	Senior Stakeholder Engagement Officer
Krissy Long	Senior Project Officer, Water
Suzy Lykos	Senior Project Officer
Kate Masters	Manager, Surface Water Planning
Alistair Mckenzie-McHarg	Principal Project Officer
Antonia Morrow	Senior Strategic Project Officer
Catherine Parker	Director, Water Communications
Simone Snell	Senior Strategic Projects Officer, Water Relationships
Aaron Walker	Director, Special Projects, Metering and Measurement Reform
Alana White	Director, Strategic Community and Stakeholder Engagement

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