

## **Rottnest Island Authority**

## **Operational Audit and Asset Management Review**

### **Audit Report**

**11<sup>th</sup> January 2012**



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# 1

## Executive Summary

### 1.1 Background

The regulation of the water service industry in Western Australia is governed by the Water Services Licensing Act 1995 (the “Act”). The Act has established a regulatory framework surrounding the provision of water services primarily by way of a licensing scheme administered by the Economic Regulation Authority (the “ERA”).

Under the Act, providers of water supply, sewerage, irrigation and drainage services within controlled areas must be licensed. The licence set a range of conditions, including minimum service standards and regular reporting.

The ERA has issued a Water Services Operating Licence (Licence No. 10, Version 5) to the Rottnest Island Authority (“RIA”) for the provision of potable water supply services, sewerage services and drainage. The licences were granted to the RIA on 14 December 1996 and were last amended on 25 August 2010.

Not less than every 24 months, the RIA is required to provide the ERA with an operational audit and the effectiveness of its asset management systems under section 36 and 37 respectively of the Act.

The RIA water supply main is 20 km long and there are 421 connected properties.

The key assets for the RIA include pipelines and service points.

Tungsten Group Pty Ltd is contracted by the RIA to manage water services for the RIA. However, the name ‘Programmed Facility Management’ (PFM) is currently used in place of Tungsten

The audit has been conducted in accordance with Audit Guidelines: Electricity, Gas and Water Licences issued by the ERA (2010). The audit has been conducted in order to assess the licensee’s level of compliance with the conditions of its licence.

The audit covered the period from 1 July 2009 to 30 June 2011.

# 2

## Operational Audit

### 2.1 Overview

#### 2.1.1 Summary of Opinion on the Control Environment

The control environment to ensure compliance with the licence conditions is assessed to be satisfactory.

#### 2.1.2 Overall Assessment

In the auditor's professional view, the RIA is achieving an acceptable level of compliance with the requirements of the Water Services Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 2.9.3 for more details.

#### 2.1.3 Actions Taken on Previous Post-Audit Plan

The previous audit was conducted by Quantum in 2009. A number of recommendations were made in the operational audit report. Some of these issues are unresolved and raised again in this Audit Report.

#### 2.1.4 Post Audit Implementation Plan

The Post Audit Implementation Plan was developed by the RIA and as such does not form part of the auditor's opinion.

## 2.1.5 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Cl. 5.2, Cl. 21, Cl. 21.2 and Sch. 5, Cl. 2.1	<ul style="list-style-type: none"> <li>The Annual Water Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 12 August 2010;</li> <li>However, the unsigned copy of the 2011 Compliance Report presented for audit does not disclose the fact the Performance Report for the year ended 30 June 2010 was submitted late to the ERA;</li> <li>The Annual Water Compliance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 22 September 2010; and</li> <li>Submission dates for the Annual Performance Report and Annual Compliance Report are included in the RIA's 'Utilities Compliance Spreadsheet'. However, audit noted the spreadsheet was last updated in June 2009.</li> </ul>	<ul style="list-style-type: none"> <li>Proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the annual Compliance Report forwarded to the ERA;</li> <li>The RIA's 'Utilities Compliance Spreadsheet' should be continuously updated to disclose current compliance requirements and dates therefore. A specific person must be allocated responsibility for this task; and</li> <li>Responsibility for compliance with the operating licence provided by the ERA to RIA, and in particular reporting requirements contained therein, should also be allocated to a specific person who should pro-actively pursue it.</li> </ul>	<ul style="list-style-type: none"> <li>Utilities Compliance Spreadsheet to be reviewed monthly and managed jointly by RIA (Contracts and Admin Officer) and PFM (Compliance &amp; Utilities Manager).</li> </ul>	PFM Compliance & Utilities Mgr / January 2012
Cl. 6 and Sch. 3 Cl. 3	<ul style="list-style-type: none"> <li>No complaints were recorded during the audit period in the 'Water Services Customer Complaints Reporting Register';</li> <li>The last reported complaint in the register was dated 30 June 2009;</li> <li>The absence of complaints during the audit period was confirmed with PFM; and</li> <li>However, the RIA has provided three complaints that were raised during the 2010 - 2011 year. Replies to two of these complaints were also provided. Notwithstanding, these complaints were not</li> </ul>	<ul style="list-style-type: none"> <li>All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. As complaints can be directly lodged with either the RIA or PFM, the parties should setup a proper procedure to ensure the capture of all complaints in the complaints register.</li> </ul>	<ul style="list-style-type: none"> <li>RIA and PFM will jointly compile a proper procedure to ensure all complaints, irrespective of whom was notified, are captured in the complaints register.</li> <li>The complaints register will be regularly reviewed by RIA (Contracts &amp; Admin Officer) and PFM (Compliance &amp; Utilities Mgr).</li> </ul>	PFM (Compliance & Utilities Mgr) / January 2012

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	recorded in the complaints register.			
Cl. 6.1	<ul style="list-style-type: none"> <li>A number of procedural documents have been compiled in respect of customer complaints;</li> <li>The obligation to inform customers of the option to refer their complaint to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure';</li> <li>However, the fact a customer may refer their complaint to the Department of Water is stated in the 'Water Services Customer Complaints Procedure'; and</li> <li>A discrepancy thus exists between these documents.</li> </ul>	<ul style="list-style-type: none"> <li>A single procedure manual should be compiled for customer complaints to ensure the use of standard work procedures.</li> </ul>	<ul style="list-style-type: none"> <li>A single procedure manual will be compiled for customer complaints, for use by all employees across the RIA and PFM..</li> </ul>	PFM Compliance & Utilities Mgr / January 2012
Sch. 3, Cl. 3.1	<ul style="list-style-type: none"> <li>All formal complaints will be acknowledged in writing within 10 working days and responded to in writing within 15 days by the Compliance &amp; Utilities Manager as stated in the PFM's 'Water Services Customer Complaints Procedure';</li> <li>The RIA is to acknowledge a complaint in writing within 10 working days and to respond to a complaint in writing within 15 working days. As stated in the PFM 'Flow Chart for Customer Complaints'; and</li> <li>Reference is thus only made in the PFM's documentation to the fact a (formal) complaint will be responded to in writing within 15 (working) days and not to the fact complaints must be resolved (where possible) within 15 business days.</li> </ul>	<ul style="list-style-type: none"> <li>Both the PFM's "Water Services Customer Complaints Procedure" and the PFM's 'Flow Chart for Customer Complaints' should be updated to reflect complaints must be resolved within 15 business days and not only be responded to in writing within 15 business days.</li> </ul>	<ul style="list-style-type: none"> <li>Both the PFM's "Water Services Customer Complaints Procedure" and the PFM's 'Flow Chart for Customer Complaints' will be appropriately updated.</li> </ul>	PFM Compliance & Utilities Mgr / January 2012
Sch. 3, Cl.	<ul style="list-style-type: none"> <li>The RIA's 'Water Services Customer</li> </ul>	<ul style="list-style-type: none"> <li>The RIA's 'Water Services Customer</li> </ul>	<ul style="list-style-type: none"> <li>Update Water Services Customer</li> </ul>	RIA (Contracts &

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
3.2(a)	<i>Complaints Reporting Register</i> does not allocate a unique identifying complaint number to each complaint. Complaints are just sequentially numbered from 1 upwards. It is suggested the intention of the licence condition goes beyond the current numbering system.	<i>Complaints Reporting Register</i> should be appropriately changed to allocate a unique identifying complaint number to each complaint.	Complaints Reporting Register to include unique identifier.	Admin officer) / January 2012
Sch. 3, Cl. 3.4	<ul style="list-style-type: none"> <li>The obligation to inform customers of the option to refer their complaint to the Department of Water is not disclosed in the PFM's <i>Water Services Customer Complaints Procedure</i>.</li> </ul>	<ul style="list-style-type: none"> <li>The PMF's <i>Water Services Customer Complaints Procedure</i> should be amended to include the obligation, where a dispute has not been resolved within 15 business days, to inform the customer of the option of referring their complaint to the Department of Water.</li> </ul>	<ul style="list-style-type: none"> <li>Procedure document to be updated.</li> </ul>	PFM Compliance & Utilities Manager / January 2012
Sch. 3, Cl. 3.6	<ul style="list-style-type: none"> <li>The obligation to co-operate with the Department of Water's request for information concerning a disputed complaint is not disclosed in the PFM's <i>Water Services Customer Complaints Procedure</i>.</li> </ul>	<ul style="list-style-type: none"> <li>The PMF's <i>Water Services Customer Complaints Procedure</i> should be amended to include the obligation to co-operate with the Department of Water's request for information concerning a disputed complaint.</li> </ul>	<ul style="list-style-type: none"> <li>Procedure document to be updated.</li> </ul>	PFM Compliance & Utilities Manager / January 2012
Sch. 3, Cl. 3.7	<ul style="list-style-type: none"> <li>The obligation to provide complaint details to the Department of Water is not disclosed in the PFM's <i>Water Services Customer Complaints Procedure</i>.</li> </ul>	<ul style="list-style-type: none"> <li>The PMF's <i>Water Services Customer Complaints Procedure</i> should be amended to include the obligation to, upon request, provide complaints details to the Department of Water.</li> </ul>	<ul style="list-style-type: none"> <li>Procedure document to be updated.</li> </ul>	PFM Compliance & Utilities Manager / January 2012
Sch. 3, Cl. 2.5(c)	<ul style="list-style-type: none"> <li>The requirement to send a current copy of the Customer Charter to all customers at least once in every three years is not included in the RIA's <i>Utilities Compliance Spreadsheet</i>.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA's <i>Utilities Compliance Spreadsheet</i> should be updated to refer to the licence requirement to send a current copy of the Customer Charter to all customers at least once in every three year period.</li> </ul>	<ul style="list-style-type: none"> <li>Utilities Compliance Spreadsheet to be updated.</li> </ul>	RIA Contracts & Admin Officer / January 2012
Cl. 8.1	<ul style="list-style-type: none"> <li>The RIA consults with its customers via the Rottnest Island Business Community (RIBC) at its monthly meetings on matters relating</li> </ul>	<ul style="list-style-type: none"> <li>The RIA must re-establish sound customer consultation processes in compliance with its licence requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Communication and consultation with water use customers will be made through revived Rottnest Island Business Community (RIBC)</li> </ul>	RIA Contracts & Admin Officer /



Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>to the licensee's levels of service under the Water Licence:</p> <ul style="list-style-type: none"> <li>Monthly meetings did take place up to approximately 3 months ago when the position of Coordinator for the RIBC became vacant; and</li> <li>None of the 2 newsletters previously published by the RIA were in circulation at the end of the audit period (The RIA did previously publish two regular newsletters - 'Island Chat' and 'Rottnest News').</li> </ul>		<p>Newsletters; and</p> <ul style="list-style-type: none"> <li>Meeting on a regular basis with customers to seek comment on issues relevant to the exercise of the RIA's level of service under the licence..</li> <li>The RIA acknowledges consultation with customers should be in the RIA's control and agree to work with the ERA to identify an acceptable means of consultation that satisfies the requirements of the licence.</li> </ul>	January 2012
Sch. 3, Cl. 4.2	<ul style="list-style-type: none"> <li>The ERA was not consulted as to the type and extent of customer consultation to be adopted by the RIA.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA must re-establish sound customer consultation processes in compliance with its licence requirements. The ERA must be consulted with respect to the type and extent of such customer consultation initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>Utilities Compliance Spreadsheet to be updated with RIA customer consultation process.</li> <li>The RIA agrees to work with the ERA to identify an acceptable means of consultation that satisfies the requirements of the licence.</li> </ul>	RIA Contracts & Admin officer / January 2012
Sch. 3, Cl. 5.1	<ul style="list-style-type: none"> <li>PFM has compiled a Work Method Statement entitled '<i>Alternate Agreements to provision of Water Services</i>'; and</li> <li>The Work Method Statement appears to be adequate for its purposes, except that it does not stipulate that such an agreement must not be amended without the prior approval of the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>The Work Method Statement should be changed to include a stipulation that the relevant agreement must not be amended without the prior approval of the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>The Work Method Statement will be changed to include a stipulation that the relevant agreement must not be amended without the prior approval of the ERA.</li> </ul>	PFM Compliance & Utilities Manager / January 2012
Cl. 9.1	<ul style="list-style-type: none"> <li>The ERA specifically amended the RIA's Operating Licence to remove the three month timeframe for the RIA to enter into a MOU with the Department of Health. The new licence is dated 25 August 2010; and</li> <li>Currently the RIA and PMF are still negotiating with the Department of Health to resolve this issue and another meeting is</li> </ul>	<ul style="list-style-type: none"> <li>The RIA should promptly negotiate an appropriate MoU with the Department of Health. A procedure manual to cover all the obligations conferred upon the RIA by such a MoU and the Operating Licence should be compiled immediately upon finalisation of the MoU.</li> </ul>	<ul style="list-style-type: none"> <li>Noted. Negotiations still in progress.</li> </ul>	RIA Manager FOU / June 2012

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	scheduled between representatives of the parties involved for early in September 2011.			
Cl. 9.2(d)	<ul style="list-style-type: none"> <li>The requirement to provide a copy of the MoU to the ERA once approved by the Department of Health is included in the RIA's 'Utilities Compliance Spreadsheet'. However, the spreadsheet does not indicate such notification must occur within one month of entering into the MoU.</li> </ul>	<ul style="list-style-type: none"> <li>The IRA's 'Utilities Compliance Spreadsheet' must be appropriately changed to specify a complete copy of the MoU must be provided to the ERA within one month of entering into it.</li> </ul>	<ul style="list-style-type: none"> <li>Update Utilities Compliance Spreadsheet with action.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 9.2(j)	<ul style="list-style-type: none"> <li>The requirement to have an audit conducted by the Department of Health once every three years and the provision of the audit report to the ERA is contained in a note to the RIA's 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>The IRA's 'Utilities Compliance Spreadsheet' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Update Utilities Compliance Spreadsheet with action.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 9.5	<ul style="list-style-type: none"> <li>The requirement to publish the text and schedules of the MoU and any amendments thereto within one month of entering into the MoU or of making amendments thereto is included in a note to the RIA's 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>The IRA's 'Utilities Compliance Spreadsheet' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Update Utilities Compliance Spreadsheet with action.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 9.6	<ul style="list-style-type: none"> <li>The requirement to publish the audit report on the licensee's website within one month of the completion of the audit is included in a note to the RIA's 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>The IRA's 'Utilities Compliance Spreadsheet' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations.</li> </ul>	<ul style="list-style-type: none"> <li>Update Utilities Compliance Spreadsheet with action.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 9.7	<ul style="list-style-type: none"> <li>The quarterly reports for the quarters:                             <ul style="list-style-type: none"> <li>October to December 2010; and</li> <li>April to June 2011</li> </ul>                             could not be found on the RIA's website.                         </li> </ul>	<ul style="list-style-type: none"> <li>The RIA should publish all Potable Water Quality Reports quarterly on its website, within a reasonable period after expiry of the quarter it relates to.</li> </ul>	<ul style="list-style-type: none"> <li>The missing reports are now published on the web-site;</li> <li>Publication of the quarterly reports is disclosed as an activity in the RIA's 'Utilities Compliance Spreadsheet'; and</li> <li>.A procedure manual will be developed to</li> </ul>	RIA Manager FOU / October 2011

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
			address both the compilation and publication of the quarterly reports.	
Cl. 17.2	<ul style="list-style-type: none"> <li>Audit noted the licence condition to notify the ERA of any material change to the asset management system within 10 business days of such change is not indicated in the RIA's 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA's 'Utilities Compliance Spreadsheet' should be updated to indicate the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days.</li> </ul>	<ul style="list-style-type: none"> <li>Update Utilities Compliance Spreadsheet with action.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 17.2	<ul style="list-style-type: none"> <li>Audit noted the licence condition to notify the ERA of any material change to the asset management system within 10 business days of such change is not indicated in the PFM's 'Notification of Asset Management System Changes Review Procedure'. This creates the risk PFM may be late in informing the RIA of significant changes to the asset management system with resulting non-compliance by the RIA with this licence condition.</li> </ul>	<ul style="list-style-type: none"> <li>The PFM should update its 'Notification of Asset Management System Changes Review Procedure' appropriately to refer to the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days.</li> </ul>	<ul style="list-style-type: none"> <li>Update document with ERA notice within 10 days of amendment made.</li> </ul>	RIA Contracts & Admin officer / January 2012
Cl. 20 & Sch.4	<ul style="list-style-type: none"> <li>No customer complaints were recorded during the 2010 - 2011 year in the 'Water Compliance Datasheet';</li> <li>No customer complaints were recorded during the 2009 - 2010 year in the 'Water Compliance Datasheet';</li> <li>The last reported complaint in the register was dated 30 June 2009;</li> <li>However, the RIA has provided three complaints that were raised during the 2010 - 2011 year. Replies to two of these complaints were also provided. Notwithstanding, these complaints were not recorded in the complaints register; and</li> </ul>	<ul style="list-style-type: none"> <li>All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. As complaints can be directly lodged with either the RIA or PFM, the parties should setup a proper procedure to ensure the capture of all complaints in the complaints register; and</li> <li>Desk audits of the sewerage scheme should be performed on an annual basis and the result thereof should be included in the Annual Performance Report forwarded to the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>RIA and PFM will jointly compile a proper procedure to ensure all complaints, irrespective of whom was notified, are captured in the complaints register;</li> <li>The complaints register will be regularly reviewed by RIA (Contracts &amp; Admin Officer) and PFM (Compliance &amp; Utilities Mgr);</li> <li>Annual desk audits of the sewerage scheme will commence in January 2012; and</li> <li>The results of the annual desk audits will be included in the Annual Performance Report forwarded to the ERA.</li> </ul>	RIA Contracts & Admin officer / January 2012

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<ul style="list-style-type: none"> <li>No annual desk audits of the drainage scheme have been performed in respect of either the 2009 – 2010 or the 2010 – 2011 year.</li> </ul>			
<p>Cl. 21.2 &amp; Sch. 5, Cl. 2.2</p>	<ul style="list-style-type: none"> <li>The RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June as stipulated in the 'Water Compliance Reporting Manual' issued by the ERA (licensees who are not subject to the Urban Framework or the Rural Framework);</li> <li>PFM has compiled a 'Information Reporting Requirements – Work Method Statement';</li> <li>This document states in its Scope paragraph:               <p style="margin-left: 20px;">“This procedure is to be followed in the occurrence of any overflows from sewerage services, disruption of water services to customers for a consecutive period exceeding 24 hours, any incident relating to water services that has been reported to another authority and to provide data required for performance monitoring purposes by October 31st each year.”;</p> </li> <li>The reporting deadline of 31 October for performance reporting purposes, as stated in the 'Work Method Statement' is thus in agreement with the Operating Licence but not with the 'Water Compliance Reporting Manual' issued by the ERA;</li> <li>Table 6 to the Asset Management Plan 2010 discloses 'Specific Licence and Compliance Anniversaries Scheduled with</li> </ul>	<ul style="list-style-type: none"> <li>The Work Method Statement should be appropriately changed to indicate the RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June; and</li> <li>The PFM should record a set of complimentary deadlines for the forward of ERA required information to the RIA. These deadlines must accommodate any further processing needed of such information by the RIA prior to submission thereof to the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>Update Work Method Statement of notice to the ERA of annual reports.</li> </ul>	<p>PFM Compliance &amp; Utilities Manager / January 2012</p>

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>Maximo (effective December 2010); and</p> <ul style="list-style-type: none"> <li>▪ However, this table does not contain any reference to the ERA reporting deadlines.</li> </ul>			
Sch. 6, Cl. 2.3	<ul style="list-style-type: none"> <li>▪ The RIA's 'Operation of Water Services Customer Charter 2010' does not address the discontinuance of a service to a property where the servicing of the property is not commercially viable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The RIA's 'Operation of Water Services Customer Charter 2010' should be amended to include a provision relating to the discontinuance of a service to a property where the servicing of the property is not commercially viable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Update Water Services Customer Charter 2010 with amendment.</li> </ul>	RIA Contracts & Admin officer / January 2012

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## 2.2 Objectives and Scope

The objective of the audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the licence.

The audit has identified areas where improvement is required and recommended corrective actions as deemed necessary.

The audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the licence.

The scope of the audit covered the following areas:

- **Risk Assessment** – the risks imposed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risks areas, with less intensive coverage of medium and low risk areas;
- **Process Compliance** – the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **Outcome Compliance** – the actual performance against standards prescribe in the licence throughout the audit period;
- **Output Compliance** – the existence of output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of Reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

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## 2.3 Methodology

### 2.2.1 Fieldwork

- Conducted an initial meeting with relevant staff at Rottnest Island Authority and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit testing of higher risk areas to provide sufficient assurance and confirm lower risk areas by discussion and observation;
- Assessed compliance with license conditions over the audit period as well as at the time of the audit;
- Followed up and confirmed action taken on any previous audit recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

### 2.3.2 Audit Reporting

- Prior to the conclusion of the audit visit, discussed any observations and recommendations with the representative of the licensee to confirm understanding of the issue and to agree upon the action to be taken.
- Provided a draft report to the licensee for review and response to the recommendations in a 'post-audit implementation plan', including the proposed corrective action and timeframe.
- Provided a final draft report, including the post-audit implementation plan, to the Authority for final review and acceptance of the report no later than two weeks before the final report is to be issued.
- Upon acceptance by the Authority, provided a copy of the final report (electronic in Word or PDF format) to the licensee who then provided an electronic copy and three printed copies of the report to the Authority.
- The Authority may make and publicly distribute copies of the final report and publish results in their entirety or in a comparative report. The Authority will make the report publicly available on the ERA website after the Authority has fulfilled its statutory functions (for example, advising the relevant Minister on the outcomes of the review).

## 2.4 Time Period Covered in Audit

The audit covered the period from 1 July 2009 to 30 June 2011. The previous audit covered the period from 1 July 2008 to 30 June 2009.

## 2.5 Time Period of Audit

The audit was conducted from 31 August 2011 to 30 September 2011.

## 2.6 Licensee's Representatives

Rottnest Island Authority primary contacts are as follows:

Staff	Position
Desiree Kerr	Manager Facilities, Operations and Utilities
Richard Warby	Senior Contract Manager, Programmed Facility Management

## 2.7 Key Documents and Other Information Sources

- Audit Guidelines: Electricity, Gas and Water Licences (Date: August 2010)
- Rottnest Island Authority - Operating Licence (Date: 25 August 2010)
- Operational Audit and Asset Management System Review 2009 (Water Licence) (Date: September 2009)
- Rottnest Island - Operating Area (Plan No.: OWR-OA-189)
- Operation of Water services - Customer Charter 2010
- Customer Complaint Procedure
- Water Services Customer Complaints Reporting Register
- Rottnest Island Authority - Annual Report 2009-10
- 2010 Asset Management Plan (Rottnest Island Authority)
- Rottnest Island Facilities, Operations and Utilities Management Agreement
- Water Compliance Reporting Manual (May 2011)
- Water Compliance Manual Datasheets (2009 – 2010 and 2010 – 2011)



## 2.8 Licensee’s Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 17.2	<ul style="list-style-type: none"> <li>The RIA’s ‘<i>Utilities Compliance Spreadsheet</i>’ should be updated with the required timeframe of 10 business days for notification to the ERA of any substantial changes to generating works or distribution system.</li> </ul>	<ul style="list-style-type: none"> <li>Audit noted the licence condition to notify the ERA of any material change to the asset management system within <i>10 business days</i> of such change is not indicated in the RIA’s ‘<i>Utilities Compliance Spreadsheet</i>’; and</li> <li>Audit noted the licence condition to notify the ERA of any material change to the asset management system within 10 business days of such change is not indicated in the PFM’s ‘<i>Notification of Asset Management System Changes Review Procedure</i>’. This creates the risk PFM may be late in informing the RIA of significant changes to the asset management system with resulting non-compliance by the RIA with this licence condition.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA’s ‘<i>Utilities Compliance Spreadsheet</i>’ should be updated to indicate the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days; and</li> <li>The PFM should update its ‘<i>Notification of Asset Management System Changes Review Procedure</i>’ appropriately to refer to the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days.</li> </ul>	Unresolved
Cl. 20.1	<ul style="list-style-type: none"> <li>The RIA and the ERA should review whether the current performance standard for the maximum number of sewer breaks/blockages is appropriate and if not, renegotiate the performance standard.</li> </ul>	<ul style="list-style-type: none"> <li>The performance standard for the maximum number of sewerage blockages has not changed. The performance indicator/target is still indicated in the ‘<i>Operating Licence 10 – Version OL5</i>’ dated 25 August 2010. as follows: <ul style="list-style-type: none"> <li>“In the preceding 12 months there were fewer than 40 blockages per 100 km of sewer main”;</li> </ul> </li> <li>No sewerage breaks and chokes were reported during the 2010 – 2011 year as reported in the ‘<i>Water Compliance Datasheet</i>’;</li> <li>Only two sewer breaks and chokes were reported for the 2009 - 2010 year as</li> </ul>	<ul style="list-style-type: none"> <li>No further action is required.</li> </ul>	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
		<p>disclosed in the 'Water Compliance Manual Datasheet'. This is less than the standard of 2.4 breaks allowed for the 6km of sewerage mains and channels; and</p> <ul style="list-style-type: none"> <li>▪ The performance standard as contained in Clause 3.1 to Schedule 4 to the 'Operating Licence 10 - Version OL5' appears reasonable.</li> </ul>		
Sch. 3, Cl. 3.1	<ul style="list-style-type: none"> <li>▪ The Tungsten's 'Water Services Customer Complaints Reporting Register' should be amended to provide for resolution of complaints within 15 business days of receipt of a complaint.</li> </ul>	<ul style="list-style-type: none"> <li>▪ A representative of the RIA is to acknowledge a complaint within 10 business days and to resolve the complaint within 15 business days as per section 3.4.2 of the RIA's 'Operation of Water Services Customer Charter 2010';</li> <li>▪ All formal complaints will be acknowledged in writing within 10 working days and responded to in writing within 15 days by the Compliance &amp; Utilities Manager as stated in the PFM's 'Water Services Customer Complaints Procedure';</li> <li>▪ The RIA is to acknowledge a complaint in writing within 10 working days and to respond to a complaint in writing within 15 working days. As stated in the PFM 'Flow Chart for Customer Complaints'; and</li> <li>▪ Reference is thus only made in the PFM's documentation to the fact a (formal) complaint will be responded to in writing within 15 (working) days and not to the fact complaints must be resolved (where possible) within 15 business days.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Both the PFM's 'Water Services Customer Complaints Procedure' and the PFM's 'Flow Chart for Customer Complaints' should be updated to reflect complaints must be resolved within 15 business days and not only be responded to in writing within 15 business days.</li> </ul>	Unresolved
Sch. 3, Cl. 3.4	<ul style="list-style-type: none"> <li>▪ The Tungsten's 'Water Services Complaints Procedure' should be amended to include the provisions in the Customer Service Charter about advising the customer of the option to refer disputed complaints to the Department</li> </ul>	<ul style="list-style-type: none"> <li>▪ The obligation to inform customers of the option to refer their complaint to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure';</li> </ul>	<ul style="list-style-type: none"> <li>▪ The PFM's 'Water Services Customer Complaints Procedure' should be amended to include the obligation, where a dispute has not been resolved within 15 business days, to inform the customer of the option of</li> </ul>	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
	of Water.	<ul style="list-style-type: none"> <li>However, the fact a customer may refer their complaint to the Department of Water is stated in the 'Water Customer Complaints Procedure'; and</li> <li>A discrepancy thus exists between these documents.</li> </ul>	<ul style="list-style-type: none"> <li>referring their complaint to the Department of Water; and</li> <li>A single procedure manual should be compiled for customer complaints to ensure the use of standard work procedures.</li> </ul>	
Sch. 3, Cl. 3.6 & 7	<ul style="list-style-type: none"> <li>The Tungsten's 'Water Services Complaints Procedure' should be amended to include the provision that if a request for information about a complaint is received from a Government body, this request will be complied with.</li> </ul>	<ul style="list-style-type: none"> <li>The obligation to co-operate with the Department of Water's request for information concerning a disputed complaint is not disclosed in the PFM's 'Water Services Customer Complaints Procedure'; and</li> <li>The obligation to provide complaint details to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure'.</li> </ul>	<ul style="list-style-type: none"> <li>The PFM's 'Water Services Customer Complaints Procedure' should be amended to include the obligations to: <ul style="list-style-type: none"> <li>co-operate with the Department of Water's request for information concerning a disputed complaint; and</li> <li>upon request, provide complaints details to the Department of Water.</li> </ul> </li> </ul>	Unresolved
Sch. 3, Cl. 2.5	<ul style="list-style-type: none"> <li>The RIA's 'Utilities Compliance Spreadsheet' should be updated to provide for the licence requirement to send a current copy of the customer charter to all customers at least once in every 3 year period.</li> </ul>	<ul style="list-style-type: none"> <li>The requirement to send a current copy of the Customer Charter to all customers at least once in every three years is not included in the RIA's 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA's 'Utilities Compliance Spreadsheet' should be updated to refer to the licence requirement to send a current copy of the Customer Charter to all customers at least once in every three year period.</li> </ul>	Unresolved
Cl. 21.2	<ul style="list-style-type: none"> <li>The ERA should align the annual performance reporting timeframes as per the 'Water Compliance Reporting Manual' with those in Schedule 5 of the RIA's Water Services Operating Licence;</li> <li>Tungsten should update the annual performance reporting timeframe in their 'Information Reporting Requirements' procedure accordingly. This is currently in line with the Schedule 5 of the licence, but not in line with the 'Water Compliance Reporting Manual'; and</li> <li>Tungsten's 'License and Permit Register – Rottneast Island – Facilities Management</li> </ul>	<ul style="list-style-type: none"> <li>The RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June as stipulated in the 'Water Compliance Reporting Manual' issued by the ERA (licensees who are not subject to the Urban Framework or the Rural Framework);</li> <li>PFM has compiled a 'Information Reporting Requirements – Work Method Statement';</li> <li>This document states in its Scope paragraph: <p>“This procedure is to be followed in the occurrence of any overflows from sewerage services, disruption of water services to customers for a</p> </li> </ul>	<ul style="list-style-type: none"> <li>The Work Method Statement should be appropriately changed to indicate the RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June; and</li> <li>The PFM should record a set of complimentary deadlines for the forward of ERA required information to the RIA. These deadlines must accommodate any further processing needed of such information by the RIA prior to submission thereof to the ERA.</li> </ul>	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
	<p><i>Contract</i>' should be updated to provide for the annual performance and compliance reporting requirements to the ERA, including the required reporting timeframes.</p>	<p>consecutive period exceeding 24 hours, any incident relating to water services that has been reported to another authority and to provide data required for performance monitoring purposes by October 31st each year.";</p> <ul style="list-style-type: none"> <li>▪ The reporting deadline of 31 October for performance reporting purposes, as stated in the <i>Work Method Statement</i> is thus in agreement with the Operating Licence but not with the <i>Water Compliance Reporting Manual</i> issued by the ERA;</li> <li>▪ Table 6 to the Asset Management Plan 2010 discloses 'Specific Licence and Compliance Anniversaries Scheduled with Maximo (effective December 2010)'; and</li> <li>▪ However, this table does not contain any reference to the ERA reporting deadlines.</li> </ul>		

## 2.9 Performance Summary

### 2.9.1 Compliance Rating Scale

Compliance Status	Rating	Description of Compliance
Compliant	5	<ul style="list-style-type: none"> <li>Compliant with no further action required to maintain compliance.</li> </ul>
Compliant	4	<ul style="list-style-type: none"> <li>Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance.</li> </ul>
Compliant	3	<ul style="list-style-type: none"> <li>Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance.</li> </ul>
Non-Compliant	2	<ul style="list-style-type: none"> <li>Does not meet minimum requirements.</li> </ul>
Significantly Non-Compliant	1	<ul style="list-style-type: none"> <li>Significant weaknesses and/or serious action required.</li> </ul>
Not Applicable	N/A	<ul style="list-style-type: none"> <li>Determined that the compliance obligation does not apply to the licensee's business operations.</li> </ul>
Not Rated	N/R	<ul style="list-style-type: none"> <li>No relevant activity took place during the audit period; therefore it is not possible to assess compliance.</li> </ul>

### 2.9.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl.2, Sch. 1 & Sch. 2	1	C	L	S					✓		
Term	Cl.3	1	C	L	S					✓		
Fees	Cl.4	2	C	M	S							✓
Compliance with Legislation	Cl.5	3	C	H	S	✓						

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Customer Complaints and Investigations, Conciliation and Arbitration	Cl.6, Sch.3 Cl.3	2	B	M	M			✓				
Customer Charter	Cl.7, Sch.3 Cl.2	2	C	M	M			✓				
Customer Consultation	Cl.8, Sch.3 Cl.4	2	C	M	M		✓					
Customer Contracts	Sch.3 Cl.5	2	C	M	S				✓			
Customer Surveys	Sch.3	1	C	L	S							✓

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)										
						1	2	3	4	5	N/A	N/R				
	Cl.6															
Memorandum of Understanding	Cl.9	3	C	H	S			✓								
Transfer of Licence	Cl.10	N/A – The Authority has the ability to independently assess compliance if the clause if exercised during the audit period.											✓			
Cancellation of Licence	Cl.11															✓
Surrender of Licence	Cl.12															✓
Renewal of Licence	Cl.13															✓
Amendment of Licence	Cl.14															✓
Accounting Records	Cl.15	3	B	H	S					✓						



Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
Operational Audit	Cl.16	1	C	L	S					✓		
Asset Management System	Cl.17	3	B	H	S			✓				
Reporting	Cl.18	1	C	L	S							✓
Individual Performance Standards	Cl.19	3	B	H	S							✓
Service and Performance Standards	Cl.20, Sch.4	3	B	H	M				✓			
Provision of any Information to the Authority	Cl.21.1	3	A	H	W		✓					
Information Requirements	Cl.21.2,	1	C	L	W		✓					

Operating Area	Operating Licence Reference (CL = clause, Sch= schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 4.1 for details)						
						1	2	3	4	5	N/A	N/R
(Reporting) – Benchmarking and Performance Monitoring Information	Sch.5											
Publishing Information	Cl.22	1	C	L	W							✓
Notices	Cl.23	1	C	L	S					✓		
Review of Authority's Decisions	Cl.24	1	C	L	M							✓
Other Provisions: Obligations to Customers: Availability and Connection of Services	Sch.6 Cl.2	3	B	H	M				✓			

### 2.9.3 Observations and Recommendations

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Clause 2, Schedules 1 & 2		<ul style="list-style-type: none"> <li>▪ Rottnest Island Authority was granted a licence by the ERA for the provision of water services;</li> <li>▪ Tungsten Group Pty Ltd is contracted by the Rottnest Island Authority to manage water services for the RIA;</li> <li>▪ Audit sighted the <i>'Rottnest Island Facilities, Operations and Utilities Management Agreement'</i> between the RIA and Tungsten Group Pty Ltd, dated 10 September 2007;</li> <li>▪ The initial term of the agreement is for 5 years (commenced on 23 September 2007 and expires on 22 September 2012);</li> <li>▪ Tungsten Group Pty Ltd became a wholly owned subsidiary of Programmed Maintenance Services Ltd, who amalgamated Tungsten's operations with the Building Services Division of Programmed Maintenance Services on 1 December 2008. RIA was informed services would continue to be provided under the business name and brand adopted on the existing service arrangement;</li> <li>▪ However, the name 'Programmed Facility Management' (PFM) is currently used in place of Tungsten;</li> <li>▪ Plan number OWR-OA-189(A) was approved on 14 December 1998 and is thus still current;</li> <li>▪ PFM utilises the Plan Number OWR-OA-189(A) as the primary reference for the operating area in which it provides water services; and</li> <li>▪ There is no risk water services will be provided</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			outside the licensed operating area.		
Term	Clause 3		<ul style="list-style-type: none"> <li>▪ The licence was not cancelled during the audit period;</li> <li>▪ The licence was not surrendered during the audit period;</li> <li>▪ The licences for potable water supply services, sewerage services and drainage all commenced on 14 December 1996; and</li> <li>▪ All 3 the licences expire on 14 December 2023 in terms of Version 'OL5' of 'Operating Licence 10', which is dated 25 August 2010.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	
Fees	Clause 4		<ul style="list-style-type: none"> <li>▪ The RIA is responsible for paying licence fees to the Authority;</li> <li>▪ PMF will provide the IRA with a comprehensive report on the status of all the licences applicable to the RIA and PMF on a 6 monthly basis in terms of the 'Rottnest Island Facilities, Operations and Utilities Management Agreement';</li> <li>▪ Renewal frequencies and due dates for licences are included in Table 6 to the '2010 Asset Management Plan – Rottnest Island Authority';</li> <li>▪ Licence fees are a standing item of discussion at the fortnightly FOU meeting; and</li> <li>▪ No licence fees are payable in respect of the water licence.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R
Compliance with Legislation	Clause 5		<ul style="list-style-type: none"> <li>▪ RIA is required to comply with the Water Services Licensing Act 1995 (WA);</li> <li>▪ Key legislative requirements are incorporated into the license held by RIA. Therefore, by complying with the licence requirements, RIA complies with the applicable legislation;</li> <li>▪ The Annual Water Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 12</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the annual Compliance Report forwarded to the ERA;</li> <li>▪ The RIA's 'Utilities Compliance Spreadsheet' should be continuously updated to disclose current compliance requirements and dates therefore. A specific person must be allocated responsibility for this task; and</li> </ul>	1

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>August 2010;</p> <ul style="list-style-type: none"> <li>▪ This letter stated: <i>“Failure to provide the performance report by the due date is a non-compliance with Schedule 5, clause 2.1 of the RIA’s licence, and this item should be included in the compliance report for the year ending 30 June 2011”</i>;</li> <li>▪ However, the unsigned copy of the 2011 Compliance Report presented for audit does not disclose the fact the Performance Report for the year ended 30 June 2010 was submitted late to the ERA;</li> <li>▪ The Annual Water Compliance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 22 September 2010;</li> <li>▪ This letter stated: <i>“The due date for the annual compliance report was 31 August 2010. Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011”</i>;</li> <li>▪ The late submission of the Compliance Report for the year ended 30 June 2010 was included in the unsigned copy of the 2011 Compliance Report presented for audit;</li> <li>▪ Submission dates for the Annual Performance Report and Annual Compliance Report are included in the RIA’s <i>‘Utilities Compliance Spreadsheet’</i>. However, audit noted the spreadsheet was last updated in June 2009; and</li> <li>▪ The letters received in respect of the late submission of both the Performance Report for the year ended 30 June 2010 and the Compliance Report for the year ended 30 June 2010 did not stipulate any specific steps to follow in future</li> </ul>	<ul style="list-style-type: none"> <li>▪ Responsibility for compliance with the operating licence provided by the ERA to RIA, and in particular reporting requirements contained therein, should also be allocated to a specific person who should pro-actively pursue it.</li> </ul>	

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			beyond the submission of the outstanding reports.		
Customer Complaints and Investigations, Conciliation and Arbitration	Clause 6 and Schedule 3 Cl.3		<ul style="list-style-type: none"> <li>▪ Reference to both Emergency Assistance (sec. 8) and a Complaint Procedure (sec. 3.4.2) is included in the RIA's 'Operation of Water Services Customer Charter 2010';</li> <li>▪ PFM has established 'Water Services Customer Complaints Procedure' which discloses a 24 hour call centre number;</li> <li>▪ PFM has also instituted a 'Water Services Customer Complaints Reporting Register';</li> <li>▪ PFM has also compiled three other documents which deals with complaints:               <ul style="list-style-type: none"> <li>▪ 'Water Customer Complaints Procedure';</li> <li>▪ 'Water Customer Complaints Procedure &amp; Register'; and</li> <li>▪ 'Flow Chart for Customer Complaints'.</li> </ul> </li> <li>▪ The fact a customer may refer their complaint to the Department of Water is included in the 'Water Customer Complaints Procedure';</li> <li>▪ The obligation to inform customers of the option to refer their complaint to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure';</li> <li>▪ A discrepancy thus exists between these documents;</li> <li>▪ A representative of the RIA is to acknowledge a complaint within 10 business days and to resolve the complaint within 15 business days as per section 3.4.2 of the RIA's 'Operation of Water Services Customer Charter 2010';</li> <li>▪ All formal complaints will be acknowledged in writing within 10 working days and responded to in writing within 15 days by the Compliance &amp; Utilities Manager as stated in the PFM's 'Water</li> </ul>	<ul style="list-style-type: none"> <li>▪ A single procedure manual should be compiled for customer complaints to ensure the use of standard work procedures;</li> <li>▪ Both the PFM's 'Water Services Customer Complaints Procedure' and the PFM's 'Flow Chart for Customer Complaints' should be updated to reflect complaints must be resolved within 15 business days and not only be responded to in writing within 15 business days;</li> <li>▪ All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. As complaints can be directly lodged with either the RIA or PFM, the parties should setup a proper procedure to ensure the capture of all complaints in the complaints register;</li> <li>▪ The RIA's 'Water Services Customer Complaints Reporting Register' should be appropriately changed to allocate a unique identifying complaint number to each complaint;</li> <li>▪ The PFM's 'Water Services Customer Complaints Procedure' should be amended to include the obligation, where a dispute has not been resolved within 15 business days, to inform the customer of the option of referring their complaint to the Department of Water;</li> <li>▪ The PFM's 'Water Services Customer Complaints Procedure' should be amended to include the obligation to co-operate with the Department of Water's request for information concerning a disputed complaint; and</li> <li>▪ The PFM's 'Water Services Customer Complaints Procedure' should be amended to include the obligation to, upon request, provide complaints details to the Department of Water.</li> </ul>	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p><i>Services Customer Complaints Procedure</i>;</p> <ul style="list-style-type: none"> <li>▪ The RIA is to acknowledge a complaint in writing within 10 working days and to respond to a complaint in writing within 15 working days. As stated in the PFM <i>'Flow Chart for Customer Complaints</i>;</li> <li>▪ Reference is thus only made in the PFM's documentation to the fact a (formal) complaint will be responded to in writing within 15 (working) days and not to the fact complaints must be resolved (where possible) within 15 business days;</li> <li>▪ No complaints were recorded during the audit period in the <i>'Water Services Customer Complaints Reporting Register</i>;</li> <li>▪ The last reported complaint in the register was dated 30 June 2009;</li> <li>▪ The absence of complaints during the audit period was confirmed with PFM;</li> <li>▪ However, the RIA has provided three complaints that were raised during the 2010 – 2011 year. Replies to two of these complaints were also provided. Notwithstanding, these complaints were not recorded in the complaints register;</li> <li>▪ PMF has instituted a <i>'Water Services Customer Complaints Reporting Register</i>;</li> <li>▪ The RIA's <i>'Water Services Customer Complaints Reporting Register</i>' does not allocate a unique identifying complaint number to each complaint. Complaints are just sequentially numbered from 1 upwards. It is suggested the intention of the licence condition goes beyond the current numbering system;</li> <li>▪ All complaints are received on the 24 hour call centre number;</li> <li>▪ Once registered, complaints are managed by</li> </ul>		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>Richard Warby (Senior Contract Manager) ;</p> <ul style="list-style-type: none"> <li>▪ Appropriately trained technical staff is assigned to resolve complaints;</li> <li>▪ The Register records amongst other, the number, nature and outcome of complaints;</li> <li>▪ No complaints were recorded during the audit period in the 'Water Services Customer Complaints Reporting Register';</li> <li>▪ Customers are informed of the option to refer a disputed complaint to the Department of Water in section 3.4.2 of the RIA's 'Operation of Water Services Customer Charter 2010';</li> <li>▪ The obligation to inform customers of the option to refer their complaint to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure';</li> <li>▪ The obligation to co-operate with the Department of Water's request for information concerning a disputed complaint is not disclosed in the PFM's 'Water Services Customer Complaints Procedure'; and</li> <li>▪ The obligation to provide complaint details to the Department of Water is not disclosed in the PFM's 'Water Services Customer Complaints Procedure'.</li> </ul>		
Customer Charter	Clause 7 & Schedule 3 Clause 2		<ul style="list-style-type: none"> <li>▪ The RIA's has compiled a 'Operation of Water Services - Customer Charter - 2010';</li> <li>▪ The Customer Charter is drafted in plain English;</li> <li>▪ The Customer Charter appears to be comprehensive;</li> <li>▪ The Customer Charter identifies and distinguishes between three main groups of customers;</li> <li>▪ Approval of the Customer Charter by the ERA is included in the RIA's 'Utilities Compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ The RIA's 'Utilities Compliance Spreadsheet' should be updated to refer to the licence requirement to send a current copy of the Customer Charter to all customers at least once in every three year period.</li> </ul>	3



Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p><i>Spreadsheet</i>;</p> <ul style="list-style-type: none"> <li>▪ The approval of the amendments to the Customer Service Charter is contained in the ERA's letter to the RIA dated 30 August 2010;</li> <li>▪ The Customer Charter is available on the RIA website or by contacting the RIA on a telephone number as printed in the Customer Charter;</li> <li>▪ Audit sighted a copy of the Customer Charter (2010 edition) on the website;</li> <li>▪ Audit sighted a copy of the Customer Charter (2010 edition) displayed at the entrance to the RIA offices on Rottnest Island;</li> <li>▪ Customers are provided with a copy of the Customer Charter upon request, and at no charge, to the customer;</li> <li>▪ After the 2010 changes to the Customer Charter was finalised, it was distributed to all customers via instruction of the real estate agents who manage the leases for the relevant properties;</li> <li>▪ The requirement to send a current copy of the Customer Charter to all customers at least once in every three years is not included in the RIA's <i>'Utilities Compliance Spreadsheet</i>';</li> <li>▪ RIA reviewed its <i>'Operation of Water Services Customer Charter 2010</i>' in August 2010;</li> <li>▪ The previous review of the Customer Charter was conducted in 2009 (<i>'Operation of Water Services Customer Charter 2009</i>') and was approved by the Authority on 13 July 2009. Therefore the current review was undertaken within the required timeframe;</li> <li>▪ A reference to conduct a three year review of the Customer Charter is included in the RIA's <i>'Utilities Compliance Spreadsheet</i>'; and</li> <li>▪ The audit concluded that the RIA is providing its</li> </ul>		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			services consistent with the Customer Service Charter.		
Customer Consultation	Clause 8 & Schedule 3 Clause 4		<ul style="list-style-type: none"> <li>▪ The RIA consults with its customers via the Rottnest Island Business Community (RIBC) at its monthly meetings on matters relating to the licensee's levels of service under the Water Licence;</li> <li>▪ Rottnest Island presents a unique situation in terms of a Water Services Operating Licence. The island is managed under the Rottnest Island Act and has a minimal number of direct customers. As such the RIA provides consultation forums in relation to the delivery of its water service through the Rottnest Island Business Community which meets on a regular basis;</li> <li>▪ Monthly meetings did take place up to approximately 3 months ago when the position of Coordinator for the RIBC became vacant;</li> <li>▪ None of the 2 newsletters previously published by the RIA were in circulation at the end of the audit period (The RIA did previously publish two regular newsletters: - 'Island Chat' and 'Rottnest News');</li> <li>▪ No Customer Council exists for the RIA;</li> <li>▪ No other forums for customer consultation have been established by the RIA;</li> <li>▪ The approval of the amendments to the Customer Service Charter is contained in the ERA's letter to the RIA dated 30 August 2010;</li> <li>▪ The ERA was not consulted as to the type and extent of customer consultation to be adopted by the RIA; and</li> <li>▪ The ERA did not request the RIA to establish other forums for consultation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The RIA must re-establish sound customer consultation processes in compliance with its licence requirements. The ERA must be consulted with respect to the type and extent of such customer consultation initiatives.</li> </ul>	2
Customer Contracts	Schedule 3 Clause 5		<ul style="list-style-type: none"> <li>▪ PFM has compiled a Work Method Statement entitled 'Alternate Agreements to provision of</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Work Method Statement should be changed to include a stipulation that the relevant</li> </ul>	4

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>Water Services’;</p> <ul style="list-style-type: none"> <li>▪ This document states in its Scope paragraph:                             <p>“This procedure is to be followed in the event the RIA enters into an agreement with a customer that ‘excludes, modifies or restricts’ the terms of the water operating licence.”;</p> </li> <li>▪ The Work Method Statement appears to be adequate for its purposes, except that it does not stipulate that such an agreement must not be amended without the prior approval of the Authority;</li> <li>▪ No agreements were entered into during the audit period with a customer to provide water services that excluded, modified or restricted the terms of the licence;</li> <li>▪ The fact the ERA must approve changes to the relevant agreements prior to its commencement is included in the Work Method Statement;</li> <li>▪ The fact ERA approval is not needed for such agreements if such terms were in force before the commencement of this licence is included in the ‘Work Method Statement’;</li> <li>▪ The fact ERA approval is not needed for such agreements if such terms have previously been approved by the Authority in another agreement that applies to the same class of customer is included in the ‘Work Method Statement’; and</li> <li>▪ A specific reporting procedure is included in the ‘Work Method Statement’.</li> </ul>	<p>agreement must not be amended without the prior approval of the Authority.</p>	
Customer Surveys	Schedule 3 Clause 6		<ul style="list-style-type: none"> <li>▪ No direction was received from the ERA to conduct a customer survey.</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>	N/R
Memorandum of	Clause 9		<ul style="list-style-type: none"> <li>▪ Only a draft version currently exists of the ‘Memorandum of Understanding Between the</li> </ul>	<ul style="list-style-type: none"> <li>▪ The RIA should promptly negotiate an appropriate MoU with the Department of Health. A procedure</li> </ul>	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Understanding			<p><i>Department of Health and Rottneest Island Authority for Drinking Water' (MOU);</i></p> <ul style="list-style-type: none"> <li>▪ The MOU appears to have been drafted in or before March 2009;</li> <li>▪ The ERA specifically amended the RIA's Operating Licence to remove the three month timeframe for the RIA to enter into a MOU with the Department of Health. The new licence is dated 25 August 2010;</li> <li>▪ More specifically Section 9.1 of the '<i>Operating Licence – Licence No 10</i>' stipulates:                      "Where the licensee is, or intends to, provide potable water, the licensee must enter into a MoU with the Department of Health as soon as practicable after the commencement date.";</li> <li>▪ Currently the RIA and PMF are still negotiating with the Department of Health to resolve this issue and another meeting is scheduled between representatives of the parties involved for early in September 2011;</li> <li>▪ The requirement to review the MoU with the Department of Health every three years is included in the RIA's '<i>Utilities Compliance Spreadsheet</i>';</li> <li>▪ The requirement to provide a copy of the MoU to the ERA once approved by the Department of Health is included in the RIA's '<i>Utilities Compliance Spreadsheet</i>'. However, the spreadsheet does not indicate such notification must occur within one month of entering into the MoU;</li> <li>▪ The requirement to provide any amendment of the MoU to the ERA within one month of amendments occurring is included in the RIA's</li> </ul>	<p>manual to cover all the obligations conferred upon the RIA by such a MoU and the Operating Licence should be compiled immediately upon finalisation of the MoU;</p> <ul style="list-style-type: none"> <li>▪ The IRA's '<i>Utilities Compliance Spreadsheet</i>' must be appropriately changed to specify a complete copy of the MoU must be provided to the ERA within one month of entering into it;</li> <li>▪ The IRA's '<i>Utilities Compliance Spreadsheet</i>' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations; and</li> <li>▪ The RIA should publish all Potable Water Quality Reports quarterly on its website, within a reasonable period after expiry of the quarter it relates to.</li> </ul>	

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p><i>'Utilities Compliance Spreadsheet'</i>;</p> <ul style="list-style-type: none"> <li>▪ The requirement to have an audit conducted by the Department of Health once every three years and the provision of the audit report to the ERA is contained in a note to the RIA's <i>'Utilities Compliance Spreadsheet'</i>;</li> <li>▪ The requirement to publish the text and schedules of the MoU and any amendments thereto within one month of entering into the MoU or of making amendments thereto is included in a note to the RIA's <i>'Utilities Compliance Spreadsheet'</i>;</li> <li>▪ The requirement to publish the audit report on the licensee's website within one month of the completion of the audit is included in a note to the RIA's <i>'Utilities Compliance Spreadsheet'</i>;</li> <li>▪ The requirement to publish 'Quarterly Water Quality Reports' is included in the RIA's <i>'Utilities Compliance Spreadsheet'</i>;</li> <li>▪ Audit sighted compiled copies of the RIA's <i>'Quarterly Drinking Water Reports to the Department of Health'</i> across all eight quarters of the audit period. However, the quarterly reports for the quarters: <ul style="list-style-type: none"> <li>▪ October to December 2010; and</li> <li>▪ April to June 2011.</li> </ul> could not be found on the RIA's website. </li> </ul>		
Transfer of Licence	Clause 10		<ul style="list-style-type: none"> <li>▪ The licence was not transferred during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R
Cancellation of Licence	Clause 11		<ul style="list-style-type: none"> <li>▪ The licence was not cancelled during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R
Surrender of Licence	Clause 12		<ul style="list-style-type: none"> <li>▪ The licence was not surrendered during the audit period.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R
Renewal of Licence	Clause 13		<ul style="list-style-type: none"> <li>▪ The licences for potable water supply services, sewerage services and drainage all commenced on 14 December 1996; and</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<ul style="list-style-type: none"> <li>All 3 the licences expire on 14 December 2023 in terms of Version 'OL5' of 'Operating Licence 10', which is dated 25 August 2010.</li> </ul>		
Amendment of Licence	Clause 14		<ul style="list-style-type: none"> <li>The operating licence was amended during the audit period;</li> <li>Version 'OL5' of 'Operating Licence 10' was issued and is dated 25 August 2010; and</li> <li>The purpose of the amendment to the Operating Licence was to remove the three month timeframe for Rottnest Island Authority to enter into a memorandum of Understanding with the Department of Health.</li> </ul>	N/R	N/R
Accounting Records	Clause 15		<ul style="list-style-type: none"> <li>The RIA is subject to the Financial Management Act 2006 and to the Auditor General Act 2006 [RIA Act 1987, sec. 40];</li> <li>RIA uses Exonet accounting software to maintain its accounting records;</li> <li>Accounting records are maintained by the Finance area who reports to a CFO;</li> <li>An annual audit is conducted by the Auditor-General on the financial statements of the RIA. The Auditor-General expressed an unqualified audit opinion for the 2009 – 2010 financial year; and</li> <li>The Auditor-General in his audit opinion stated:               <p style="margin-left: 40px;">“The financial statements are based upon proper accounts and present fairly the financial position of the Rottnest Island Authority at 30 June 2010 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards and the Treasurer’s Instructions.</p> </li> </ul>	N/R	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Operational Audit	Clause 16		<ul style="list-style-type: none"> <li>▪ The previous operational audit was conducted for the year 1 July 2008 to 30 June 2009;</li> <li>▪ The current audit covers the period 1 July 2009 to 30 June 2011;</li> <li>▪ The Audit Plan includes:               <ul style="list-style-type: none"> <li>▪ Audit objectives and scope (par. 2.1);</li> <li>▪ Proposed audit approach (par.4.1); and</li> <li>▪ Audit reporting (par 4.3).</li> </ul> </li> <li>▪ The approval of the audit plan for both the operational audit and the asset management system review is contained in the ERA's letter to the RIA dated 8 August 2011;</li> <li>▪ The approval of the appointment of the Paxon Group to conduct the Operational Audit is included in the ERA's letter to the RIA dated 7 July 2011;</li> <li>▪ The audit fieldwork only commenced on 31 August 2011; and</li> <li>▪ The requirement to have an Operational Audit undertaken and to have the auditor approved by the ERA prior to engagement is included in the 'Utilities Compliance Spreadsheet'.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	5
Asset Management System	Clause 17		<ul style="list-style-type: none"> <li>▪ The RIA has a comprehensive AMS, which is run under contract by PFM;</li> <li>▪ PFM's plan to manage asset service delivery, asset risk and life cycle replacement of the assets within their control and responsibility at Rottnest Island is documented in the '2010 Asset Management Plan for the Rottnest Island Authority';</li> <li>▪ PFM accounts for all assets with Maximo (Asset management system software), which was introduced in June 2010;</li> <li>▪ The Asset Management Plan must be updated</li> </ul>	<ul style="list-style-type: none"> <li>▪ The RIA's 'Utilities Compliance Spreadsheet' should be updated to disclose the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days; and</li> <li>▪ The PFM should update its 'Notification of Asset Management System Changes Review Procedure' appropriately to refer to the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days.</li> </ul>	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>and presented to the RIA annually in terms of the <i>'Rottnest Island Facilities, Operations and Utilities Management Agreement'</i>;</p> <ul style="list-style-type: none"> <li>▪ The RIA <i>'Utilities Compliance Spreadsheet'</i> states:               <ul style="list-style-type: none"> <li>▪ an annual internal review of the Asset Management System must be performed every year in January; and</li> <li>▪ the ERA must be informed of changes to the AMS.</li> </ul> </li> <li>▪ PFM has compiled a <i>'Notification of Asset Management System Changes Review Procedure'</i>;</li> <li>▪ Maximo was implemented during the audit period, and is operating concurrently with the previous system (Navision). The RIA informed the ERA accordingly;</li> <li>▪ Audit noted the licence condition to notify the ERA of any material change to the asset management system within 10 business days of such change is not indicated in the RIA's <i>'Utilities Compliance Spreadsheet'</i>;</li> <li>▪ The PFM Review Procedure states:               <p style="margin-left: 40px;">"Programmed FM Compliance &amp; Utilities Manager to notify the Rottnest Island Authority of any changes to the Asset Management System. Rottnest Island Authority to pass this information onto the Economic Regulatory Authority";</p> </li> <li>▪ Audit noted the licence condition to notify the ERA of any material change to the asset management system within 10 business days of such change is not indicated in the PFM's <i>'Notification of Asset Management System Changes Review Procedure'</i>. This creates the risk PFM may be late in informing the RIA of significant changes to the asset management system with resulting non-</li> </ul>		



Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>compliance by the RIA with this licence condition;</p> <ul style="list-style-type: none"> <li>▪ The Asset Management System Review (AMSR) is currently being undertaken;</li> <li>▪ The previous asset management system review was conducted for the year 1 July 2008 to 30 June 2009;</li> <li>▪ The current review covers the period 1 July 2009 to 30 June 2011;</li> <li>▪ The RIA's 'Audit Plan Operational Audit and Asset Management Review', dated 25 August 2011, discloses compliance requirements to be adhered to by the auditors;</li> <li>▪ The Audit Plan includes:               <ul style="list-style-type: none"> <li>▪ Audit objectives and scope (par. 2.2);</li> <li>▪ Proposed audit approach (par 4.2); and</li> <li>▪ Audit reporting (par 4.3).</li> </ul> </li> <li>▪ The approval of the audit plan for both the operational audit and the asset management system review is contained in the ERA's letter to the RIA dated 8 August 2011;</li> <li>▪ The approval of the appointment of Barry Robbins Consulting to conduct the review is included in the ERA's letter to the RIA dated 5 August 2011; and</li> <li>▪ The requirement to have an Asset Management System review undertaken and to have the reviewer approved by the ERA prior to engagement is included in the 'Utilities Compliance Spreadsheet'.</li> </ul>		
Reporting	Clause 18		<ul style="list-style-type: none"> <li>▪ The RIA was not under external administration during the audit period; and</li> <li>▪ No significant change occurred in the financial or technical circumstances of the RIA during the audit period.</li> </ul>	N/R	N/R

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Individual Performance Standards	Clause 19		<ul style="list-style-type: none"> <li>No individual performance standards are prescribed for the RIA by the ERA.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	N/R
Service and Performance Standards	Clause 20 & Schedule 4		<p><b>Customer Service Standards – Emergency Response</b></p> <ul style="list-style-type: none"> <li>100% of customers were, within one hour of reporting an emergency, advised of the nature and timing of the action to be undertaken by the licensee during the 2010 – 2011 year as reported in the ‘Water Compliance Datasheet’; and</li> <li>100% of customers were, within one hour of reporting an emergency, advised of the nature and timing of the action to be undertaken by the licensee during the 2009 – 2010 year as reported in the ‘Water Compliance Datasheet’.</li> </ul> <p><b>Customer Service Standards – Customer Complaints</b></p> <ul style="list-style-type: none"> <li>No customer complaints were recorded during the 2010 – 2011 year in the ‘Water Compliance Datasheet’;</li> <li>No customer complaints were recorded during the 2009 – 2010 year in the ‘Water Compliance Datasheet’;</li> <li>The last reported complaint in the register was dated 30 June 2009; and</li> <li>However, the RIA has provided three complaints that were raised during the 2010 – 2011 year. Replies to two of these complaints were also provided. Notwithstanding, these complaints were not recorded in the complaints register.</li> </ul> <p><b>Potable Water Supply – Pressure and Flow</b></p> <ul style="list-style-type: none"> <li>97.6% of connected properties were supplied at a pressure and flow that meet the standard set out in the licence during the 2010 – 2011 year as reported in the ‘Water Compliance Datasheet’;</li> </ul>	<ul style="list-style-type: none"> <li>All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. As complaints can be directly lodged with either the RIA or PFM, the parties should setup a proper procedure to ensure the capture of all complaints in the complaints register; and</li> <li>Desk audits of the sewerage scheme should be performed on an annual basis and the result thereof should be included in the Annual Performance Report forwarded to the ERA.</li> </ul>	4

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>and</p> <ul style="list-style-type: none"> <li>▪ 100% of connected properties were supplied at a pressure and flow that meet the standard set out in the licence during the 2009 – 2010 year as reported in the 'Water Compliance Datasheet'.</li> </ul> <p><b>Potable Water Supply - Continuity</b></p> <ul style="list-style-type: none"> <li>▪ 98.8% of connected properties did not experience an interruption to water supply exceeding one hour in duration during the 2010 – 2011 year as reported in the 'Water Compliance Datasheet';</li> <li>▪ No water main breaks were reported for the 2010 – 2011 year in the 'Water Compliance Datasheet';</li> <li>▪ 100% of connected properties did not experience an interruption to water supply exceeding one hour in duration during the 2009 – 2010 year as reported in the 'Water Compliance Datasheet'; and</li> <li>▪ No water main breaks were reported for the 2009 – 2010 year in the 'Water Compliance Datasheet'.</li> </ul> <p><b>Sewerage Services</b></p> <ul style="list-style-type: none"> <li>▪ No sewerage breaks and chokes were reported during the 2010 – 2011 year as reported in the 'Water Compliance Datasheet';</li> <li>▪ No wastewater overflows were recorded during the 2010 – 2011 year as reported in the 'Water Compliance Datasheet';</li> <li>▪ Only two sewer breaks and chokes were reported out of 351 sewerage connected properties for the 2009 – 2010 year as reported in the 'Water Compliance Datasheet';</li> <li>▪ This equates to only 1 break per 3 km and is thus below the standard of 1 break per 2.5 km as set;</li> </ul>		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> <li>▪ Only two connected properties experienced a wastewater overflow for the 2009 -2010 year as reported in the 'Water Compliance Datasheet'; and</li> <li>▪ This equates to only 0.56% of sewerage connected properties.</li> </ul> <p><b>Drainage Services</b></p> <ul style="list-style-type: none"> <li>▪ No annual desk audits of the drainage scheme have been performed in respect of either the 2009 – 2010 nor the 2010 – 2011 year.</li> </ul>			
Provision of any Information to the Authority	Clause 21	<ul style="list-style-type: none"> <li>▪ PFM are responsible to satisfy all legislative requirements that may in any way affect or be applicable to the performance and delivery of services on Rottnest Island in terms of the 'Rottnest Island Facilities, Operations and Utilities Management Agreement';</li> <li>▪ The Annual Water Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 12 August 2010;</li> <li>▪ This letter stated: "Failure to provide the performance report by the due date is a non-compliance with Schedule 5, clause 2.1 of the RIA's licence, and this item should be included in the compliance report for the year ending 30 June 2011";</li> <li>▪ However, the unsigned copy of the 2011 Compliance Report presented for audit does not disclose the fact the Performance Report for the year ended 30 June 2010 was submitted late to the ERA;</li> <li>▪ The Annual Water Compliance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 22</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the annual Compliance Report forwarded to the ERA;</li> <li>▪ The RIA's 'Utilities Compliance Spreadsheet' should be continuously updated to disclose current compliance requirements and dates therefore. A specific person must be allocated responsibility for this task; and</li> <li>▪ Responsibility for compliance with the operating licence provided by the ERA to RIA, and in particular reporting requirements contained therein, should also be allocated to a specific person who should pro-actively pursue it.</li> </ul>	2	

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>September 2010;</p> <ul style="list-style-type: none"> <li>▪ This letter stated: “The due date for the annual compliance report was 31 August 2010. Failure to provide the compliance report to the Authority by the due date is a non-compliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011;</li> <li>▪ The late submission of the Compliance Report for the year ended 30 June 2010 was included in the unsigned copy of the 2011 Compliance Report presented for audit; and</li> <li>▪ Submission dates for the Annual Performance Report and Annual Compliance Report are included in the RIA’s <i>‘Utilities Compliance Spreadsheet’</i>.</li> </ul>		
<p>Information Requirements (Reporting) – Benchmarking and Performance Monitoring Information</p>	<p>Clause 21.2 &amp; Schedule 5</p>		<ul style="list-style-type: none"> <li>▪ The RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June as stipulated in the <i>‘Water Compliance Reporting Manual’</i> issued by the ERA (licensees who are not subject to the Urban Framework or the Rural Framework);</li> <li>▪ The Annual Water Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the RIA dated 12 August 2010;</li> <li>▪ This letter stated: “Failure to provide the performance report by the due date is a non-compliance with Schedule 5, clause 2.1 of the RIA’s licence, and this item should be included in the compliance report for the year ending 30 June 2011”;</li> <li>▪ However, the unsigned copy of the 2011 Compliance Report presented for audit does not disclose the fact the Performance Report for the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the annual Compliance Report forwarded to the ERA;</li> <li>▪ The RIA’s <i>‘Utilities Compliance Spreadsheet’</i> should be continuously updated to disclose current compliance requirements and dates therefore. A specific person must be allocated responsibility for this task;</li> <li>▪ Responsibility for compliance with the operating licence provided by the ERA to RIA, and in particular reporting requirements contained therein, should also be allocated to a specific person who should pro-actively pursue it;</li> <li>▪ The <i>‘Work Method Statement’</i> should be appropriately changed to indicate the RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June; and</li> <li>▪ The PFM should record a set of complimentary</li> </ul>	<p>2</p>

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in place at RIA to ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
			<p>year ended 30 June 2010 was submitted late to the ERA;</p> <ul style="list-style-type: none"> <li>▪ A submission dates for the Annual Performance Report is included in the RIA's 'Utilities Compliance Spreadsheet'. However, audit noted the spreadsheet was last updated in June 2009;</li> <li>▪ PFM has compiled a '<i>Information Reporting Requirements – Work Method Statement</i>';</li> <li>▪ This document states in its Scope paragraph: <ul style="list-style-type: none"> <li>“This procedure is to be followed in the occurrence of any overflows from sewerage services, disruption of water services to customers for a consecutive period exceeding 24 hours, any incident relating to water services that has been reported to another authority and to provide data required for performance monitoring purposes by October 31st each year.”;</li> </ul> </li> <li>▪ The reporting deadline of 31 October for performance reporting purposes, as stated in the '<i>Work Method Statement</i>' is thus in agreement with the Operating Licence but not with the '<i>Water Compliance Reporting Manual</i>' issued by the ERA;</li> <li>▪ Table 6 to the Asset Management Plan 2010 discloses 'Specific Licence and Compliance Anniversaries Scheduled with Maximo (effective December 2010)'; and</li> <li>▪ However, this table does not contain any reference to the ERA reporting deadlines.</li> </ul>	<p>deadlines for the forward of ERA required information to the RIA. These deadlines must accommodate any further processing needed of such information by the RIA prior to submission thereof to the ERA.</p>	
Publishing Information	Clause 22		<ul style="list-style-type: none"> <li>▪ The RIA did not receive any direction from the ERA to publish any information beyond the Annual Performance Report and the Annual Compliance Report. .</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	N/R

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Notices	Clause 23		<ul style="list-style-type: none"> <li>All notices issued during the audit period were in writing.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	5
Review of Authority's Decisions	Clause 24		<ul style="list-style-type: none"> <li>No review was sought during the audit period of any reviewable decisions.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	N/R
Obligations to Customer: Availability and Connection of Services	Schedule 6		<ul style="list-style-type: none"> <li>The RIA's '<i>Operation of Water Services Customer Charter 2010</i>' discloses conditions for connection (section 4.8);</li> <li>Audit sighted a copy of the Customer Charter (2010 edition) on the website;</li> <li>Audit sighted a copy of the Customer Charter (2010 edition) displayed at the entrance to the RIA offices on Rottnest Island;</li> <li>Customers are provided with a copy of the Customer Charter upon request, and at no charge, to the customer;</li> <li>No requests for connection were refused during the audit period; and</li> <li>The RIA's '<i>Operation of Water Services Customer Charter 2010</i>' does not address the discontinuance of a service to a property where the servicing of the property is not commercially viable.</li> </ul>	<ul style="list-style-type: none"> <li>The RIA's '<i>Operation of Water Services Customer Charter 2010</i>' should be amended to include a provision relating to the discontinuance of a service to a property where the servicing of the property is not commercially viable.</li> </ul>	4

# 3

## Asset Management Review

### 3.1 Introduction

Rottneest Island, one of Western Australia's premier recreation and holiday areas, is situated some 15 km to the west of Fremantle. The island is a Class A reserve administered by the Rottneest Island Authority (RIA) on behalf of the West Australian Government. The island receives approximately half a million visitors annually – made up of day trippers and holiday makers who are accommodated at three separate settlements and camping areas.

Potable Water and Wastewater services are provided by RIA – under Water Services Operating Licence No. 10, Version OL5, dated 25<sup>th</sup> August 2010 – issued by the Economic Regulation Authority (ERA).

Potable water is sourced from a fresh water bore field and mixed with water sourced from salt water bores - following desalination at a reverse osmosis treatment plant. The resulting “shandy” of fresh and desalinated water is stored and reticulated to the settlements.

A system of reticulation sewers and pumping stations collects and conveys waste water to a wastewater treatment plant utilising a batch activated sludge treatment process. Treated effluent from the plant is disposed of to two evaporation/soakage basins adjacent to the plant. A small quantity of the effluent is disinfected and used to irrigate the sporting area. Sludge from the treatment process is dewatered and transported to the mainland for disposal.

Executive responsibility for the island's water services rests with the Authority's CEO. The services are managed, operated and maintained under an alliance type contract – *'Rottneest Island Facilities, Operations and Utilities Management Agreement'* 2007 – (the FOU Agreement) between RIA and Tungston Group Pty Limited.

Subsequent to the agreement, Tungston Group was taken over by 'Programmed Facility Management' (PFM), who's management and field staff on the island now undertake the management, operation and maintenance of the water services as set out in the FOU agreement.

Results of daily checks, details of maintenance undertaken, sampling, recording and reporting are recorded on the Maximo software *'Computerised Maintenance Management System'* (CMMS). Results are signed off by appropriate PFM managers and relevant details provided to RIA's FOU Liaison Officer - for information and/or action as appropriate.

### 3.2 Objectives and Scope

The *Water Services Licensing Act 1995* requires that the RIA provide for and maintain an asset management system. The system should set out the processes to be taken by RIA to ensure the proper planning, operation,



financing, maintenance, repair and renewal of its assets and for monitoring of its water services.

*The Act* requires the RIA to provide the ERA with a report by an independent expert on the effectiveness of the system.

Such a review provides ERA with an independent opinion on whether or not the Authority has in place appropriate systems for the planning, construction, operation and maintenance of its water services assets

The review therefore examined:

- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and action records, registers of the location, condition, age etc of assets;
- The extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented as contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods, overflow storage etc;
- The existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subject to regular internal review; with systems in place to ensure that plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system;
- The RIA's response to the recommendations made in previous reviews; and
- The review also identifies any aspects of the asset management system, which are considered to require correction, amendment, or improvement.

### 3.3 Key Documents Inspected During the Audit and Review

- ERA Licence No. 10 – Rottneest Island - Water Services Operating Licence, dated 25<sup>th</sup> August 2010;
- GHD Consulting Engineers – Rottneest Island Authority, Report for Master Plan Utility Services 2007 – Part A Water Supply and Waste Water Services;
- Rottneest Island Management Plan 2009- 2014,
- RIA – Rottneest Island Strategic Development Plan 2011 – 2016 (Draft);
- Rottneest Island Facilities, Operations and Utilities Management Agreement – Rottneest Island Authority (RIA) and Tungston Group Pty Ltd - September 2007;
- PFM – Operating Procedures for Rottneest Island Computerised Maintenance System (CMMS) – March 2011;
- Rottneest Island Authority / PFM – 2010 Asset Management Plan (January 2011);
- PFM – Electronic Asset Register - January 2011;

- PFM – Asset Risk Mitigation Plan – February 2011;
- PFM – Life Cycle Cost Model (summary);
- PFM – Life Cycle Cost Model (detail);
- PFM – Capital Works Project Master List (in preparation September 2011);
- PFM – Safety Management System – February 2007;
- PFM – Equipment Modification and Registration forms for CMMS;
- Programmed Facility Management (PFM) Monitoring Plan - Groundwater Abstraction (Draft August 2011);
- PFM Staff Organization Chart;
- Approved Project Status (Draft) – 2009/10 and 2010/2011;
- Rottnest Island Authority / PFM – 2010 Asset Management Plan (Draft);
- PFM – Water Services Recovery – Contingency Plans;
- SGS Monthly Chemical Analysis Reports for Rottnest Island Potable Water – for the months of March to July 2011;
- CHS Monthly Chemical Analysis Register for Rottnest Island WWTP Treated Effluent – for the months of December 2010 to August 2011;
- PFM – Weekly Maintenance Check List – WWTP Chlorinator;
- PFM – Hydraulic Services Weekly Log sheets (Potable Water) for storage tanks, water testing pH, temperature, salinity, pump operating hours;
- PFM – Production Bore Log Sheet;
- PFM – Staff Training Matrix;
- PFM - Operating Recording Procedures including: WWTP – Sampling & Recording Effluent, Belt Press Operation, daily & weekly routine maintenance, checking, recording data,
- Sewage Pump Stations – Pump operation and hours run,
- PFM – Daily & Weekly log sheets – RO plant,
- RIA Works Flow Chart;
- RIA Initial Business Case proforma;
- RIA Request for Capital Works Capital Expenditure;
- RIA Development Application proforma; and
- RIA Development Planning Policy.

### 3.4 Time Period Covered in Audit

The audit covered the period from 1 July 2009 to 30 June 2011. The previous audit covered the period from 1 July 2008 to 30 June 2009.

### 3.5 Time Period of Audit

The audit was conducted from 31 August 2011 to 30 September.

### 3.6 Licensee's Representatives

Rottnest Island Authority primary contacts are as follows:

Staff	Position
Ms D Kerr	RIA - Manager Facilities, Operations and Utilities
Mr R Smithson	RIA – Project Group
Mr O'Beerli	RIA – Chief Financial Officer
Mr R Warby	Senior Contract Manager, Programmed Facility Management
Mr R Benson	Compliance & Utilities Manager, Programmed Facility Management
Ms F Ross	CMMS & Administration Manager, Programmed Facility Management
Ms M Gripton	CMMS & Accounts, Programmed Facility Management

### 3.7 Post Review Implementation Plan

The Post Review Implementation Plan was developed by the RIA and as such does not form part of the auditor's opinion.

### 3.8 Licensees Response to Previous Audit Recommendations

Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Creation and Acquisition		<ul style="list-style-type: none"> <li>The Asset Management plan should be updated to include a section on asset acquisition/creation outlining the asset acquisition policy that is followed; and</li> <li>The Asset Management Plan should be updated to explicitly list commissioning test requirements for new assets and to provide a reference to the Tungsten 'Commissioning Testing Procedure' procedure/guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>The Asset Management Plan is updated to include the suggested recommendations; and</li> <li>Reviewer agrees with RIA Project Officer that this requirement should be waived as it implies a generic statement that is not practical due to the wide variety of assets and purposes involved. Specific commissioning tests and operator training requirements are a normal aspect of contract conditions.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	Resolved
Asset Disposal		The Asset Management should be updated to include a section on asset disposal outlining the disposal policy that is followed.	<ul style="list-style-type: none"> <li>The Asset Management Plan is updated to include the suggested recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	Resolved
Asset Operations		<ul style="list-style-type: none"> <li>The RIA should consider conducting a formal training needs analysis for all roles. At present a record of the training undertaken by each staff member is recorded in a training register along with the need for any refresher training, However this document does not specifically assess any additional training that may be required for each staff member during the upcoming year.</li> </ul>	<ul style="list-style-type: none"> <li>A significant training framework of areas, intervals for re-training and records for all PFM staff is being developed.</li> </ul>	<ul style="list-style-type: none"> <li>The new training program should include specific training commensurate with individual responsibilities; and be developed and implemented as a priority issue; and</li> <li>In particular, preparation of operating instructions training in the operation of both the water treatment systems should be implemented ASAP for at least two field operators – to avoid a lack of process operation expertise if one operator is unavailable to address operational problems. Training should also include knowledge of the contents and availability of the Health &amp; Safety Plan.</li> </ul>	Unresolved
Asset Maintenance		<ul style="list-style-type: none"> <li>At present when a task is completed the 'Due By' date is deleted and replaced with the text 'Complete'. This makes it impossible to determine if the task was completed on schedule or not. It is recommended that a separate column 'Date Completed' be added to the <i>Risk Management Treatment Plan</i>. This will clearly show if tasks are completed</li> </ul>	<ul style="list-style-type: none"> <li>In the MAXIMO cmms (Centralised Maintenance Management System) now being used by PFM for maintenance management.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	Resolved

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Licence Reference	Condition	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
		ahead, on or behind schedule.			

### 3.9 Summary of Issues and Recommendations

Key Process	Issue	Recommendations	Post Implementation Plan	Review Date	Person Responsible / of Implementation
Asset operations	<ul style="list-style-type: none"> <li>There are no detailed instructions for the operation of the Potable Water and Wastewater treatment plants;</li> <li>Procedures are well documented for daily / weekly inspections of assets, recording operating data, sampling, noting asset function abnormalities and reporting - both verbally and formally via PFM management into the Maximo system. The extent to which field staff are aware, or are in possession of, such procedures is not recorded;</li> <li>A comprehensive Asset Register is in place. Details of asset purpose, location, maintenance, age and remaining life are recorded;</li> <li>A comprehensive Health and Safety Plan has been prepared and is "available" to staff; and</li> <li>Staff training syllabus and records are out of date in terms of staff names and training records. Training is limited to basic site safety matters. Reviewer sighted the framework for a comprehensive training program presently being developed and documented.</li> </ul>	<ul style="list-style-type: none"> <li>Separate procedural documents with adequate levels of detail should be compiled for the potable water and wastewater treatment plants.</li> <li>The new training program should include specific training commensurate with individual responsibilities; and be developed and implemented as a priority issue; and</li> <li>In particular, preparation of operating instructions training in the operation of both the water treatment systems should be implemented ASAP for at least two field operators – to avoid a lack of process operation expertise if one operator is unavailable to address operational problems. Training should also include knowledge of the contents and availability of the Health &amp; Safety Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Separate procedure documents will be compiled for the potable water and wastewater treatment plants;</li> <li>Training package to be developed and implemented as recommended; and</li> <li>Ensure 2 operators are fully trained and detailed on training register.</li> </ul>		PFM Compliance & Utilities Mgr / January 2012
Asset maintenance	<ul style="list-style-type: none"> <li>The maintenance plans/ system are well organised and documented using the "Maximo" Centralised Maintenance Management System (CMMS) software. This system generates Planned Preventive Maintenance orders which are printed as hard copy work orders for field staff - which then carry out the work. The task is signed off by the field staff and given to the administrator who enters it into Maximo;</li> <li>A print out of the record of maintenance is signed off</li> </ul>	<ul style="list-style-type: none"> <li>PFM has only a limited number of drawings – mainly locality plans of pipelines, pumping stations, tanks etc. There appears no general arrangement or "as constructed" drawings of treatment facilities, pumping stations, tanks or bores – all of which are considered essential for training, operations design of extensions and fault assessment. Reviewer understands that RIA has both hard and electronic copies of all drawings in addition to some supplier manuals. A relevant selection of these drawings</li> </ul>	<ul style="list-style-type: none"> <li>Copies of required drawings and plans to be obtained from RIA;</li> <li>List of critical spares to be developed and costed for capex funding and any purchases to be tracked on stock</li> </ul>		PFM Compliance & Utilities Mgr / January 2012

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
	<p>by the appropriate manager and the copy filed;</p> <ul style="list-style-type: none"> <li>Unplanned maintenance resulting from asset failure or maintenance additional to a PPM is similarly entered into Maximo to maintain the record for each asset;</li> <li>Maintenance plans are based on risk assessments and preventive maintenance procedures resulting from earlier risk analysis; and</li> <li>Non-chargeable costs (and chargeable costs of maintenance not included in the FOU agreement) are assessed from time sheets and supplier invoices.</li> </ul>	<p>should be copied to PFM;</p> <ul style="list-style-type: none"> <li>Only a small number of spare parts are kept – as most spares are generally available at short notice from the mainland. There is no spare parts register, or procedure for ordering/maintaining a stock of spares; and</li> <li>Reviewer noted that one of the dual trains of the potable water treatment plant was recently closed down for some twelve months due a lack of critical spares. During this period, potable water supply was maintained by excessive pumping of the potable water bore field. Unofficial comment to Reviewer was that critical spares are too expensive to hold.</li> <li>RIA review the competing aspects of risk and financial cost associated with holding critical and/or long delivery spares for potable and waste water systems.</li> <li>A spare part register should be implemented which discloses at least a description, quantity and location of spare parts. This register should be updated on a perpetual basis.</li> <li>Procedures for ordering and maintaining of sufficient stock of spare parts should be compiled.</li> </ul>	<p>inventory register;</p> <ul style="list-style-type: none"> <li>A spare parts register will be implemented; and</li> <li>Procedures for ordering and maintaining sufficient stock of spare parts will be compiled.</li> </ul>	<p>PFM Compliance &amp; Utilities Mgr / January 2012</p>
Review of AMS	<ul style="list-style-type: none"> <li>The Asset Management Plan is reviewed and produced annually by PFM as part of its FOU agreement with RIA. By implication the Risk Management plan is reviewed – and ongoing input to the Maximo CMMS automatically updates the maintenance plan and asset register;</li> <li>Contingency Plan was reviewed in August 2011;</li> <li>Testing procedures documentation was last reviewed in 2009;</li> <li>Risk Management Plan reviewed 2011; and</li> </ul>	<ul style="list-style-type: none"> <li>Each set of procedures, policy documents making up the Asset Management System should be reviewed for currency and accuracy on a regular basis – not exceeding say two years. Each document should record the latest review date and any amendments made and are signed off by the reviewer.</li> </ul>	<ul style="list-style-type: none"> <li>Review of procedure/policy documents to be undertaken as recommended.</li> </ul>	<p>PFM Compliance &amp; Utilities Mgr / January 2012</p>

Key Process	Issue	Recommendations	Post Implementation Review Plan	Person Responsible / Date of Implementation
	<ul style="list-style-type: none"> <li>▪ Health &amp; Safety Plan - verified as current - but undated.</li> </ul>			



### 3.10 Asset Management Process and Policy Definition Adequacy Ratings

The effectiveness ratings assigned to each aspect of the review are set out in the following two Tables - taken from ERA's 'Audit Guidelines: Electricity, Gas and Water Licences – August 2010'

#### Asset Management Process and Policy Definition Adequacy Ratings

ERA Guidelines Table No. 5

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> <li>▪ Processes and policies are documented.</li> <li>▪ Processes and policies adequately document the required performance of the assets.</li> <li>▪ Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>▪ The asset management information system(s) are adequate in relation to the assets that are being managed.</li> </ul>
B	Requires some improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation requires improvement.</li> <li>▪ Processes and policies do not adequately document the required performance of the assets.</li> <li>▪ Reviews of processes and policies are not conducted regularly enough.</li> <li>▪ The asset management information (s) requires minor improvements (taking into consideration the assets that are being managed).</li> </ul>
C	Requires significant improvement	<ul style="list-style-type: none"> <li>▪ Process and policy documentation is incomplete or requires significant improvement.</li> <li>▪ Processes and policies do not document the required performance of the assets.</li> <li>▪ Processes and policies are significantly out of date.</li> <li>▪ The asset management information system(s) requires significant improvements (taking into consideration the assets that are being managed).</li> </ul>
D	Inadequate	<ul style="list-style-type: none"> <li>▪ Processes and policies are not documented.</li> <li>▪ The asset management information system (s) is not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>

**Asset Management Performance Ratings**  
**ERA Guidelines Table No. 6**

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> <li>▪ The performance of the process meets or exceeds the required levels of performance.</li> <li>▪ Process effectiveness is regularly assessed and corrective action taken where necessary.</li> </ul>
2	Opportunity for improvement	<ul style="list-style-type: none"> <li>▪ The performance of the process requires some improvement to meet the required level.</li> <li>▪ Process effectiveness reviews are not performed regularly enough.</li> <li>▪ Process improvement opportunities are not actioned.</li> </ul>
3	Corrective action required	<ul style="list-style-type: none"> <li>▪ The performance of the process requires significant improvement to meet the required level.</li> <li>▪ Process effectiveness reviews are performed irregularly, or not at all.</li> <li>▪ Process improvement opportunities are not actioned.</li> </ul>
4	Serious action required	<ul style="list-style-type: none"> <li>▪ Process is not performed, or the performance is so poor that the process is considered to be ineffective.</li> </ul>

### 3.10.1 Asset Management Effectiveness Summary

<b>Asset Management System</b>	<b>Asset Management Process &amp; Policy Definition Adequacy Rating</b>	<b>Asset Management Performance Rating</b>
<b>Asset Planning</b>	A	1
<b>Asset creation / acquisition</b>	A	1
<b>Asset Disposal</b>	B	1
<b>Environmental Analysis</b>	A	1
<b>Asset Operations</b>	B	2
<b>Asset Maintenance</b>	B	1
<b>Asset Management Information System</b>	A	1
<b>Risk Management</b>	A	1
<b>Contingency Planning</b>	A	1
<b>Financial Planning</b>	A	1
<b>Capital Expenditure Planning</b>	A	1
<b>Review of Asset Management Plan</b>	B	2

### 3.11 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset planning	<ul style="list-style-type: none"> <li>▪ Current detailed Asset Planning commenced in 2007 with preparation of the 'Report for Master Plan Utility Services –Part A - Water Supply and Wastewater Service' which considered existing and future demands, existing water services infrastructure and the general nature and timing of future replacements / upgrades;</li> <li>▪ In 2007, the <i>Facility Operation and Utility Management (FOU) Agreement</i> was made between RIA and Tungston Group (since acquired by Programmed Facility Management (PFM)) for an alliance type management and maintenance of specific RIA's assets including water services. The agreement sets a range of responsibilities and service levels and a basis for determining Key Performance Indicators as a measure of performance and remuneration levels;</li> <li>▪ The <i>Rottnest Island Management Plan (RIMP) 2009 – 2014</i> was gazetted in 2009. The RIMP summarised the policies, major initiatives and operations for the Management of Rottnest Island for the period 2009-2014;</li> <li>▪ In accordance with its obligations under the FOU agreement PFM produced Asset Management Plans (AMPs) for 2009 and 2010. The 2011 AMP (currently being prepared) was sighted;</li> <li>▪ The Rottnest Island Strategic Development Plan (SDP) 2011-2016. is also currently being prepared. The SDP is consistent with the RIMP 2009-2014 and addresses the corporate management and governance initiatives necessary to implement the</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	A	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>RIMP and achieve business objectives;</p> <ul style="list-style-type: none"> <li>▪ An 'Asset Management Plan' is updated and submitted to RIA annually by PFM. – and in effect becomes a preliminary operational/ business plan for the forthcoming year – based on the RIMP .The document outlines PFM advice and cost estimates for asset replacement over the forthcoming 5 year period. The document also considers <i>Asset Risk and Risk Mitigation, Asset Maintenance, Asset Acquisition &amp; Disposal, Life Cycle Replacement of Assets</i>. Separate Appendices detail <i>Asset List, Risk Assessment Mitigation Plans and Consequent Risk, Life Cycle cost Summary and Detail, Training Matrix</i>;</li> <li>▪ The AMP and advice from Consultants and other RIA groups, is used by RIA Works &amp; Contract Services group to assess the merits of capital, upgrading and non-asset works - for prioritising and submission to RIA Financial group for financial prioritisation and budget preparation;</li> <li>▪ The AMP is updated as maintenance, repair and replacement occurs;</li> <li>▪ The 2010 AMP document was reviewed and input to the current (2011) document inspected;</li> <li>▪ Non asset options associated with capital replacement suggestions from PFM are considered by RIA's Project Group in prioritising budget items for immediate and life cycle proposals. Costs estimates are generated annually by PFM specialists or independent consultants to RIA or PFM; and</li> <li>▪ Likelihood and consequences of failure are thoroughly analysed in each annual AMP document.</li> </ul>			
Asset	<ul style="list-style-type: none"> <li>▪ RIA has written policies and procedures for Development Planning and Works (asset creation</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	A	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
creation/acquisition	<p>and acquisition). Acquisition proposals including justification, cost estimates are received from PFM and/or outside consultants. RIA Works &amp; Contracts group reviews proposals, operational and cost options and initiates a business case for financial consideration and subsequent RIA presentation, approval procedures. Procurement guidelines of WA Department of Finance and the Supply Commission are followed, - including contract type, number of tenders and tender period appropriate to project cost;</p> <ul style="list-style-type: none"> <li>▪ Commissioning tests specific to each contract are included in tender/contract documentation and their implementation monitored as part of normal contract management; and</li> <li>▪ Ongoing responsibility for environmental /legal/safety aspects are defined in the FOU Agreement between RIA and PMF.</li> </ul>			
Asset disposal	<ul style="list-style-type: none"> <li>▪ Under-utilised, underperforming, or obsolete asset are identified from observations of test results and key performance indicators, (KPI's) set out in the FOU agreement, field staff reports, and failure reports emanating from PFM, RIA staff, or consultants;</li> <li>▪ PM specialists and/ or outside consultants assess and recommend strategies of asset repair, replacement, or process amendment. RIA Works &amp; Contracts group further investigates possible options of process / asset options including cost minimisation via sale of redundant assets. Given the obvious inconvenience and cost of relocating such assets from the island to the mainland, commercial disposal of assets is frequently unrealistic. However, a case was quoted where a mainland purchaser was prepared to meet the cost of transporting two</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	B	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>surplus buses to the mainland Asset disposal therefore hinges more on retirement of assets and retention of service levels at minimum cost. The AMP has a well-developed documented strategy for short term and long term asset replacement; and</p> <ul style="list-style-type: none"> <li>▪ Asset disposal is undertaken in accordance with State Government guidelines and is subject to strict RIA sign off procedures for approval of asset creation / disposal strategies.</li> </ul>			
Environmental analysis	<ul style="list-style-type: none"> <li>▪ The RIMP notes some of the broader environmental issues and threats, i.e. those associated with over use, climate change etc.;</li> <li>▪ The annual AMP includes a comprehensive review of the operational environment and system threats, their implications, likelihood, and impacts;</li> <li>▪ Licences and relevant agencies are recorded in Schedule 11 of the FOU agreement- Key Performance Indicators are listed in Schedule 14;</li> <li>▪ Asset performance against KPI's of the FOU agreement is reported to RIA at six monthly intervals. Reports of tests required under the Water Services and other licences are provided to RIA at three monthly intervals - for formal advice to ERA, Dept. Health and Dept. of the Environment;</li> <li>▪ Verbal reports are provided at fortnightly FOU management meetings and otherwise as appropriate; and</li> <li>▪ Underperformance of WWTP in summer of 2010/2011 was noted. See comment under- Asset Maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	A	1
Asset operations	<ul style="list-style-type: none"> <li>▪ There are no detailed instructions for the operation of the Potable Water and Wastewater treatment plants;</li> </ul>	<ul style="list-style-type: none"> <li>▪ Separate procedural documents with adequate levels of detail should be compiled for the potable water and wastewater treatment plants;</li> </ul>	B	2

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> <li>▪ Procedures are well documented for daily / weekly inspections of assets, recording operating data, sampling, noting asset function abnormalities and reporting - both verbally and formally via PFM management into the Maximo system. The extent to which field staff are aware, or are in possession of, such procedures is not recorded;</li> <li>▪ A comprehensive Asset Register is in place. Details of asset purpose, location, maintenance, age and remaining life are recorded;</li> <li>▪ A comprehensive Health and Safety Plan has been prepared and is “available” to staff; and</li> <li>▪ Staff training syllabus and records are out of date in terms of staff names and training records. Training is limited to basic site safety matters. Reviewer sighted the framework for a comprehensive training program presently being developed and documented.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The new training program should include specific training commensurate with individual responsibilities; and be developed and implemented as a priority issue; and</li> <li>▪ In particular, preparation of operating instructions training in the operation of both the water treatment systems should be implemented ASAP for at least two field operators – to avoid a lack of process operation expertise if one operator is unavailable to address operational problems. Training should also include knowledge of the contents and availability of the Health &amp; Safety Plan.</li> </ul>		
Asset maintenance	<ul style="list-style-type: none"> <li>▪ The maintenance plans/ system are well organised and documented using the “Maximo” CMMS software. This system generates Planned Preventive Maintenance orders which are printed as hard copy work orders for field staff - which then carry out the work. The task is signed off by the field staff and given to the administrator who enters it into Maximo;</li> <li>▪ A print out of the record of maintenance is signed off by the appropriate manager and the copy filed;</li> <li>▪ Unplanned maintenance resulting from asset failure or maintenance additional to a PPM is similarly entered into Maximo to maintain the record for each asset;</li> <li>▪ Maintenance plans are based on risk assessments and preventive maintenance procedures resulting</li> </ul>	<ul style="list-style-type: none"> <li>▪ PFM has only a limited number of drawings – mainly locality plans of pipelines, pumping stations, tanks etc. There appears no general arrangement or “as constructed” drawings of treatment facilities, pumping stations, tanks or bores – all of which are considered essential for training, operations design of extensions and fault assessment. Reviewer understands that RIA has both hard and electronic copies of all drawings in addition to some supplier manuals. A relevant selection of these drawings should be copied to PFM;</li> <li>▪ Only a small number of spare parts are kept – as most spares are generally available at short notice from the mainland. There is no spare parts register, or procedure for ordering/maintaining a stock of spares; and</li> </ul>	B	1



Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<p>from earlier risk analysis; and</p> <ul style="list-style-type: none"> <li>▪ Non-chargeable costs (and chargeable costs of maintenance not included in the FOU agreement) are assessed from time sheets and supplier invoices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reviewer noted that one of the dual trains of the potable water treatment plant was recently closed down for some twelve months due a lack of critical spares. During this period, potable water supply was maintained by excessive pumping of the potable water bore field. Unofficial comment to Reviewer was that critical spares are too expensive to hold.</li> <li>▪ RIA review the competing aspects of risk and financial cost associated with holding critical and/or long delivery spares for potable and waste water systems.</li> <li>▪ A spare part register should be implemented which discloses at least a description, quantity and location of spare parts. This register should be updated on a perpetual basis.</li> <li>▪ Procedures for ordering and maintaining of sufficient stock of spare parts should be compiled.</li> </ul>		
Asset management information system	<ul style="list-style-type: none"> <li>▪ The asset management system is based on the Maximo asset management software integrated with the asset register;</li> <li>▪ PFM Input and output controls as well as verification procedures are strong;</li> <li>▪ Access to the system is limited to specific managers each of whom has individual password entry;</li> <li>▪ Data is backed-up daily via PFM main computer on the mainland;</li> <li>▪ System output includes licence test results, maintenance summaries, reporting notices for licence and FOU requirements;</li> <li>▪ Management reports are copied to RIA's FPU Contract Officer for record and advice to licencing authority; and.</li> <li>▪ Results are discussed at fortnightly management</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	A	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	meetings of RIA and PFM - minutes examined.			
Risk management	<ul style="list-style-type: none"> <li>The annual AMP contains an exhaustive and well documented risk assessment and associated register;</li> <li>Risk Treatment Plans - mainly associated with maintenance and replacement are fully documented and the reduced risk indicated; and</li> <li>The consequence and risk of asset failure and mitigation strategies are reviewed annually as part of the annual Asset Management Plan preparation.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	A	1
Contingency planning	<ul style="list-style-type: none"> <li>PFM has a detailed set of Contingency Plans for fourteen failure scenarios associated with the water services; and</li> <li>The plans provide sequential procedures for failure assessment and action - including maximum recovery periods in each case. Asset register details are also provided in addition to manufacturer information contact names and telephone numbers.</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	A	1
Financial planning	<ul style="list-style-type: none"> <li>Reviewer discussed the financial planning process with RIA Chief Financial Officer and viewed internal submissions associated with the steps of the process;</li> <li>Prioritised proposals and cost estimates from Works and Contracts and other RIA groups are submitted for financial approval and inclusion / continuation in the budgeted works list over a rolling five year period.;</li> <li>Further prioritisation of all expenditure proposed by all group occurs in order to adjust expenditure to income - consistent with internal orders of priority e.g., public safety expenditure will normally take priority over say, landscaping / aesthetics;</li> </ul>	<ul style="list-style-type: none"> <li>N/R</li> </ul>	A	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
	<ul style="list-style-type: none"> <li>▪ Financial planning includes all overall income and costs estimated to be incurred by RIA;</li> <li>▪ The guidelines of WA Department and State Supply Commission are followed throughout the process; and</li> <li>▪ Apart from input to the annual budget, financial planning involves ongoing monthly monitoring of expenditure and - as appropriate, adjustment of priorities, removal and / or delay of expenditure on projects.</li> </ul>			
Capital expenditure planning	<ul style="list-style-type: none"> <li>▪ RIA Capital Expenditure process flow and some of the associated standard documentation was provided by RIA and the process discussed with an RIA Project Officer and PFM Senior Contract Manager;</li> <li>▪ The process involves identification of suggested capital works scope and estimates by PFM (as part of its annual Asset Management Plan), or others. The works, together with those already in hand as part of a rolling five year program, are then prioritised by RIA Works &amp; Contracts group as Initial Business Plans- and submitted to RIA Finance Group for assessment and financial approval;</li> <li>▪ Approved projects are submitted to internal committees for comment and possible amendment. State government guidelines are followed to determine timing, necessary approvals, contract options, tenderer numbers, etc.;</li> <li>▪ Completed planning for the project is submitted for CEO or relevant manager approval before tendering / evaluation and award processes are completed; and</li> <li>▪ The process (to date) for the current year was demonstrated to reviewer.</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/R</li> </ul>	A	1

Asset Management System	Systems, Processes and Controls in place at the RIA for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Review of AMS	<ul style="list-style-type: none"> <li>▪ The Asset Management Plan is reviewed and produced annually by PFM as part of its FOU agreement with RIA. By implication the Risk Management plan is reviewed – and ongoing input to the Maximo CMMS automatically updates the maintenance plan and asset register;</li> <li>▪ Contingency Plan was reviewed in August 2011;</li> <li>▪ Testing procedures documentation was last reviewed in 2009;</li> <li>▪ Risk Management Plan reviewed 2011; and</li> <li>▪ Health &amp; Safety Plan - verified as current – but undated.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Each set of procedures, policy documents making up the Asset Management System should be reviewed for currency and accuracy on a regular basis – not exceeding say two years. Each document should record the latest review date and any amendments made and are signed off by the reviewer.</li> </ul>	B	2

### 3.12 Conclusions

The Asset Management Review concluded that the Rottneest Island Authority manages its water services assets professionally, methodically and efficiently – and in accordance with its Water Licence and in house key performance criteria

The Asset Management System contains detailed information regarding operations, maintenance, risk analysis, contingency planning etc. Much of this information is in diverse folders of electronic documentation. The material is not readily available to other than those with a detailed knowledge of the folder system. The above, together with a lack of a flow diagram detailing the interaction and tasks performed by RIA and PFM, resulted in additional time being required to undertake the review process.

Similarly, RIA and PFM knowledge of the requirements of the Water Services Licence is adequate. However, a lack of awareness of the specific requirements of ERA's "Guidelines" for the review meant that material necessary for the review was not readily available at the commencement of the review.

Other minor issues associated with the following areas were noted:

- **Asset Operations** - A lack of operating procedures for Potable Water and Wastewater Treatment Plant and a requirement for a broader training regime.
- **Maintenance** - A lack of detailed drawings of treatment plant, bore construction, pumping stations etc. Few spare parts held, no critical spare parts, no list of spare parts or provision for replacement following their use.
- **Review of Asset Management Documents** - While most documents were found to be "up to date" there is no provision for review dates and amendments to be recorded or for "sign-off" by the reviewer.

# 4

## Auditor Information

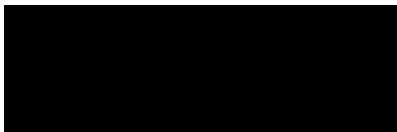
### 4.1 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	15
Anton Prinsloo – Senior Audit Consultant	75
Barry Robbins – Barry Robbins Consulting	40
<b>TOTAL</b>	<b>130</b>

# 5

## Signature of Auditor

To the best of my knowledge, this report is based on true representation of the audit findings and opinions.



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Cameron Palassis  
Director – Audit and Assurance

Paxon Group  
Level 5, 160 St Georges Terrace,  
Perth WA 6000

Date: 11 January 2012