

Asset Management Review and Operational Audit

Audit Report

3603-81

Prepared for
Busselton Water

August 2013



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Executive Summary

General

Busselton Water (BW) holds an Operating Licence which permits it to provide water services and undertake, maintain, and operate any water services works to the township of Busselton. The operating licence was granted by the Economic Regulation Authority (ERA) on 1 October 1996 and subsequently amended on 21 August 2009.

Cardno was commissioned by Busselton Water to undertake an audit of Busselton Water in accordance with Sections 16 and 17 of its Operating Licence, in February 2013. The purpose of the audit was to:

1. Assess Busselton Water's level of compliance against the conditions of its licence (Operational / Licence Audit); and
2. Assess the effectiveness of measures implemented by Busselton Water's for the proper management of assets used in the provision and operation of its services (Asset Management System Review).

This audit report outlines the findings of an audit of Busselton Water to fulfil the above objectives, conducted on 29 – 30 April 2013. The audit covers the operating period of 1 April 2011 to 31 March 2013.

The audit was carried out in accordance with the *Audit Guidelines: Electricity, Gas and Water Licences*, as published by the Economic Regulation Authority in August 2010.

Operational / Performance Audit

Findings of the Operational Audit

The previous operational audit identified 11 individual recommendations, with an additional six recommendations carried forward from the prior 2009 audit. There was a degree of duplication in the recommendations carried forward through both previous audits as these related to finalisation and execution of the Memorandum of Understanding between Busselton Water and the Department of Health.

The audit reviewed the recommendations of the previous operational audit and identified that of the 11 recommendations suggested in the previous audit report, seven have been resolved and closed out, and four recommendations related to the Customer Service Charter have been deferred until September 2014. Of the six recommendations carried forward from the 2009 audit, Busselton Water has completed all six. The four recommendations related to the Customer Service Charter that have been deferred until September 2014 are as follows:

Recommendation from Previous Operational Audit (2011)	Status	Observations
<ul style="list-style-type: none"> ▪ To review the existing customer service charter and update to be compliant with the ERA customer service charter guidelines (March 2011) ▪ To update the customer service summary document ▪ To forward the amended customer service charter and summary document to the ERA for approval ▪ To distribute the approved customer service charter (summary document) to customers and upload onto the internet. Printed copies of the revised charter should be available at the customer service office. 	Deferred	<p>The requirement for BW to review its customer service charter to be compliant with the March 2011 guidelines was superseded by ERA advice that extended the review date.</p> <p>We confirmed via correspondence from the ERA that BW has been granted an extension of the review period for updating its Customer Service Charter. The initial letter from the ERA dated 15/06/2011 extended the review period until 10/09/2012. A second letter from the ERA further extended this by another 12 months, with a third letter, dated 17/05/2013 pushing the review period back another year. Therefore, BW's Customer Service Charter is now due for review by September 2014.</p>

The audit assessed Busselton Water's compliance against the licence conditions. Licence conditions are rated on a 7-point rating scale as prescribed in the ERA Guidelines.

The audit found that Busselton Water complied with all of its licence obligations and there were no non-compliances over the two year audit period of 1 April 2011 to 31 March 2013. All of Busselton Water's licence conditions were assessed and were given a rating of 3 (compliant with major or material recommendations), 4 (compliant apart from minor or immaterial recommendations) or 5 (compliant with no further action required).

We confirmed the integrity of the information reported by BW to the Authority and to other statutory bodies, including the Department of Health. We confirmed submitted data reconciled with the data observed at audit and that compliance reports have been provided by the required due date.

A list of suggested improvements for conditions allocated compliance ratings of 3 or 4 are summarised in the following table:

Licence Condition	Description of Licence	Key Issue	Recommendations
Recommendations for Improvement			
5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	<ul style="list-style-type: none"> At the last audit, BW listed legislation and regulations applicable to the operation of their organisation and provision of the services in the Total Asset Management System (TAMS) Volume 1. TAMS has been superseded and this information is now included in Section 3.3 of the Asset Management Strategy. This document is currently at draft stage and due to be completed by the end of the current financial year. 	<ul style="list-style-type: none"> It is recommended that BW completes its Asset Management Strategy and reviews and updates the list the applicable legislation by the end of the current financial year.
Sch 4, Cl 2.2	<p>Continuity</p> <p>The licensee shall make every endeavour to meet the following continuity of supply standards:</p> <p>Target:</p> <p>Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of supply (no flow) exceeding 1 hour to the supply standard set out in Section 2.1.</p>	<ul style="list-style-type: none"> The field staff estimate the number of properties affected by an interruption to supply but this is not confirmed after the event and there is currently no integration between the water supply network and connected properties in the GIS to automatically determine affected properties by selecting the valves where the supply is turned off. When the work orders are input into Confirm (BW's maintenance management system) the water off times are input via a drop down box that provides the options in 30 minute increments. As a result, any interruptions lasting between 45 minutes and 75 minutes are rounded up/down to 60 minutes. This makes accurate reporting of the interruptions problematic against the service standard target. 	<ul style="list-style-type: none"> We recommend that BW revises the drop down list used to record the water off time to provide smaller intervals than the 30 minute options that it currently has available to select from. In the meantime, we recommend that BW rounds up any water off times between 60 mins and 75 minutes to 90 minutes to ensure that it is reporting these incidents as exceeding the 1 hour service standard. As part of the work that BW is undertaking to integrate the GIS with the asset register, we recommend that it investigates being able to automatically report on the number of connected properties affected by any interruption to supply. Until this improvement can be implemented, we recommend that BW introduces a process and procedure for the number of properties affected by a supply interruption to be confirmed in BW's office rather than being solely based on a field estimate.

Licence Condition	Description of Licence	Key Issue	Recommendations
Sch 4, Cl 2.3	<p>Drought Response</p> <p>Subject to Section 2.2, the licensee shall ensure that during conditions that necessitate restrictions on water use, including drought, sufficient water will be available to meet essential in-house demand.</p>	<ul style="list-style-type: none"> ▪ Although BW has completed a number of mock tests of its emergency response plans, these have been for water quality issues rather than testing for drought response. The WQ emergency response plans include actions noting that "...the use of external resources may include potable water from other sources such as; bottled water suppliers, employing water tankers/freighters, Aqwest, Water Corporation". 	<ul style="list-style-type: none"> ▪ We recommend that in future mock testing of its emergency plans, BW ensures that the actions related to providing external water are included in order to test BW's associated procedures.

Summary Opinion of the Control Environment

With respect to the operation of the licenced services during the audit period, the Auditors conducted tests and assessed the control environment, the procedures, policies and performance of Busselton Water and found that it generally operates in accordance with the operating licence.

Asset Management System Review

Overview of Busselton Water

Busselton Water is an independent statutory water authority that provides potable water to residential, commercial, light industrial and special rural customers. Situated approximately 220km south of Perth, Busselton Water provides its services to an estimated 20,000 residents (approximately 9,000 service connections) located within its licensed area, which includes the townships of Busselton, Wonnerup and Vasse.

The organisation is licensed to extract groundwater from the Yarragadee and Leederville aquifers. It also maintains eight artesian bores and operates four water treatment plants with five storage tanks. In 2012 Busselton Water introduced full chlorination to its supply, which has been a significant operational undertaking. Chlorine disinfection systems have been installed by Busselton Water at Treatment Plants 1, 2 and 3.

Findings of the Asset Management System Review

The asset management system review assessed the performance of Busselton Water against the key asset management processes and effectiveness criteria set out in the ERA Guidelines.

The previous asset management system review identified 17 individual recommendations, with an additional 10 recommendations carried forward from the prior 2009 audit.

Of the 10 recommendations from the 2009 review that were still outstanding at the time of the last audit, eight have been addressed and closed out, with the other two recommendations having ongoing actions. These two ongoing recommendations are outlined in the following table.

Recommendation from Previous Operational Audit (2009)	Status	Observations
The Risk Register does not identify any environmental opportunities. It is recommended that Busselton Water review and update the risk register to include corporate and organisational risks, and appropriate mitigation strategies, as required.	Ongoing	<ul style="list-style-type: none"> ▪ A new Risk Register system, using the Synergy Risk management software, was implemented in December 2011 and Busselton Water has added risks to the new system on an ongoing basis. ▪ BW entire risk register was reviewed on the 10th and 11th April 2013 (all individual registered risks). Some additional actions were assigned and new review dates were set. The next review of the entire register is set for 31/1/2014.
In is recommended that Busselton Water test contingency / incident plans with mock events and update and amend the plans as required.	Ongoing	<ul style="list-style-type: none"> ▪ Desktop reviews were held on 18 October and 23 November 2011 under observation by Hunter Water and the Department of Health. ▪ Formal testing of the incident plans occurred on 22 February and 17 May 2012 under the supervision of Hunter Water. ▪ Busselton Water has scheduled testing of its incident plans to take place annually. The next mock event to test its contingency plans is with the Department of Health and scheduled for 16/05/2013. ▪ Any findings and recommendations from the Department of Health mock event in May should be included in updates of Busselton Water's contingency plans.

Of the 17 recommendations from the 2011 review, Busselton Water has completed ten of them. All of the remaining seven recommendations are either in progress or include ongoing actions. Where the recommendations have not been completed, Busselton Water has made good progress in actioning them.

Recommendation from Previous Operational Audit (2011)	Status	Observations
<ul style="list-style-type: none"> ▪ To develop a formal procedure outlining the business planning process, including the preparation of the business case study reports as a Management Operations Directive (MOD) ▪ Develop a business case template in the MOD 	Further work required	<ul style="list-style-type: none"> ▪ BW has developed a formal procedure outlining the business planning process and incorporated it into the MODs, MOD 05.18 Business Cases and Asset Acquisitions. ▪ We note that the procedure is new, having been in draft version for some time and only finalised in the week before the review. ▪ However, we consider that there are further improvements that Busselton Water needs to complete for its business case processes and we have included these in the following table of recommendations from the review.
<ul style="list-style-type: none"> ▪ To review and update the risk register to include corporate and organisational risks and appropriate mitigation strategies 	Ongoing	<ul style="list-style-type: none"> ▪ A new Risk Register system has been implemented since the last operational licence audit and BW has added risks to the new system on an ongoing basis. ▪ BW entire risk register was reviewed on the 10th and 11th April 2013 (all individual registered risks). Some additional actions were assigned and new review dates were set. The next review of the entire register is set for 31/1/2014.
<ul style="list-style-type: none"> ▪ To develop and implement a formal condition assessment program for all assets 	In progress	<ul style="list-style-type: none"> ▪ BW has started a program to inspect the treatment plant assets annually and the network assets on a rolling three year basis. ▪ BW has completed one inspection of its plant assets since the start of the program. Inspections of the network assets are due to start in August 2013.
<ul style="list-style-type: none"> ▪ To investigate opportunities in MainPac (or other systems) to record operations and maintenance costs into categories (i.e., reactive, planned, operations, maintenance) and link with mapping (optional) 	In progress	<ul style="list-style-type: none"> ▪ With the implementation of Confirm and the asset ID convention, BW is able to record and report maintenance expenditure for different categories. ▪ BW is engaging a consultant to undertake further work towards integrating the GIS with Confirm.
<ul style="list-style-type: none"> ▪ To investigate options with information systems to use same asset ID numbers and record operations and maintenance costs as reactive, planned, operations and maintenance type works and link with mapping (refer to above). 	In progress	<ul style="list-style-type: none"> ▪ As noted above, BW is engaging a consultant to undertake further work towards integrating the GIS with Confirm.
<ul style="list-style-type: none"> ▪ To test the contingency plans with mock events and update / amend the plans as necessary. 	Ongoing	<ul style="list-style-type: none"> ▪ As noted previously, BW has completed a mock water quality incident under Hunter Water's review and is due to complete a mock incident with the Department of Health in May 2013. ▪ Any findings and recommendations from the Department of Health mock event in May should be included in updates of BW's contingency plans.
<ul style="list-style-type: none"> ▪ To formalise the capital expenditure planning process to address: <ul style="list-style-type: none"> – Process for identifying all investment needs; – Establish project justification requirements based on value, 	Further work required	<ul style="list-style-type: none"> ▪ Refer to the first row in this table.

Recommendation from Previous Operational Audit (2011)	Status	Observations
<p>complexity and type of expenditure;</p> <ul style="list-style-type: none"> - Link project justification to operational and whole of organisation risk management; - Review governance procedures and authority levels for project approvals; - Establish capital expenditure prioritisation methodology based on risk management and Busselton Water's strategic objectives 		

The asset management system review conducted for the audit period of 1 April 2011 to 31 March 2013 found that ten of the 12 asset management processes were rated as either "A" or "B" for adequacy and "1" or "2" for performance.

The Asset Planning process has been assigned a "C" adequacy rating and a "2" performance rating. Busselton Water's current Asset Management Strategy and Asset Management Plan (AMP) documents are currently in draft and due to be finalised before the end of the current financial year. We have reviewed both of these documents during our asset management review and have identified a number of opportunities and made a series of recommendations that we consider would improve the documents, particularly in the fundamental structure of the documents.

The Capital Expenditure Planning process has been assigned a "C" adequacy rating and a "3" performance rating. Although a number of improvement recommendations related to the capital expenditure process were made in the 2011 review report, when the process was assigned a "B" adequacy rating and a "2" performance rating, based on our observations during this audit, we consider that further work is required to meet the required level that would be expected of the process.

Our key recommendations from the asset management system review are provided in the following table. The full list of process improvements that were identified during the review are provided in the Post-Audit Implementation Plan included in Appendix C.

Asset Management Process	Key Issue	Recommendations
Asset Planning	<ul style="list-style-type: none"> ▪ At the time of the last operational licence audit, BW had in place a Total Asset Management System (TAMS), consisting of 5 volumes and covering assets on private property, pipework, pump stations, reservoirs and treatment and maintenance equipment. ▪ BW has replaced TAMS with an Asset Strategy document and an Asset Management Plan. However, at the time of the audit, both of these documents were at draft and appeared to be some way from being finalised. BW's intention is to have both of these key strategic documents finalised by the end of the current financial year. 	<ul style="list-style-type: none"> ▪ It is recommended that BW finalise the draft Asset Strategy and Asset Management Plan documents as a priority. ▪ We recommend that the structure of the Asset Management Strategy should be a short, very high level document that takes the following items into account: <ul style="list-style-type: none"> – Asset Management Outcomes and alignment with service delivery strategies – Assets – Asset Drivers – Asset Management Governance Framework – Asset Investment Strategy – Asset Management Development and Improvement Strategies – Action Plan ▪ We recommend that the structure of the Asset Management Plan should take the following items into account: <ul style="list-style-type: none"> – Asset Management Drivers – Levels of Service – Service Demand – Overview of Assets Owned – Asset Management Governance and Accountabilities – Asset Management Systems Processes – Risk and Criticality Assessment – Asset Management Resources and Capabilities – Funding and Investment Strategies – Asset Management Improvement Plan

Asset Management Process	Key Issue	Recommendations
Capital Expenditure Planning	<ul style="list-style-type: none"> ▪ Busselton prepares business cases using the one page Capital Works Proposal template. The template includes justification for the project to be provided and considers alternative options as well as non-asset solutions. The timeframe for the project, lifecycle costs, including acquisition and operations, and risks are also identified on the template. ▪ However, as we noted in the 2011 review report, we believe that the existing capital expenditure planning process can be improved by formalising the processes currently undertaken, or creating new processes where required. 	<ul style="list-style-type: none"> ▪ We recommend that BW further develops its tools for preparing business cases in order to exert a more formal approach with improved consistency to the business planning process. ▪ We recommend that the Capital Works Proposal Form be expanded to allow a formal risk assessment to be undertaken for any proposed project to allow it to be prioritised in the budgeting process. ▪ We recommend that every proposed business case should include a mandatory option of “Do Nothing”, and the risks of taking this option assessed to derive a baseline risk score. ▪ We recommend that BW refines the Capital Works Proposal Form and procedure so that there is better alignment with the organisation’s overall corporate Areas, Priorities, Values, Objectives and Actions.

Assessment of the Effectiveness of the Asset Management System

Based on the outcomes of the audit, the Auditors found that the asset management processes and measures have been implemented and are being followed. It is the Auditor's opinion that the new asset management system is operating satisfactorily, with Busselton Water continuing to identify and implement improvements to the system.

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1 Introduction

1.1 Background

The Economic Regulation Authority of Western Australia (herein referred to as the Authority or ERA), grants operating licences to organisations providing potable water, non-potable water, sewerage and drainage services in the State. The Authority is responsible for providing the functions as outlined in Section 4 of the *Water Services Licensing Act 1995*, which includes monitoring the performance of the water services industry and those participating in the industry, and the performance of providers of water services. The *Water Services Licensing Act 1995* provides the mechanisms that allow the Authority to ensure compliance of the operating licence conditions by the licensees.

Under Sections 36 and 37 of the Act, it is a requirement of every licence that the licensee provides an asset management system and provides to the Authority an operational audit and system review, to be conducted by an independent expert that is acceptable to the Authority.

Busselton Water's current Operating Licence was approved by the Authority on 21 August 2009 and permits Busselton Water to provide potable water services and undertake, maintain and operate any associated works within its operating area. Sections 16 and 17 of the Operating Licence outline the obligations of the licensee to undertake an operational audit and a review of the asset management system.

1.2 Purpose of this Report

In accordance with the conditions stipulated in the Water Services Licensing Act 1995 and Busselton Water's Operating Licence No 3, Cardno Pty Ltd was engaged by Busselton Water, with the approval of the Authority, to undertake an operational licence audit and asset management review of Busselton Water for the period covering 1 April 2011 to 31 March 2013.

This report provides a summary of the findings of the operational licence audit and asset management review and includes suggestions for improvements in these areas.

The audit was carried out in accordance with the following documents:

- ▶ Audit Guidelines: Electricity, Gas and Water Licenses (ERA, August 2010)
- ▶ Busselton Water's Operating Licence – Licence No 3
- ▶ ASAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (AASB, July 2007)
- ▶ Busselton Water Audit Plan, (Cardno, Version 1, March 2013).

2 Audit / Review Scope

2.1 Audit / Review Objectives

The objectives of this audit / review were to:

- ▶ Determine the effectiveness of measures that have been implemented by Busselton Water to meet the conditions, performance and quality standards outlined in the licence
- ▶ Determine the effectiveness of measures that have been implemented by Busselton Water for the proper management of assets used in the provision and operation of services, and where appropriate, the construction or alteration of relevant assets
- ▶ Identify areas where improvement is required and provide a recommendation for corrective action, where appropriate.

2.2 Scope of Works

The scope of works and methodology used to conduct the audit / review is based on the procedures and requirements outlined in the Audit Guidelines and as summarised in the sections below.

2.2.1 Operational Licence Audit

The Operational Licence Audit involved an assessment of the operational audit licence for:

- ▶ 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 prescribed in the licence throughout the audit period
- ▶ Output compliance: the existence of the output from systems and procedures throughout the audit period
- ▶ Integrity of reporting: the completeness and accuracy of the compliance and performance reports provided to the Authority
- ▶ Compliance with individual licence conditions: the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

The operating licence audit focussed on the following key areas:

- ▶ Clause 1: Operating Areas (as defined in Schedule 1 of the Operating Licence)
- ▶ Clause 5: Compliance
- ▶ Clause 6: Customer Complaints (as set out in Schedule 3)
- ▶ Clause 7: Customer Service Charter (as set out in Schedule 3)
- ▶ Clause 8: Customer Consultation (as set out in Schedule 3)
- ▶ Clause 9: Memorandum of Understanding with the Department of Health
- ▶ Clause 15: Accounting Records
- ▶ Clause 16: Operational Audit

- ▶ Clause 17: Asset Management System
- ▶ Clause 18: Reporting
- ▶ Clause 20: Service and Performance Standards (as set out in Schedule 4)
- ▶ Clause 21: Provision of Information (as set out in Schedule 5)
- ▶ Clause 22: Publishing Information
- ▶ Clause 23: Notices
- ▶ Clause 24: Review of the Authority's Decisions.

2.2.2 Asset Management System Review

The Asset Management System Review included an assessment of the asset management system implemented by Busselton Water and covered the following key areas:

- ▶ Asset planning
- ▶ Asset creation/acquisition
- ▶ Asset disposal
- ▶ Environmental analysis
- ▶ Asset operations
- ▶ Asset maintenance
- ▶ Asset management information system
- ▶ Risk management
- ▶ Contingency planning
- ▶ Financial planning
- ▶ Capital expenditure planning
- ▶ Asset management system.

2.3 Methodology and Approach

The audit / review approach adopted involved visiting the licensee organisation and conducting enquiries and interviews with key licensee representatives. At these interviews, the licensee's representatives were questioned regarding operating practices and background information on past performance and supplementary information was requested as audit evidence to substantiate the performance and compliance assessment. Where possible, information systems were interrogated to test the veracity of the performance reports provided by the licensee.

Key items discussed and assessed include:

- ▶ The control environment:
 - Organisation's management and operating style
 - The organisational structure
 - Staff delegations of authority and responsibilities

- Staff skills and experience
- Information systems
- ▶ The information system:
 - The effectiveness and appropriateness of the information system
 - Accuracy of data stored and collected
 - System / data security
 - Documents and procedures relating to the information system
- ▶ Control procedures:
 - The effectiveness of systems and procedures to monitor compliance with the licence
 - The effectiveness of the asset management system in storing and maintaining data
 - The effectiveness of procedures and systems in identifying non-compliance or under performance
- ▶ Compliance attitude:
 - Actions taken in response to previous audit / review recommendations
 - The licensee's attitude towards compliance
- ▶ Outcome compliance:
 - Actual performance against standards prescribed in the licence throughout the audit period, including data sample testing to confirm outcome compliance.
- ▶ Site Visit:
 - Confirm the overall outcomes of asset management activities
 - Observe changes to assets since the previous review

Assessment for compliance with licence conditions and the effectiveness of the asset management system utilises a risk based approach, which is based on ISO 31000:2009 - Risk management.

The audit was conducted in accordance with ASAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

2.4 Time Period Covered by the Audit / Review

This audit covers the period from 1 April 2011 to 31 March 2013.

The previous audit covered the period from 1 April 2009 to 31 March 2011 and was also undertaken by Cardno.

2.5 Time Period of the Audit / Review Process

The audit / review commenced in March 2013 with preparation of the draft Audit Plan. On site interviews with Busselton Water staff were carried out on 29 and 30 April 2013 at Busselton Water's office.

2.6 Details of the Licensee Representatives Participating in the Audit / Review

Details of representatives from Busselton Water who participated in the audit and review process are provided in Table 2-1.

Table 2-1 Details of Licensee Representatives

Name	Organisation	Role
Neels Kloppers	Busselton Water	Manager, Production and Supply
Julie Rawlings	Busselton Water	Manager, Customer Services
Diane Depiazz	Busselton Water	Manager, Finance and Administration
Keith Mungham	Busselton Water	Technical Officer, Asset/Risk Management
Steve Rickwood	Busselton Water	Asset Management Officer
Ben Bessell	Busselton Water	Water Quality/Treatment Officer
Graham Hansen	Busselton Water	Distribution Officer
Brad Decorsey	Busselton Water	Projects Officer
Sam Taylor	Busselton Water	Administration Assistant, Production and Supply
Jennifer Mathies	Busselton Water	Administration Officer, Production and Supply

2.7 Details of Key Documents and Other Information Sources

The following documents were reviewed during the audit / review:

- ▶ Busselton Water Water Services Operating Licence, No. 3, August 2009
- ▶ Busselton Water Operational Audit and Asset Management Review, Cardno, 2011
- ▶ Busselton Water 2011 Post Audit Implementation Plan
- ▶ Busselton Water Statement of Corporate Intent 2011 - 2012
- ▶ Busselton Water Asset Management Strategy, March 2013 – Draft Version
- ▶ Busselton Water Asset Management Plan, January 2013 – Draft Version
- ▶ Busselton Water Policy Manual
- ▶ Busselton Water Management Operations Directives
- ▶ Busselton Water Financial Operations Directives
- ▶ Busselton Water Production and Supply Standard Operating Procedures, November 2012
- ▶ Busselton Water Asset Identification Convention December 2012
- ▶ Letter to Chairman ERA advising of changes to Busselton Water's asset management system, 5 January 2012
- ▶ Consolidated 10 Year Financial Summary 2012/12 to 2022/23
- ▶ Memorandum of Understanding between Busselton Water and the Department of Health – Confidential Version
- ▶ Memorandum of Understanding between Busselton Water and the Department of Health – Public Version
- ▶ Letter to Chairman ERA, 7 October 2011, Re: Memorandum of Understanding between the Department of Health and Busselton Water
- ▶ Busselton Water Customer Charter, 2008 – Full Version
- ▶ Busselton Water Customer Charter, 2008 – Summary Version

- ▶ Busselton Water Annual Report 2011 – 2012
- ▶ Senior Executive Emergency Documents Pack Contents
- ▶ Risk Management Process
- ▶ MOD 05.18 Business Case and Asset Acquisition Procedure
- ▶ Capital Works Proposal Form
- ▶ Standard Activity Cost Estimates Template
- ▶ Fixed Asset Registration Form
- ▶ Water Quality Incident Response Plan
- ▶ Business Continuity Plan
- ▶ Busselton Water Preliminaries to Construction Manual, September 2012
- ▶ Busselton Water Developer Guidelines
- ▶ Busselton Water Pipeline Construction and Design Standards 2013
- ▶ Assessing Asset Condition, June 2012
- ▶ List of Confirm Reports Required to be Produced
- ▶ FOD 03.01 Accounts Payable Procedure
- ▶ MOD 03.01 Staff Protocol for Handling of Complaints
- ▶ MOD 03.08 Staff Guide for Handling Courtesy Calls
- ▶ Interrupted Water Supply Report – 01/06/2012 to 31/03/2013
- ▶ Draft Procedure for Legislation Updates from State Law Publisher, April 2013
- ▶ Busselton Water Supply System 10 Year development Plan, JClem, September 2012
- ▶ Service standard output reports from Confirm and Mainpac.

2.8 Details of Auditors Participating in the Audit / Review and Hours Utilised

The audit / review team comprised of three staff members from Cardno.

Details of their roles and hours utilised in the audit / review process are provided in the table below.

Table 2-2 Details of Audit / Review Team Members

Name	Organisation	Role	Summary of Task	Hours Utilised
Justin Edwards	Cardno	Auditor/Reviewer & Project Manager	<ul style="list-style-type: none"> ▪ Audit preparation ▪ Audit ▪ Preparation of Report 	120 hours
Aneurin Hughes	Cardno	Project Director	<ul style="list-style-type: none"> ▪ Audit preparation ▪ Report review 	2 hours
Stephen Walker	Cardno	Project Reviewer	<ul style="list-style-type: none"> ▪ Audit Plan ▪ Preparation of Report 	2 hours

3 Licensee's Response to Previous Audit Recommendations

In the previous operating licence audit and asset management review, also conducted by Cardno, a series of actions were recommended or suggested to improve the existing controls.

Details of the actions completed by Busselton Water against each recommendation are presented in Table 3-1.

Table 3-1 Summary of Actions to Previous Audit Recommendations

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
Outstanding Actions from Prior Audit / Review June 2009							
Risk Management	<ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored 	4	<ul style="list-style-type: none"> The Risk Register does not identify any environmental opportunities. 	<ul style="list-style-type: none"> To review and update the risk register to include corporate and organisational risks, and appropriate mitigation strategies, as required. 	<ul style="list-style-type: none"> A new Risk Register system, using the Synergy Risk management software, was implemented in December 2011 and BW has added risks to the new system on an ongoing basis. The majority of the 48 risks that have been entered into the system relate to water production and operational risks, but also include corporate, organisational and environmental risks. The identified risks include mitigation strategies to reduce the risk to a residual risk. Actions are assigned and reviewed on an ongoing basis. 	Completed	<ul style="list-style-type: none"> BW entire risk register was reviewed on the 10th and 11th April 2013 (all individual registered risks). Some additional actions were assigned and new review dates were set. The next review of the entire register is set for 31/1/2014.
9.1 – 9.6	Memorandum of Understanding	2	<ul style="list-style-type: none"> A draft Memorandum of Understanding (MoU) is currently with Department of Health (DoH) waiting on 	<ul style="list-style-type: none"> To finalise the Memorandum of Understanding between the Department of Health (DoH) and Busselton Water and ensure all requirements as outlined in the 	<ul style="list-style-type: none"> The MoU was finalised between BW and DoH in October 2011. The document is endorsed by the previous CEO of BW and the A/Director General Department of Health in Section 10 	Completed	<ul style="list-style-type: none"> No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			approval. Busselton Water has repeatedly contacted the DoH to resolve the outstanding issues and is waiting on legal advice. BW expects completion of the MoU by June 2009.	<p>Operating Licence is addressed in the Memorandum of Understanding.</p> <ul style="list-style-type: none"> To continue providing updates to the ERA on the status of the MoU. To advise the ERA when the MoU has been finalised and executed. 	<p>of the document.</p> <ul style="list-style-type: none"> The ERA was advised by BW that the MoU had been executed in a letter to the Chairman dated 07/10/11. 		
		2	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Advise the DoH that a statement requiring the MoU to be reviewed every three years needs to be included in the MoU in accordance with the Operating Licence conditions Check that the review clause is included in MoU before it is finalised and executed. 	<ul style="list-style-type: none"> The requirement for the MoU to be reviewed every three years is included in Section 16.1 of the MoU. 	Completed	<ul style="list-style-type: none"> No further action required.
		2	<ul style="list-style-type: none"> As above 	<ul style="list-style-type: none"> Once the MoU has been finalised and executed, upload the MoU onto the BW Website. 	<ul style="list-style-type: none"> The public version of the MoU was uploaded to BW's website in October 2011. The public version includes the text and the schedules but does not include the Binding Protocols. These are only included in the confidential version of the MoU. 	Completed	<ul style="list-style-type: none"> No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
Asset Disposal	<ul style="list-style-type: none"> ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. ▪ Disposal alternatives are evaluated. ▪ There is a replacement strategy for assets. 	2	<ul style="list-style-type: none"> ▪ There is no formal asset disposal procedure. 	<ul style="list-style-type: none"> ▪ To develop a formal asset disposal procedure and incorporate as a Management Operational Directive (MOD). 	<ul style="list-style-type: none"> ▪ BW has developed an Asset Replacement and Disposal procedure and incorporated it into the MOD Manual as MOD 05.12. 	Completed	<ul style="list-style-type: none"> ▪ No further action required.
Asset Operations	<ul style="list-style-type: none"> ▪ Risk management is applied to prioritise operations tasks. 	3	<ul style="list-style-type: none"> ▪ Prioritisation of operational tasks is not explained. 	<ul style="list-style-type: none"> ▪ To assess each operational task in terms of importance (i.e., identify which task is considered more important due to its potential to affect the operation of the asset, service delivery, environment, organisation) and prioritise tasks accordingly. 	<ul style="list-style-type: none"> ▪ Since the last operational licence audit, BW has replaced its previous works management system, Mainpac, with a new system, Confirm. ▪ As part of the implementation of Confirm, a new asset ID convention was developed. This consists of a 13 character code based in the Class, Location, Description, Parent, Item and Skill of each asset. Each Class has been assigned a rank (Treatment assets being Rank 1, Storage Rank 2, down to non-operational assets with ranks 12 	Completed	<ul style="list-style-type: none"> ▪ No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					<p>and under) and these are used to prioritise the operations and maintenance tasks.</p> <ul style="list-style-type: none"> ▪ In addition to the priority of the asset, work activities are also prioritised, ensuring that work activities at lower class assets do not always stay at the bottom of the scheduled work activities. ▪ Each type of work activity has a timeframe associated with it. Overdue work orders that have not been completed generate an automatic system email so that the task can be reviewed and re-prioritised if required. 		
Contingency Planning	<ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	3	<ul style="list-style-type: none"> ▪ Testing of Contingency Plans 	<ul style="list-style-type: none"> ▪ To test contingency / incident plans with mock events and update and amend the plans as required. 	<ul style="list-style-type: none"> ▪ Desktop reviews were held on 18 October and 23 November 2011 under observation by Hunter Water and the DoH. ▪ Formal testing of the incident plans occurred on 22 February and 17 May 2012 under the supervision of Hunter Water ▪ We reviewed the WQ 	Ongoing	<ul style="list-style-type: none"> ▪ Any findings and recommendations from the DoH mock event in May to be included in updates of BW's contingency plans.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					<p>Incident Planning Mock Event Report, February 2012 and noted that Hunter Water made a number of recommendations related to involvement with the DoH. We confirmed that clarification was provided by the DoH and that the WQ Response Plans were updated with the new information.</p> <ul style="list-style-type: none"> ▪ BW has scheduled testing of its incident plans to take place annually. BW's next mock event to test its contingency plans is with the DoH and scheduled for 16/05/2013. 		
Outstanding Actions from Previous Audit / Review 2011							
5.1	Subject to any modifications or exemptions granted pursuant to the <i>Act</i> , the <i>licensee</i> must comply with any <i>applicable legislation</i> .	4	<ul style="list-style-type: none"> ▪ Busselton Water advised that it has not received any notification of any breaches or non-compliance against any applicable legislation. ▪ The Auditor has no reason to believe that 	<ul style="list-style-type: none"> ▪ To nominate a Busselton Water staff member to be responsible for identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes. 	<ul style="list-style-type: none"> ▪ The Manager Production and Supply is the nominated BW staff member responsible for identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes. ▪ BW receives weekly notifications from the State Law Publisher 	Completed	<ul style="list-style-type: none"> ▪ BW to finalise and approve the draft SOP for the process of identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes and incorporate it into the SOP Manual.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			Busselton Water has not complied with the required legislative requirements.		and these are reviewed, discussed between the Executive Team and actioned as necessary. <ul style="list-style-type: none"> BW currently has a draft SOP for the process. 		
7 (Sch 3, CI 2.6)	The <i>customer service charter</i> is to be reviewed by the <i>licensee</i> at least once in every three year period or as agreed with the <i>Authority</i> .	4	<ul style="list-style-type: none"> The next review of the Customer Service Charter is due in 2011. The Customer Service Charter review will need to consider the requirements as outlined in the ERA's March 2011 Customer Service Charter Guidelines. 	<ul style="list-style-type: none"> To review the existing customer service charter and update to be compliant with the ERA customer service charter guidelines (March 2011) To update the customer service summary document To forward the amended customer service charter and summary document to the ERA for approval To distribute the approved customer service charter (summary document) to customers and upload onto the internet. Printed copies of the revised charter should be available at the customer service office. 	<ul style="list-style-type: none"> The requirement for BW to review its customer service charter to be compliant with the March 2011 guidelines was superseded by ERA advice that extended the review date. We confirmed via correspondence from the ERA that BW has been granted an extension of the review period for updating its Customer Service Charter. The initial letter from the ERA dated 15/06/2011 extended the review period until 10/09/2012. A second letter from the ERA further extended this by another 12 months, with a third letter (dated 17 May 2013) extending the review period a further 12 months. Therefore, BW's Customer 	Deferred	<ul style="list-style-type: none"> BW to undertake the review of its Customer Service Charter by 10 September 2014. To update the full and summary versions of the customer service documents based on the review outcomes. To forward the amended customer service charter and summary document to the ERA for approval. To distribute the approved customer service charter (summary document) to customers and upload onto the internet. Printed copies of the revised charter should be available at the customer service office.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					Service Charter is now due for review by September 2014.		
9.1 – 9.6	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.	2	<ul style="list-style-type: none"> ▪ Busselton Water has not yet entered into a Memorandum of Understanding with the Department of Health. ▪ It was observed that the draft MoU does not include a provision for Busselton Water and the Department of Health to undertake a review and renew the MoU every three (3) years. ▪ The Water Quality Requirements for Drinking Water do not provide a concise description of the requirements / obligations of Busselton Water. There is a notation listed 	<ul style="list-style-type: none"> ▪ To continue liaising with the Department of Health to finalise the Memorandum of Understanding and execute the agreement. ▪ To advise the Department of Health that the Memorandum of Understanding is to include a clause to review and renew the MoU every three (3) years, as well as other provisions as listed in the Operating Licence. ▪ To discuss with the Department of Health the requirement to redraft the existing Water Quality Requirements for Drinking Water (Schedule 1). 	<ul style="list-style-type: none"> ▪ As noted previously, the MoU was finalised between BW and DoH in October 2011. The document is endorsed by the previous CEO of BW and the A/Director General Department of Health in Section 10 of the document. ▪ The requirement for the MoU to be reviewed every three years is included in Section 16.1 of the MoU. 	Completed	<ul style="list-style-type: none"> ▪ No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			<p>in the Schedule for redrafting.</p> <ul style="list-style-type: none"> A draft MoU has been developed and Busselton Water currently operate according to the conditions outlined in this draft version. The MoU has not been finalised or executed. No text and schedules or amendments have been published. 				
20 (Sch 4, Cl 2.1)	Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their property, water pressure and flow as listed in the following tables...	4	<ul style="list-style-type: none"> During the audit period (1 April 2009 to 31 March 2011), a total of 49 complaints regarding flow and pressure were received regarding poor pressure. Performance standards for pressure and flow were met however during the audit period (1 April 2009 to 	<ul style="list-style-type: none"> To investigate reasons for low pressure within the system by running a model of the entire network system and simulating the operation of the network during peak periods and develop a maintenance / replacement program to minimise issues relating to low pressure and flow. 	<ul style="list-style-type: none"> All of the water supplied by BW is pumped (as opposed to gravitated), which makes it easy for BW to identify pressure issues in its network. BW purchased a hydraulic modelling program (H2O) in March 2011 BW has pressure loggers around its network that record system pressure. We reviewed the minimum and maximum pressure readings 	Completed	<ul style="list-style-type: none"> No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			31 March 2011), a total of 49 complaints regarding flow and pressure were received regarding poor pressure.		<p>from each area within the network and confirmed that over the audit period, BW has met its requirement to provide greater than 15m head.</p> <ul style="list-style-type: none"> ▪ BW engages a consultant on an annual basis to run the hydraulic model of the network. The associated report is used to identify the 10 year infrastructure requirements to allow BW to plan and budget for the future works expenditure. ▪ The majority of customer complaints received by BW relating to pressure issues are due to problems on the customer-side. ▪ BW has observed an increase in pressure complaints during the audit period but the increase is largely the result of plumbers installing pressure reducing valves downstream of the meter. 		
20 (Sch 4, Cl 2.3)	Subject to section 2.2 the licensee shall	2	▪ Busselton Water is	▪ To develop and finalise the incident	▪ Since the last operational licence	Completed	▪ BW should continue to undertake regular testing of

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
	<p>ensure that during conditions that necessitate restrictions on water use, including drought, sufficient water will be available to meet essential in-house demand.</p>		<p>currently in the process of developing an Incident Management Plan, which will consider implications of drought, outage, bore failure, etc.</p> <ul style="list-style-type: none"> ▪ No mock tests of the plan have been undertaken. 	<p>management plan – water available policy</p> <ul style="list-style-type: none"> ▪ To run a mock test of the incident management plan and amend the plan, if required 	<p>audit, BW has revised its Water Quality Incident Response Plan to include a Water Availability Plan.</p> <ul style="list-style-type: none"> ▪ Desktop reviews of BW's contingency plans were held on 18 October and 23 November 2011 under observation by Hunter Water and the DoH. ▪ Formal testing of the incident plans occurred on 22 February and 17 May 2012 under the supervision of Hunter Water ▪ However, the Plan was only developed in 2011 and the testing that BW has carried out to date has been associated with water quality incidents as opposed to the impact of restrictions and water availability. ▪ The water quality mock events have included the testing of BW's processes and procedures for water outages and provision of water but not at a scale that may be needed for continued 		<p>its contingency and emergency response plans.</p>

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					drought conditions. <ul style="list-style-type: none"> However, given BW sources its water from deep aquifers, it would be expected to be able to continue to meet essential in-house demand during a drought. 		

Asset Management System Review 2011

Asset Planning	<ul style="list-style-type: none"> Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning 	B2	<ul style="list-style-type: none"> Business case studies are prepared to justify the project to the Busselton Water Board and in some instances to the Minister before it is formalised in the budget process and implemented. A one page business case summary is also documented. Whilst this process is followed, it has not been formalised as a Management Operations Directive (MOD). 	<ul style="list-style-type: none"> To develop a formal procedure outlining the business planning process, including the preparation of the business case study reports as a Management Operations Directive (MOD) Develop a business case template in the MOD 	<ul style="list-style-type: none"> BW has developed a formal procedure outlining the business planning process and incorporated it into the MODs, MOD 05.18 Business Cases and Asset Acquisitions. We note that the procedure is new, having been in draft version for some time and only finalised in the week before the review. The process is used for projects valued <\$1M. For projects >\$1M, BW uses the Department of Treasury's Strategic Asset Management Framework documents for guidance in preparing the business case. Prior to the document's approval, BW had the Capital 	In progress	<ul style="list-style-type: none"> We recommend that BW further develops its tools for preparing business cases in order to exert a more formal approach with improved consistency to the business planning process. We recommend that the Capital Works Proposal Form be expanded to allow a formal risk assessment to be undertaken for any proposed project to allow it to be prioritised in the budgeting process. We recommend that every proposed business case should include a mandatory option of "Do Nothing", and the risks of taking this option assessed to derive a baseline risk score. We recommend that BW refines the Capital Works Proposal Form and procedure so that there is better alignment with the organisation's overall corporate Areas, Priorities,
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Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					<p>Works Proposal Form for developing business cases but didn't have a formal procedural document associated with the process.</p> <ul style="list-style-type: none"> ▪ The Capital Works Proposal Form is supported by the Activity Cost Estimates form to assist in developing cost estimates for options. ▪ The Capital Works Proposal Form identifies any associated risks in accordance with Busselton Water's Risk Management process and, if necessary, these are escalated to senior management. 		Values, Objectives and Actions.
Asset Creation	<ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions ▪ Evaluations include all life-cycle costs ▪ Projects reflect sound engineering and business decisions 	B2	<ul style="list-style-type: none"> ▪ An overview of how assets should be purchased and/or replaced is covered briefly in the TAMS, however, there is no formal process / policy in place for creation / acquisition of 	<ul style="list-style-type: none"> ▪ To develop a formal asset creation / acquisition policy and procedure and include as part of the MOD ▪ To develop a flow chart outlining the process for procuring new assets (i.e., business case preparation, planning, approval process from the Board and Minister, etc) 	<ul style="list-style-type: none"> ▪ As noted above, BW has developed a formal procedure outlining the business planning process and incorporated it into the MODs, MOD 05.18 Business Cases and Asset Acquisitions. ▪ A flow chart outlining the process for procuring new assets is included in the 	Completed	<ul style="list-style-type: none"> ▪ No further action required.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			new assets.		procedure. <ul style="list-style-type: none"> The process is supported by a Fixed Asset Registration Form which records details of the acquisition/ replacement of an asset (as well as the relocation, decommissioning, or disposal/sale of an asset) for updating the asset and financial registers. 		
Asset Disposal	<ul style="list-style-type: none"> Disposal alternatives are evaluated There is a replacement strategy for assets 	C3	<ul style="list-style-type: none"> There is no formal process / policy in place for assessing under-utilised or under-performing assets. 	<ul style="list-style-type: none"> To develop a formal asset disposal and asset replacement strategy and include as part of the MOD 	<ul style="list-style-type: none"> As noted previously, BW has developed an Asset Replacement and Disposal procedure and incorporated it into the MOD Manual as MOD 05.12. 	Completed	<ul style="list-style-type: none"> No further action required.
Environmental Analysis	<ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed 	B2	<ul style="list-style-type: none"> Busselton Water's Senior Executive Group (SEG) is currently reviewing the risk register to assess business continuity and full organisational risks. 	<ul style="list-style-type: none"> To review and update the risk register to include corporate and organisational risks and appropriate mitigation strategies 	<ul style="list-style-type: none"> As noted previously, a new Risk Register system has been implemented since the last operational licence audit and BW has added risks to the new system on an ongoing basis. The majority of the 48 risks that have been entered into the system relate to water production and operational risks, but also include corporate, 	Ongoing	<ul style="list-style-type: none"> BW entire risk register was reviewed on the 10th and 11th April 2013 (all individual registered risks). Some additional actions were assigned and new review dates were set. The next review of the entire register is set for 31/1/2014.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					organisational and environmental risks. <ul style="list-style-type: none"> The identified risks include mitigation strategies to reduce the uncontrolled risk to a residual risk. BW reviews its Risk Register quarterly. 		
Asset Operations / Asset Maintenance	<ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required Risk management is applied to prioritise operations tasks 	C3	<ul style="list-style-type: none"> Formalised risk management approach is not in place for prioritising operations and maintenance tasks. 	<ul style="list-style-type: none"> To review the operational tasks and identify priority tasks based on perceived risks and update the Standard Operating Procedures Manual, as necessary 	<ul style="list-style-type: none"> As noted previously, BW is using its new asset management system, Confirm, and new 13 alphanumeric asset ID convention to prioritise operational and maintenance tasks based on risk. BW completed a major review of its SOPs in 2012. The Production and Supply SOPs Manual has been updated to reflect the changes in asset management systems and new SOPs have been created to outline the procedures involved with using Confirm and for the new disinfection assets. 	Completed	<ul style="list-style-type: none"> No further action required.
	<ul style="list-style-type: none"> Regular inspections are undertaken of asset performance and condition 	C3	<ul style="list-style-type: none"> No formal condition assessment program in place. 	<ul style="list-style-type: none"> To develop and implement a formal condition assessment program for all assets 	<ul style="list-style-type: none"> BW engaged Opus to develop the Assessing Asset Condition, June 2012 document which describes the procedures for 	Ongoing	<ul style="list-style-type: none"> BW to commence the inspections of the network assets over the next three years. BW to finalise the implementation of mobile

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					<p>assessing different assets, asset lives, condition ratings and the data to be collected for each asset.</p> <ul style="list-style-type: none"> ▪ BW has started a program to inspect the treatment plant assets annually and the network assets on a rolling three year basis. ▪ BW has completed one inspection of its plant assets since the start of the program and the details are being entered into Confirm. Inspections of the network assets is due to start in August 2013. ▪ BW engages a consultant to undertake the condition assessment of its electrical assets. ▪ BW does not own the hydrants, these are owned by the Fire Service. If there are any operations or maintenance issues with the hydrants, the Fire Service issues BW with a work order to complete the work. ▪ The condition 		<p>tablets for recording field data electronically.</p>

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					<p>assessments are currently recorded manually on a spreadsheet print out. BW is looking to move to mobile tablets in the near future and when this happens, the assessment will be completed electronically.</p>		
	<ul style="list-style-type: none"> ▪ Maintenance costs are measured and monitored 	C3	<ul style="list-style-type: none"> ▪ Operational and maintenance costs are not stored separately. 	<ul style="list-style-type: none"> ▪ To investigate opportunities in MainPac (or other systems) to record operations and maintenance costs into categories (i.e., reactive, planned, operations, maintenance) and link with mapping (optional) 	<ul style="list-style-type: none"> ▪ With the implementation of Confirm and the asset ID convention, BW is able to record and report maintenance expenditure for different categories (including type of maintenance as well as cost per asset type, suburb etc) and different work order priorities. Examples of expenditure reports were observed during the review. ▪ Maintenance costs are reported from Confirm when the job is closed. ▪ There is a link between the asset register in Confirm for the pipe network but this has not yet been integrated to allow costing data to be recorded and 	In progress	<ul style="list-style-type: none"> ▪ BW to continue to progress the integration of the GIS with Confirm.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
					reported. <ul style="list-style-type: none"> ▪ BW is engaging a consultant to undertake further work towards integrating the GIS with Confirm. ▪ In addition, an interface between Confirm and Aquarate, BW's billing system has also been proposed. 		
	<ul style="list-style-type: none"> ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule 	C3	<ul style="list-style-type: none"> ▪ Tasks are not categorised as operations, maintenance, preventative, reactive, emergency. All tasks are grouped together. 	<ul style="list-style-type: none"> ▪ To review maintenance tasks and activities and categorise as preventative maintenance, reactive maintenance and emergency maintenance. 	<ul style="list-style-type: none"> ▪ As noted above, with the implementation of Confirm and the asset ID convention, BW is able to record and report maintenance expenditure for different categories, including the type of maintenance. 	Completed	<ul style="list-style-type: none"> ▪ No further action required.
Asset Management Information System	<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators 	B2	<ul style="list-style-type: none"> ▪ Busselton Water is currently investigating options to upgrade the asset maintenance system (MainPac). 	<ul style="list-style-type: none"> ▪ To investigate options with information systems to use same asset ID numbers and record operations and maintenance costs as reactive, planned, operations and maintenance type works and link with mapping (refer to above). 	<ul style="list-style-type: none"> ▪ Refer to above. 	In progress	<ul style="list-style-type: none"> ▪ BW to continue to progress the integration of the GIS with Confirm.
Risk Management	<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being 	B2	<ul style="list-style-type: none"> ▪ Current risk register is adequate but there are 	<ul style="list-style-type: none"> ▪ To review existing risk registers and align with AS/NZS ISO 31000:2009 and 	<ul style="list-style-type: none"> ▪ Since the last operational licence audit, BW has implemented a new 	Completed	<ul style="list-style-type: none"> ▪ It is recommended that BW continues to review and update the risks included in the Synergy Risk Register.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
	<p>applied to minimise internal and external risks associated with the asset management system</p> <ul style="list-style-type: none"> ▪ Risks are documented in a risk register and treatment plans are actioned and monitored 		<p>opportunities to develop the register further to also include organisational risks, risks to corporate branding, operational risks, risks to community and staff, public health risks, etc.</p> <ul style="list-style-type: none"> ▪ The Senior Executive Group is currently reviewing the risk register to identify whole of organisation risks. 	<p>update risk register to include operational, maintenance, public health, environmental and corporate risks, and mitigation strategies</p> <ul style="list-style-type: none"> ▪ To investigate options to consolidate existing risk registers into one register. 	<p>risk management system, Synergy Risk Asset Management. This has allowed the different risk registers that BW previously maintained to be consolidated.</p> <ul style="list-style-type: none"> ▪ Risks have been added to Synergy on an ongoing basis. Risks were taken from the previous TAMS as the starting point, with high and medium risks prioritised for entry into Synergy. Currently BW's risk register has 48 risks assessed and input into the system. ▪ The majority of the risks that have been input into Synergy are for production and operational risks. However, they also include corporate, organisational and environmental risks (e.g. borehole contamination, salinity of boreholes). ▪ The risk management process used by BW is aligned with AS/NZS ISO 31000:2009. 		

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
Contingency Planning	<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	C3	<ul style="list-style-type: none"> The TAMS (Volume 1) currently includes system contingency plans to address plant failure, major flood events, reticulation failure, bore contamination, contamination and property damage however the action plan is high level and lacks detail / direction for immediate action. Incident management plans for microbiological / chemical incidents have been developed but are yet to be tested. 	<ul style="list-style-type: none"> To review current system contingency plans as outlined in the TAMS and develop detailed action plans Develop contingency plans to cover corporate and organisational risks To test the contingency plans with mock events and update / amend the plans as necessary 	<ul style="list-style-type: none"> Since the last asset management review, BW has reviewed and updated its suite of Emergency Documents. A number of new documents have been developed, including: <ul style="list-style-type: none"> Business Continuity Summary Water Availability section of WQ Incident Response Plan Emergency Response Plan – Plant 1 Emergency Response Plan – Plant 2 Emergency Response Plan – Plant 3 Emergency Response Plan – Administration Network Disaster Recovery Plan Business Continuity Plan Risk Management Process These new documents include contingency plans to cover corporate and organisational risks The plans that had previously been 	Ongoing	<ul style="list-style-type: none"> Any findings and recommendations from the DoH mock event in May to be included in updates of BW's contingency plans.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
Capital Expenditure Planning	<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	B2	<ul style="list-style-type: none"> ▪ The process for updating the capital expenditure plan is well defined and we confirm that it is actioned. Capex is identified through the 10 year Infrastructure Development Plan and through other means such as optimisation of plant, new technological advances, and advice from other contractors and consultants. ▪ BW has recently implemented a 'Business Case and Asset Acquisition' Management Operational Directive (MOD 05.18) that describes the capital expenditure planning process. 	<ul style="list-style-type: none"> ▪ To formalise the capital expenditure planning process to address: <ul style="list-style-type: none"> – Process for identifying all investment needs; – Establish project justification based on value, complexity and type of expenditure; – Link project justification to operational and whole of organisation risk management; – Review governance procedures and authority levels for project approvals; – Establish capital expenditure prioritisation methodology based on risk management and Busselton Water's strategic objectives 	<ul style="list-style-type: none"> ▪ BW has developed a formal procedure outlining the business planning process and incorporated it into the MODs, MOD 05.18 Business Cases and Asset Acquisitions. ▪ We note that the procedure is new, having been in draft version for some time and only finalised in the week before the review. ▪ The process is used for projects valued <\$1M. For projects >\$1M, BW uses the Department of Treasury's Strategic Asset Management Framework documents for guidance in preparing the business case. ▪ Prior to the document's approval, BW had the Capital Works Proposal Form for developing business cases but didn't have a formal procedural document associated with the process. ▪ The Capital Works Proposal Form is supported by the 	Further work required	<ul style="list-style-type: none"> ▪ At the current time, we do not consider that BW has established an effective capital expenditure prioritisation methodology. We recommend that BW further develops its tools for preparing business cases in order to exert a more formal approach with improved consistency to the business planning process. ▪ We recommend that the Capital Works Proposal Form be expanded to allow a formal risk assessment to be undertaken for any proposed project to allow it to be prioritised in the budgeting process. ▪ We recommend that every proposed business case should include a mandatory option of "Do Nothing", and the risks of taking this option assessed to derive a baseline risk score. ▪ We recommend that BW refines the Capital Works Proposal Form and procedure so that there is better alignment with the organisation's overall corporate Areas, Priorities, Values, Objectives and Actions.

Clause / Key Process	Licence Obligation / Effectiveness Criteria	Previous Rating	Issue	Recommendation from Operational Audit & Asset Management Review (2011)	Action / Response Taken	Status	Comments / Recommended Action
			<p>However, we believe that the existing capital expenditure planning process can be improved by formalising the processes currently undertaken, or creating new processes where required. In particular, processes or policies for needs identification, project prioritisation and capital expenditure authority levels should be formalised or created.</p>		<p>Activity Cost Estimates form to assist in developing cost estimates for options.</p> <ul style="list-style-type: none"> ▪ The Capital Works Proposal Form identifies any associated risks in accordance with Busselton Water's Risk Management process and, if necessary, these are escalated to senior management. ▪ BW has governance procedures and authority levels for project approvals and expenditure. 		

4 Performance Summary

The assessment of the operational / performance compliance includes a risk assessment rating and a compliance rating. Description of the rating scale and outcomes of the operational / performance audit is provided in the following sections.

4.1 Assessment Rating Scales

4.1.1 Risk Assessment Rating Scale

The risk assessment process is undertaken for both the Operating Licence audit and asset management review. It involves the identification of risks that may affect compliance with the licence conditions and affect management processes resulting in ineffective asset management practices.

The risk assessment approach adopted for the audit / review is outlined in the Economic Regulation Authority's *Audit Guidelines: Electricity, Gas and Water Licenses* and is based on AS/NZS ISO 31000: 2009. The process involves:

- ▶ Identifying the likelihood and consequence to determine the inherent risk level
- ▶ Determining the adequacy of existing controls
- ▶ Evaluating the audit priority scale.

Risks are assessed utilising a 3-point rating scale. The rating scale and definitions used in this process is described in **Appendix A**.

4.1.2 Compliance Assessment Rating Scale

The audit component requires an assessment of compliance against the licence conditions. The compliance assessment utilises a 7-point rating scale as outlined in **Appendix B**. The compliance rating applied to each licence condition is based on the auditor's own opinion determined from the audit / review process.

4.1.3 Assessment Management Performance Rating

The asset management system effectiveness review is assessed on the adequacy of the asset management process and policy (rating scale of A to D), and its overall performance (rating scale of 1 to 4).

Definitions of the rating system are provided in **Appendix B**.

4.2 Operational / Performance Audit Compliance Summary

Table 4-1 provides a summary of Busselton Water's compliance rating against each licence condition.

A preliminary risk assessment was undertaken during the development of the audit plan. The risk assessment levels were checked and updated following the audit / review and these are reflected in Table 4-1.

Table 4-1 Operational / Performance Audit Compliance Summary

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating						
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R
Operating Areas (Clause 2)														
The licensee is granted a licence for the Operating Area(s) to provide the water services described in Schedule 1 in accordance with the terms and conditions of this licence (Operating Area as per Plan No OWR-OA-085/2 (C))	2.1	2		C	1	Low	Strong					✓		
Fees (Clause 4)														
The licensee must pay the applicable fees in accordance with the Regulations.	4.1			C	1	Low	Strong						✓	
Compliance (Clause 5)														
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	5.1			C	2	Medium	Moderate				✓			
Subject to the provisions of any applicable legislation, the Authority may direct the licensee in writing to do any measure necessary to:	5.2			C	2	Medium	Moderate							✓
(a) Correct the breach of any applicable legislation;														
(b) Or prevent the breach of any														

¹ A – Likely; B – Probable; C – Unlikely

² 1 – Minor; 2 – Moderate; 3 - Major

³ Low, Medium, High

⁴ Strong, Medium Weak

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating						
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R
<p>applicable legislation occurring again,</p> <p>And specify a time limit by which such action must be taken.</p>														
Customer Complaints (Clause 6)														
<i>The licensee must establish customer complaints processes as set out in Schedule 3.</i>	6.1	3												
The licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.	6.1	3	3.1	B	2	Medium	Moderate					✓		
The licensee must, as a minimum: <ul style="list-style-type: none"> (a) establish a system for providing each aggrieved customer with a unique identifying complaint number (b) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are authorised to, or have already access to officers who are authorised to make the necessary decisions to settle customer complaints or disputes, including where applicable, approving the payment of monetary compensation (c) Establish a complaint resolution protocol which is designed to resolve customer complaints or disputes within 15 business 	6.1	3	3.2	C	2	Medium	Strong					✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
days of being notified of their existence (d) Provide a system for accurately monitoring and recording the number, nature and outcome of complaints in order to fulfil the requirements to provide information set out in this licence.															
Where a dispute has not been resolved within 15 business days, the licensee must inform the customer of the option of referring their complaint to the Department of Water.	6.1	3	3.4	C	2	Medium	Moderate						✓		
During the process of investigation and conciliation, the licensee must make every endeavour to promptly cooperate with the Department of Water (or its representative's) requests, which must include the expeditious release of any information or documents requested by the Department of Water and the availability of the relevant staff of the licensee.	6.1	3	3.6	C	1	Low	Moderate						✓		
The licensee must, on request, provide the Department of Water with details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.	6.1	3	3.7	C	1	Low	Moderate						✓		
Customer Service Charter (Clause 7)															
<i>The licensee must establish a customer service charter as set out in Schedule 3.</i>	7.1	3													
The licensee must have in place a customer service charter that accords with the Authority's review guidelines and	7.1	3	2.1	C	2	Medium	Strong						✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
the specified principles set out in the licence schedule.															
The customer service charter: (a) Should be in 'plain English'; and (b) Should address all of the service issues that are reasonably likely to be of concern to its customers	7.1	3	2.2	B	2	Medium	Moderate						✓		
Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.	7.1	3	2.4	C	1	Low	Strong						✓		
The licensee must make the customer service charter available to its customers in the following ways: (a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access (b) By providing a copy, upon request, and at no charge, to the customer; and (c) By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.	7.1	3	2.5	C	2	Medium	Moderate						✓		
The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority.	7.1	3	2.6	C	1	Low	Moderate						✓		
It is a condition of the licence that the licensee provides services in a way which is consistent with the customer service charter. This condition is not intended to create a statutory duty nor	7.1	3	2.7	C	2	Medium	Moderate						✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
provide any third party with a legally enforceable right or cause of action.															
Customer Consultation (Clause 8)															
<i>The licensee must establish customer consultation processes as set out in Schedule 3.</i>	8.1	3													
<p>The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operations and delivery of services by either:</p> <ul style="list-style-type: none"> (a) establishing a Customer Council and consult with the Customer Council to facilitate community involvement in issues relevant to the exercise of the licensee's levels of service under the licence; or (b) institute at least two of the following processes: <ul style="list-style-type: none"> i. meeting on a regular basis with customers to seek comment on issues relevant to the licensee's level of service under the licence; or ii. publishing a simple newsletter providing basic information about the licensee's operations; and/or iii. establishing other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's 	8.1	3	4.1	C	2	Medium	Strong					✓			

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating						
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R
obligations under this licence.														
The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	8.1	3	4.2	B	1	Low	Moderate						✓	
The licensee may, or at the request of the Authority, must, establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence.	8.1	3	4.3	C	1	Low	Moderate							✓
Memorandum of Understanding (Clause 9)														
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.	9.1			C	3	High	Strong						✓	
The MoU must include provisions:	9.2			B	2	Medium	Moderate						✓	
<ul style="list-style-type: none"> (a) specifying that the MoU is a legally binding document between the licensee and Department of Health; (b) defining and identifying the following sections in the MoU: <ul style="list-style-type: none"> i. Text; ii. Schedules; iii. Binding Protocols; iv. Water Quality Management Processes and Procedures; (c) requiring the licensee and Department of Health to review and renew the MoU not 														

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating						
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R
less than once every three years; (d) requiring the licensee to provide a complete copy of the MoU to the Authority within one month of entering into the MoU; (e) requiring the licensee to provide any amendments to the MoU to the Authority within one month of entering into any amendments to the MoU; (f) specifying quality requirements for drinking water and specifying how these requirements will be achieved; (g) requiring that any variations to the quality criteria for drinking water be approved by the Minister for Health; (h) specifying a water quality monitoring plan to ensure that drinking water quality requirements are met; (i) specifying a notification procedure for the reporting by the licensee of information or events which may have risks for public health; and (j) requiring an audit by the Department of Health on compliance by the licensee with its obligations under the MoU at least once every three years and the provision of the														

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating														
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R								
audit report to the Authority.																						
The licensee must comply with the terms of the MoU.	9.4			B	3	High	Moderate						✓									
The licensee must publish the Text and Schedules of the MoU and any amendments to the Text and Schedules of the MoU within one month of entering into the MoU or of making amendments to the Text or Schedules of the MoU.	9.5			B	1	Low	Moderate						✓									
The licensee must publish the Audit Report on the licensee's web site within 1 month of the completion of the audit.	9.6			B	1	Low	Moderate								✓							
The licensee must publish its Drinking Water Quality Reports quarterly or at a reporting frequency specified by the Department of Health.	9.7			B	1	Low	Moderate						✓									
Accounting Records (Clause 15)																						
The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	15.1			C	2	Medium	Strong						✓									
Operational Audit (Clause 16)																						
The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	16.1			C	2	Medium	Strong						✓									
The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit, including any minimum	16.2			C	2	Medium	Strong						✓									

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.															
The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 16.1.	16.4			C	2	Medium	Strong						✓		
Asset Management System (Clause 17)															
The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within 2 business days from the commencement date unless otherwise notified in writing by the Authority.	17.1			B	1	Low	Strong						✓		
The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.	17.2			C	1	Low	Strong						✓		
The licensee must, unless otherwise notified in writing by the Authority: (a) conduct an asset management system review; and (b) provide the Authority with a report on the asset management system review, within 24 months after the commencement date and every 24 months thereafter.	17.3			C	1	Low	Strong						✓		
The licensee must comply and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with asset management system review, including any minimum requirements relating to the appointment of the expert, the scope of the review,	17.4			C	2	Medium	Strong						✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
conduct of the review and the reporting of the results of the review.															
The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 17.3.	17.6			C	2	Medium	Strong						✓		
Reporting (Clause 18)															
The licensee must report to the Authority:	18.1			C	2	Medium	Moderate								✓
(a) If the licensee is under external administration as defined by the Corporations Act 2001 (Cwlth) within 2 business days; or															
(b) If the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring															
Service and Performance Standards (Clause 20)															
<i>The licensee must comply with the service and performance standards as set out in Schedule 4.</i>	20.1														
Emergency Response The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee. Target:	20.1	4	1.1	B	2	Medium	Strong						✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating						
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R
90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.														
Customer Complaints The licensee shall respond to customer complaints in accordance with the licence standard Target: 90% of customer complaints resolved within 15 business days.	20.1	4	1.2	B	2	Medium	Moderate					✓		
Pressure and Flow Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their property, water pressure and flow: Min static pressure: 15 metres; Max static pressure: 100 metres; Min flow: 20 L/min Target: Over each 12 month period, at least 99.8% of connected customers have, at the outlet of the water meter to their property, water pressure and flow as listed above.	20.1	4	2.1	C	2	Medium	Weak				✓			
Continuity The licensee shall make every endeavour to meet the following continuity of supply standards: Target: Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of	20.1	4	2.2	C	2	Medium	Weak				✓			

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
supply (no flow) exceeding 1 hour to the supply standard set out in Section 2.1.															
Drought Response Subject to Section 2.2, the licensee shall ensure that during conditions that necessitate restrictions on water use, including drought, sufficient water will be available to meet essential in-house demand.	20.1	4	2.3	B	2	Medium	Moderate					✓			
Provision of Information (Clause 21)															
The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	21.1			C	2	Medium	Moderate						✓		
<i>The licensee must comply with the information reporting requirements as set out in Schedule 5.</i>	21.2	5													
The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual, as amended from time to time.	21.2	5	2.1	B	2	Medium	Moderate						✓		
The licensee must provide the data required by Schedule 5, Clause 2.1 for the previous financial year by 31 October each year.	21.2	5	2.2	B	2	Medium	Moderate						✓		
The data supplied to the Authority, pursuant to Schedule 5, Clause 2.1 must be audited in accordance with Clause 6 and Schedule 3 of the Deed by 31 October 2007 (or other such date as determined by the Authority) and then at least once every 36 months (or other such date as determined by the	21.2	5	2.3	B	2	Medium	Moderate						✓		

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating														
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R								
Authority)																						
The data supplied to the Authority in accordance with performance indicators LPW 3, LPW 4 and LPW 6 in the Water Compliance Reporting Manual must also be provided on a monthly and rolling 12 month basis.	21.2	5	2.4	B	2	Medium	Moderate						✓									
Publishing Information (Clause 22)																						
The Authority may direct the licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or the performance of the licensee of its obligations under this license.	22.1			C	2	Medium	Moderate								✓							
Subject to Clause 22.3, the licensee must publish the information referred to in Clause 22.1	22.2			C	2	Medium	Moderate								✓							
If the licensee considers that the information is confidential it must: (a) Immediately notify the Authority; and (b) Seek a review of the Authority's decision in accordance with Clause 24.1.	22.3			C	2	Medium	Moderate								✓							
Notices (Clause 23)																						
Unless otherwise specified, all notices must be in writing.	23.1			C	2	Medium	Strong						✓									
A notice will be regarded as having been sent and received: (a) When delivered in person to the addressee; or (b) 3 business days after the date of posting if the notice is posted in Western Australia; or	23.2			C	2	Medium	Strong						✓									

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
(c) 5 business days after the date of posting if the notice is posted outside Western Australia; or (d) If sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or (e) If sent by email when, according to the sender's electronic record, the notice has been successfully sent to the addressee's water licensing email address.															
Review of the Authority's Decision (Clause 24)															
The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure: (a) The licensee must make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the Authority) of the decision; and (b) The Authority will consider the submission and provide the licensee with a written response within 20 business days.	24.1			C	2	Medium	Moderate								✓

4.3 Asset Management Review Effectiveness Summary

The asset management system review assesses the effectiveness of the asset management system in delivering the services as required under the operating licence.

The review is conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines, (refer **Appendix C**). A summary of the outcomes of the review is provided in Table 4-2.

Table 4-2 Asset Management Review Summary

Asset Management System	Asset Management Adequacy Rating	Asset Management Performance Rating
Asset planning	C	2
Asset creation/acquisition	B	2
Asset disposal	A	1
Environmental analysis	B	2
Asset operations	B	2
Asset maintenance	B	2
Asset management information system	B	2
Risk management	B	2
Contingency planning	B	2
Financial planning	A	1
Capital expenditure planning	C	3
Review of the asset management system	B	2

5 Observations and Recommendations

5.1 Operational / Performance Audit

The following tables provide detailed commentary based on the findings observed during the audit process and includes the nominated compliance rating, and recommended actions to address the non-compliance and/or process deficiency.

Table 5-1 Observations from the Operational / Performance Audit

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
Clause 2	Operating Areas			
2.1	The licensee is granted a licence for the Operating Area(s) to provide the water services described in Schedule 1 in accordance with the terms and conditions of this licence (Operating Area as per Plan No OWR-OA-085/2 (C))	<ul style="list-style-type: none"> ▪ A map of the operating area is available and can be downloaded from the ERA's website. The map of the operating area is accessible by all staff. ▪ We reviewed the current Operating Area plan and confirmed that the reference number OWR-OA-085/2 C reconciles with the drawing number listed in the ERA licence. ▪ We confirmed that the extent of BW's network is within the operating boundary. ▪ BW supplies treated bulk water to Water Corporation to serve Dunsborough. BW's bulk meter is on the boundary of its operating area and the pipeline from this meter to the WTP are Water Corporation assets. ▪ BW advised that services are provided within the confines of the operating area. All rateable properties are listed in the corporate billing system, Aquarate. Any enquiries that are received from customers are checked against Aquarate to confirm that services being queried / requested are within BW's operating area. 	5	<ul style="list-style-type: none"> ▪ No further action required.
Clause 4	Fees			
4.1	The licensee must pay the applicable fees in accordance with the Regulations.	<ul style="list-style-type: none"> ▪ Licence fee was paid at the time the licence was issued in 1996. The licence 	N/A	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>fee is valid until the expiry date of the licence, or in the event of version changes, as requested by the ERA. BW's current licence is due to expire on 01/10/2021</p> <ul style="list-style-type: none"> ▪ As the licence fee was paid in 1996, and is outside of the audit period of 1 April 2011 to 31 March 2013, this clause is not applicable under this audit. 		
Clause 5 Compliance				
5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	<ul style="list-style-type: none"> ▪ At the last audit, BW listed legislation and regulations applicable to the operation of their organisation and provision of the services in the Total Asset Management System (TAMS) Volume 1. TAMS has been superseded and this information is now included in Section 3.3 of the Asset Management Strategy. This document is currently at draft stage and due to be completed by the end of the current financial year. ▪ The Manager Production and Supply is responsible for identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes. ▪ BW advised that they have not received any notification of any breaches or non-compliance against any applicable legislation. We confirmed that BW has not reported any non-compliances to the ERA in the two annual reports submitted within the audit report (dated 11/07/2011 and 12/07/12). ▪ The Auditor has no reason to believe that BW have not complied with the required legislative requirements. 	4	<ul style="list-style-type: none"> ▪ It is recommended that BW completes its Asset Management Strategy and reviews and updates the list the applicable legislation by the end of the current financial year.
5.2	Subject to the provisions of any applicable legislation, the Authority may direct the licensee in writing to do any measure necessary to: <ul style="list-style-type: none"> (a) Correct the breach of any applicable 	<ul style="list-style-type: none"> ▪ BW did not receive any advice or have not been directed to implement any action to correct a breach or to prevent a breach from occurring again. 	NR	<ul style="list-style-type: none"> ▪ Busselton Water to continue monitoring and/or responding to ERA requests, as required.

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	legislation; (b) Or prevent the breach of any applicable legislation occurring again, And specify a time limit by which such action must be taken.			
Clause 6 Customer Complaints				
6.1	<i>The licensee must establish customer complaints processes as set out in Schedule 3.</i>			
Sch 3, Cl 3.1	The licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.	<ul style="list-style-type: none"> ▪ Customer complaints relating to the licenced services provided by BW are managed under a Management Operations Directive (MOD). MOD 03.01 outlines the objective to resolve complaints within 15 business days. ▪ MOD 03.01 also outlines the process for receiving and recording verbal and written complaints in the Caller Contact Database, and also the process for escalating the complaint to superior officers (Manager Customer Service, CEO). A process flow chart for handling customer complaints is also available to BW staff through the MOD. ▪ MOD 03.01 is supported by MOD 03.02 Staff Protocol for Handling of Water Related Service Enquires, MOD 03.03 Telephone Etiquette and MOD 03.08 Staff Guide for Handling Courtesy Calls. ▪ BW's responsibilities for responding to customer complaints are communicated to customers in the Customer Service Charter. This specifies responding to face-to-face and telephone enquiries that cannot be dealt with immediately within 24 hours and answering letters of complaints within two working days. This is well within the licence requirement of 15 days. ▪ The complaints management system is designed to allow the vast majority of complaints to be resolved by management. 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>As stated in BW's Customer Charter, as approved by the ERA, escalation to the board by the CEO is an option, it has however, never been exercised. It is quite clearly an option that would only be used in the most unique circumstance. If the complaint needs to be referred to the Board, a response is provided within 10 days of the next monthly Board meeting.</p> <ul style="list-style-type: none"> ▪ BW has an out-of-hours telephone number for customers. Calls are directed to a call centre in Melbourne and any complaints related to the water service (e.g. interruptions to supply) are forwarded to the on-call officer to attend. ▪ Customer complaints have been logged in Confirm since the system was implemented in June 2012. Prior to this, complaints were logged in an Access database. Timeframes and internal escalations were built into both of the customer complaints management systems used over the audit period. ▪ Reminder emails are automatically sent out from the system two days before the due date, one day before the complaint becomes overdue and again after the deadline has passed. ▪ Complaint data is reported to the CEO on a monthly basis. ▪ We reviewed the complaints that BW received over the two year audit period and observed that that of the 288 complaints registered in the Busselton Water Customer Contact Database between 01/04/2011 to 18/06/2012, four took more than 15 days to resolve. For the complaints logged in the Confirm system for the period 18/06/2012 to 30/04/2013, we observed that none had taken more than 15 days to resolve. 		

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
Sch 3, CI 3.2	<p>The licensee must, as a minimum:</p> <p>(a) establish a system for providing each aggrieved customer with a unique identifying complaint number</p> <p>(b) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are authorised to, or have already access to officers who are authorised to make the necessary decisions to settle customer complaints or disputes, including where applicable, approving the payment of monetary compensation</p> <p>(c) Establish a complaint resolution protocol which is designed to resolve customer complaints or disputes within 15 business days of being notified of their existence</p> <p>Provide a system for accurately monitoring and recording the number, nature and outcome of complaints in order to fulfil the requirements to provide information set out in this licence.</p>	<ul style="list-style-type: none"> ▪ Customer complaints recorded in Confirm are recorded with a unique ID reference number. Complaints for the audit period prior to 18/06/2012 were lodged on the Caller Contact Database which also provided each complaint with a unique identifying number. ▪ BW's customer service team consists of the Manager Customer Services, a Customer Relations Officer and one full time and two part-time staff. All staff are trained in dispute resolution and complaint handling and are aware of the MOD. ▪ The new Confirm system and the previous Customer Contact Database were both set up to record the date the complaint was received, the date it was closed, the number of response days and details of the resolution. Both systems allow the complaints to be reported by different complaint types. 	5	<ul style="list-style-type: none"> ▪ No further action required.
Sch 3, CI 3.4	<p>Where a dispute has not been resolved within 15 business days, the licensee must inform the customer of the option of referring their complaint to the Department of Water.</p>	<ul style="list-style-type: none"> ▪ Customers are informed of the option for referring their complaint to the Department of Water in the Customer Service Charter. Full contact details for the Department are provided in both the summary and full versions of the Charter that are made available to customers. ▪ Customers are also informed of this in the written responses sent by BW or if the customer advises that they are not satisfied with their response. 	5	<ul style="list-style-type: none"> ▪ No further action required.
Sch 3, CI 3.6	<p>During the process of investigation and conciliation, the licensee must make every endeavour to promptly cooperate with the Department of Water (or its representative's) requests, which must include the expeditious release of any information or documents requested by the Department of Water and the</p>	<ul style="list-style-type: none"> ▪ BW did not receive any requests from the Department of Water to provide supplementary information or requests to consider alternative solutions to a complaint in the period being audited. 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	availability of the relevant staff of the licensee.			
Sch 3, Cl 3.7	The licensee must, on request, provide the Department of Water with details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.	<ul style="list-style-type: none"> ▪ BW did not receive any requests from the Department of Water to provide details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved complaint in the period being audited. ▪ If required, BW is able to provide the Department of Water with details of the complaints it receives. 	5	<ul style="list-style-type: none"> ▪ No further action required.
Clause 7 Customer Service Charter				
7.1	<i>The licensee must establish a customer service charter as set out in Schedule 3.</i>			
Sch 3, Cl 2.1	The licensee must have in place a customer service charter that accords with the Authority's review guidelines and the specified principles set out in the licence schedule.	<ul style="list-style-type: none"> ▪ A customer service charter has been prepared in accordance with the ERA's guidelines. ▪ The current version of the Customer Service Charter was approved by the ERA in 2008. ▪ We confirmed via correspondence from the ERA that BW has been granted an extension of the review period for updating its Customer Service Charter. The initial letter from the ERA dated 15/06/2011 extended the review period until 10/09/2012. A second letter from the ERA further extended this by another 12 months and a third letter, dated 17/05/2013 has extended the deadline by another year. Therefore, BW's Customer Service Charter is now due for review by September 2014. 	5	<ul style="list-style-type: none"> ▪ No further action required
Sch 3, Cl 2.2	The customer service charter: (a) Should be in 'plain English'; and (b) Should address all of the service issues that are reasonably likely to be of concern to its customers	<ul style="list-style-type: none"> ▪ The Customer Service Charter covers customer's rights and provides information on: <ul style="list-style-type: none"> – rights to water services – rights to non-standard water services 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<ul style="list-style-type: none"> - rights to consultation and information - rights to assistance, redress and compensation - charges and accounts, - connecting to services, - disconnection, - enquiries, suggestions, complaints and disputes, - entry to property, - rectifying defective work, - service interruptions, - water efficiency measures, - supply restrictions, - maintenance, - water meters, - limitation/ withdrawal of services, - liability and - privacy. 		
Sch 3, CI 2.4	Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.	<ul style="list-style-type: none"> ▪ There have been no amendments made to the Customer Service Charter since it was approved in 2008. ▪ As noted previously, BW's Customer Service Charter is due for review in September 2014. 	5	<ul style="list-style-type: none"> ▪ BW to review its current Customer Service Charter by September 2014 and forward any amendments to the ERA for approval
Sch 3, CI 2.5	<p>The licensee must make the customer service charter available to its customers in the following ways:</p> <ul style="list-style-type: none"> (a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access (b) By providing a copy, upon request, and at no charge, to the customer; and (c) By sending a current copy, or a summary document approved by the 	<ul style="list-style-type: none"> ▪ BW has two versions of its Customer Service Charter, the full version and a summary version. ▪ Both versions of the Customer Service Charter are available on the internet, at the administration office and can be requested at no charge. ▪ On the day of the audit, the Auditor observed the Customer Service Charter was displayed at the customer service 	5	<ul style="list-style-type: none"> ▪ BW to review its current Customer Service Charter by September 2014 and update its full and summary versions of the document as required. ▪ The updated Charter should be sent to all customers at least once in the following three year period.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	Authority, to all customers at least once in every three year period or as agreed with the Authority.	<p>office in the waiting area.</p> <ul style="list-style-type: none"> A summary customer service charter has also been prepared and this is distributed every three years to customers. BW had been distributing the charter annually until this year. However, based on the ERA's advice that there was no requirement to review the charter last year due to the extension of the review period, BW has moved from the annual provision to a three-year period. 		
Sch 3, CI 2.6	The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority.	<ul style="list-style-type: none"> As noted in the previous observations and comments, the next review of the Customer Service Charter is due in September 2014. 	5	<ul style="list-style-type: none"> BW to review its current Customer Service Charter by September 2014
Sch 3, CI 2.7	It is a condition of the licence that the licensee provides services in a way which is consistent with the customer service charter. This condition is not intended to create a statutory duty nor provide any third party with a legally enforceable right or cause of action.	<ul style="list-style-type: none"> The customer service charter reflects the conditions outlined in the licence. BW operates with the intention to provide services as outlined in the licence and in the customer service charter. Processes are in place to guide the operation of BW to meet the requirements outlined in the Customer Service Charter and licence. 	5	<ul style="list-style-type: none"> No further action required.
Clause 8	Customer Consultation			
8.1	<i>The licensee must establish customer consultation processes as set out in Schedule 3.</i>			
Sch 3, CI 4.1	<p>The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operations and delivery of services by either:</p> <p>(a) establishing a Customer Council and consult with the Customer Council to facilitate community involvement in issues relevant to the exercise of the licensee's levels of service under the licence; or</p> <p>(b) institute at least two of the following</p>	<ul style="list-style-type: none"> BW has developed a customer consultation process to inform and solicit customer's opinion. The processes adopted include: <ul style="list-style-type: none"> bi-annual customer newsletter, annual customer survey undertaken by an external consultant, information displays in shopping centres, website, 	5	<ul style="list-style-type: none"> No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<p>processes:</p> <ul style="list-style-type: none"> i. meeting on a regular basis with customers to seek comment on issues relevant to the licensee's level of service under the licence; or ii. publishing a simple newsletter providing basic information about the licensee's operations; and/or iii. establishing other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence. 	<ul style="list-style-type: none"> - advertorials in newspapers, and - information brochures which are available in the administration office. ▪ Other customer consultation methods used on occasion include: <ul style="list-style-type: none"> - targeted direct email to customers with feedback forms and reply paid envelopes, - focus groups, - information brochures, - radio advertising, - information packs, - information signs, and - partnerships with other water utilities and local business to promote water conservation. ▪ These processes are used on a project-by-project basis. ▪ Although mainly undertaken in the previous audit period, part of the consultation process involved with the introduction of full-time chlorination to the water supply system, Busselton Water developed a customer information package to notify and keep the customers informed of the proposal. ▪ The consultation process involved: <ul style="list-style-type: none"> - Advertising of the proposal and the process, - Publishing information on the Busselton Water website, - Publishing phone number and contact person for enquiries, - Making plans available for inspection at the Busselton Water office, 		

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<ul style="list-style-type: none"> - Developing communications plans and consulting with resorts and tourism bodies in relation to any potential water quality issues with discolouration over the summer months, - Distribution of fact sheets to customers; - Establishing a stakeholder's reference group, - Providing briefing sessions with stakeholders, - Establishing public consultation forums, - Providing survey sheets to allow customers to record their pre- and post- chlorine experiences, and - Providing feedback sheets to customers at the end of the implementation process. 		
Sch 3, Cl 4.2	The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	<ul style="list-style-type: none"> ▪ Busselton Water issued a letter in March 2009 to the ERA advising of the customer consultation processes adopted. ▪ A letter acknowledging the customer consultation processes implemented by Busselton Water was issued by the ERA on 31/04/2009 and was witnessed at audit. 	5	<ul style="list-style-type: none"> ▪ No further action required.
Sch 3, Cl 4.3	The licensee may, or at the request of the Authority, must, establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence.	<ul style="list-style-type: none"> ▪ Busselton Water did not receive a request from the ERA to establish a forum for consultation during the audit period. 	NR	<ul style="list-style-type: none"> ▪ No action required unless requested by the ERA.
Clause 9 Memorandum of Understanding				
9.1	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.	<ul style="list-style-type: none"> ▪ Since the last audit in 2011, BW has entered into a Memorandum of Understanding with the Department of Health. ▪ The MoU was endorsed by BW's previous 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>CEO on 30/10/2011 and was also signed by the A/Director General of the Department of Health. The MoU is valid for three years from this date.</p> <ul style="list-style-type: none"> ▪ The ERA was advised of the agreed MoU in a letter dated 07/10/2011 sent by BW. 		
9.2	<p>The MoU must include provisions:</p> <p>(a) specifying that the MoU is a legally binding document between the licensee and Department of Health;</p> <p>(b) defining and identifying the following sections in the MoU:</p> <ol style="list-style-type: none"> i. Text; ii. Schedules; iii. Binding Protocols; iv. Water Quality Management Processes and Procedures; <p>(c) requiring the licensee and Department of Health to review and renew the MoU not less than once every three years;</p> <p>(d) requiring the licensee to provide a complete copy of the MoU to the Authority within one month of entering into the MoU;</p> <p>(e) requiring the licensee to provide any amendments to the MoU to the Authority within one month of entering into any amendments to the MoU;</p> <p>(f) specifying quality requirements for drinking water and specifying how these requirements will be achieved;</p> <p>(g) requiring that any variations to the quality criteria for drinking water be approved by the Minister for Health;</p> <p>(h) specifying a water quality monitoring plan to ensure that drinking water quality requirements are met;</p>	<ul style="list-style-type: none"> ▪ The Memorandum of Understanding includes the following provisions: <ul style="list-style-type: none"> – Specification that the MoU is a legally binding document (Section 17.1, page 15); – Texts, schedules, binding protocols and water quality management processes. The Schedules are included in the document as Appendix 1 to 9. The Binding Protocols, including the WQ management processes and procedures are included in the confidential version of the MoU but are not included in the public version of the document; – A requirement for BW and the DoH to review and renew the MoU not less than once every three years is included in Section 16.2; – A requirement for BW to provide a copy of the MoU to the ERA within 1 month of entering into the MoU is included in Section 17.2; – A requirement for Busselton Water to notify the ERA of any changes / amendments made to the MoU within 1 month of making the changes is included in Section 17.3; – Specifications for drinking water quality requirements are outlined in Schedule 1. Processes and Procedures for achieving the specified quality 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	(i) specifying a notification procedure for the reporting by the licensee of information or events which may have risks for public health; and (j) requiring an audit by the Department of Health on compliance by the licensee with its obligations under the MoU at least once every three years and the provision of the audit report to the Authority.	requirements are outlined in Section 6 (Systems Analysis and Management) and the Water Quality Management Processes and Procedures included in Binding Protocol 2. – A requirement for Busselton Water to notify the Minister for Health of any variations to the Water Quality Requirements for Drinking Water is included in Section 4.7; – A reference to a Water Quality Monitoring Plan is included in Section 6.6. The Monitoring Program for Assessable Sampling (Letter of Approval from DoH dated 22/02/2010 in an email from Henry Tan at the DoH) is listed in Binding Protocol 2. The Plan is supported by relevant Operations MODs and SOPs. – Notification procedure for reporting on events that have implications on public health are outlined in Section 9, with the details included in Binding Protocols 3 and 4; and – Requirements to undertake an audit to check on compliance against the requirements of the MoU every three years are included in Section 14.3.		
9.4	The licensee must comply with the terms of the MoU.	<ul style="list-style-type: none"> ▪ BW complies with the terms of the MoU. There have been no issues since the MoU has been in place. 	5	<ul style="list-style-type: none"> ▪ No further action required. BW to continue to comply with the terms of the MoU.
9.5	The licensee must publish the Text and Schedules of the MoU and any amendments to the Text and Schedules of the MoU within one month of entering into the MoU or of making amendments to the Text or Schedules of the MoU.	<ul style="list-style-type: none"> ▪ The public version of the MoU, including the Text and Schedules is published on BW's website (http://www.busseltonwater.wa.gov.au/Portals/0/Water%20quality/BW%20MOU_DoH_Updated.231112.pdf) 	5	<ul style="list-style-type: none"> ▪ No further action required.
9.6	The licensee must publish the Audit Report on	<ul style="list-style-type: none"> ▪ The MoU requires an audit at least once 	NR	<ul style="list-style-type: none"> ▪ BW to publish the MoU Audit Report on

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	the licensee's web site within 1 month of the completion of the audit.	<p>every three years and no audit to determine whether BW has complied with the specific MoU obligations has yet been undertaken.</p> <ul style="list-style-type: none"> We note that previous audit reports have been published on BW's website. 		its website within one month of the completion of the audit when applicable.
9.7	The licensee must publish its Drinking Water Quality Reports quarterly or at a reporting frequency specified by the Department of Health.	<ul style="list-style-type: none"> Drinking water quality reports are prepared on a quarterly basis and published on the BW website. Quarterly reports are prepared for the Department of Health and for the BW Board. Quarterly Reports are prepared utilising a template provided by the Department of Health. Monthly reports are also prepared for issue to the BW Board. An Annual Report is also prepared and published on BW's website. 	5	<ul style="list-style-type: none"> No further action required.
Clause 15 Accounting Records				
15.1	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board (AASB) Standards or equivalent International Accounting Standards.	<ul style="list-style-type: none"> Accounting records are prepared in accordance with AASB standards. Financial records are included in BW's annual reports and are published on the internet. The financial statement includes a statement from the Auditor General's office and a certification that the financial report complies with the Financial Management Act 2006. 	5	<ul style="list-style-type: none"> No further action required.
Clause 16 Operational Audit				
16.1	The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	<ul style="list-style-type: none"> The last operational audit was undertaken in May 2011 by Cardno (report prepared in August 2011) which covered the period from 1 April 2009 to 31 March 2011. The next operational audit (this audit) covers the period from 1 April 2011 to 31 March 2013. 	5	<ul style="list-style-type: none"> No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
16.2	The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.	<ul style="list-style-type: none"> The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licenses (August 2010). 	5	<ul style="list-style-type: none"> No further action required.
16.4	The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 16.1.	<ul style="list-style-type: none"> BW has received approval on the appointment of the current auditor (Cardno). 	5	<ul style="list-style-type: none"> No further action required.
Clause 17 Asset Management System				
17.1	The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within 2 business days from the commencement date unless otherwise notified in writing by the Authority.	<ul style="list-style-type: none"> Since the last operational audit was completed, BW has replaced its previous Total Asset Management System (TAMS), with a new system, Confirm. The implementation of the new system began 6 – 8 months after the previous audit and Confirm went live on 6 June 2012. 	5	<ul style="list-style-type: none"> No further action required.
17.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.	<ul style="list-style-type: none"> BW advised the ERA of the changes to its asset management system in a letter dated 5 January 2012. 	5	<ul style="list-style-type: none"> No further action required.
17.3	The licensee must, unless otherwise notified in writing by the Authority: <ol style="list-style-type: none"> conduct an asset management system review; and provide the Authority with a report on the asset management system review, within 24 months after the commencement date and every 24 months thereafter. 	<ul style="list-style-type: none"> An asset management system review was conducted by Cardno in May 2011 (report prepared August 2011), which covered the period from 1 April 2009 to 31 March 2011. The next asset management system review (this review) covers the period from 1 April 2011 to 31 March 2013. 	5	<ul style="list-style-type: none"> No further action required.
17.4	The licensee must comply and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with asset management system review, including any minimum requirements relating to the appointment of the expert, the scope of the review, conduct of the review and the reporting	<ul style="list-style-type: none"> The current asset management system review follows the ERA Audit Guidelines – Electricity, Gas and Water Licenses (August 2010). 	5	<ul style="list-style-type: none"> No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	of the results of the review.			
17.6	The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 17.3.	<ul style="list-style-type: none"> BW has received approval on the appointment of the current auditor (Cardno). 	5	<ul style="list-style-type: none"> No further action required.
Clause 18	Reporting			
18.1	<p>The licensee must report to the Authority:</p> <p>(a) If the licensee is under external administration as defined by the Corporations Act 2001 (Cwth) within 2 business days; or</p> <p>(b) If the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring</p>	<ul style="list-style-type: none"> BW has not experienced any significant change to its corporate, financial or technical circumstances during the audit period. 	NR	<ul style="list-style-type: none"> No further action required.
Clause 20	Service and Performance Standards			
20.1	<i>The licensee must comply with the service and performance standards as set out in Schedule 4.</i>			
Sch 4, CI 1.1	<p>Emergency Response</p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target:</p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p>	<ul style="list-style-type: none"> BW has a 24-hour telephone service. The administration office receives all calls during the business hours between 8:30am and 4:30pm. Customers are advised when they first call on of the nature and timing of the action to be undertaken by BW. The time of the call is recorded in Confirm. An outsourced after-hours call service is utilised for calls made outside of business hours. After receiving an after-hours call, the call service contacts the on-call officer to contact the customer and attend the emergency. Information is recorded on hard copy investigation sheets and retrospectively entered in to Confirm. The 	5	<ul style="list-style-type: none"> No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>call service provides a monthly report to BW of the calls it has received.</p> <ul style="list-style-type: none"> ▪ The same customer service number is utilised for business hours and after-hours calls. ▪ The call centre service providers changed during the audit period, with BW starting to use Vodaphone in January 2012 , as the previous service providers (Linkq) went bankrupt. ▪ Linkq went bankrupt quite suddenly and left BW without an after-hours call centre for a few days until Vodaphone were employed. ▪ BW has been receiving monthly reports from Vodaphone since they started the service, stating the time a call was made (time recorded) to the call centre and the time it was relayed (time cleared) on to an on call BW staff member. The reports indicate that there have been instances of a gap of one hour or more to relay the call while Vodaphone has been BW's service provider. ▪ In addition, one of BW's on-call staff lived in Cowaramup for a time (he now lives in Busselton) which is renown for poor mobile phone service. The instructions that the current service providers use was amended to list 9 staff members if the first can't be contacted. <p>The emergency response call data recorded by BW shows that for 2010/11, 335 out of 344 customers were advised within an hour of the nature and timing of the action to be undertaken, a 97.4% performance against the target. For 2011/12, BW's records show that 318 out of 342 emergency customer calls were advised within an hour of the nature and timing of the action to be undertaken, a 93.0% performance against the target. Therefore,</p>		

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>BW has met its target in both years in the audit period.</p>		
Sch 4, CI 1.2	<p>Customer Complaints The licensee shall respond to customer complaints in accordance with the licence standard Target: 90% of customer complaints resolved within 15 business days.</p>	<ul style="list-style-type: none"> ▪ BW's policies and processes for managing customer complaints have previously been covered under Clause 6. ▪ We reviewed the complaints that BW received over the two year audit period. For the period 01/04/2011 to 31/03/2012, a total of 31 complaints were recorded in the Busselton Water Customer Contact Database. We observed that two of these were recorded as taking more than 15 days to resolve. ▪ For the 01/04/2012 to 31/03/2013 audit period, BW used two different systems for recording and reporting its customer complaint numbers. For the period 01/04/2012 to 17/06/2012, a total of 257 complaints were recorded in the Busselton Water Customer Contact Database. Eight of these were recorded as taking more than 15 days to resolve. The reason for the large increase in customer complaints is the introduction of chlorine and the increase in water quality complaints. During the first year of the audit period, BW received 10 water quality complaints. In the first 2½ months of the second audit period year, BW received 242 water quality complaints. ▪ A total of 247 customer complaints have been logged in the Confirm system for the period 18/06/2012 to 30/04/2013, none of which took more than 15 days to resolve. ▪ Therefore, for the 01/04/2012 to 31/04/2013 period, the second year of the audit period, BW received 499 complaints, eight of which took in excess of 15 days to resolve. ▪ For the 01/04/2011 to 31/03/2012 period, BW achieved a 93.5% performance in 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>resolving its customer complaints within 15 days. For the period 01/04/2012 to 31/03/2013, BW achieved 98.4%.</p> <ul style="list-style-type: none"> Although the target is measured in terms of business days, BW's reporting systems use calendar days. Therefore, although it has met its target performance, the actual performance is likely to be even higher when the additional days between 15 calendar days and 15 business days are taken into account. 		
Sch 4, CI 2.1	<p>Pressure and Flow</p> <p>Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their property, water pressure and flow:</p> <p>Min static pressure: 15 metres; Max static pressure: 100 metres; Min flow: 20 L/min</p> <p>Target:</p> <p>Over each 12 month period, at least 99.8% of connected customers have, at the outlet of the water meter to their property, water pressure and flow as listed above.</p>	<ul style="list-style-type: none"> To maintain the minimum pressure and flow requirements, BW maintains a network pressure of between 450 and 550kPA in the summer time and 408-512kPA in the winter period. As part of its planning process, Busselton Water runs a hydraulic model for every new sub division and as part of the 10 year plan to determine local pressure / flow limitations. We reviewed the model outputs showing the recorded maximum and minimum pressure for each area within BW's operating area. We observed that no areas have been supplied with water pressure under 15 metres head or over 100 metres head. We noted that a small number of months were missing data plots due to BW experiencing issues with its data loggers. During the audit period (1 April 2011 to 31 March 2013), BW received a total of 79 complaints regarding flow and pressure issues. We confirmed that 37 had been recorded in the previous complaints database for the period 01/04/2011 to 31/03/2012. We confirmed that no pressure complaints had been recorded between 01/04/2012 and 17/06/2013 and that 42 pressure 	4	<ul style="list-style-type: none"> No action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>complaints had been recorded in Confirm for the period 18/06/2012 to 31/03/2013.</p> <ul style="list-style-type: none"> ▪ Using 11,356 total customers, for the period 01/04/2011 to 31/03/2012, 99.67% of customers did not experience any pressure issues. For the period 01/04/2012 to 31/03/2013, 99.63% of customers did not experience any pressure issues. ▪ We reviewed a sample of the pressure/flow complaints and observed that none of the sample had been confirmed as a pressure/flow issue. BW measures the pressure and flow at the customer's meter and the method is outlined in SOP 2.2.13. ▪ BW noted that the pressure/flow complaints it receives are generally either due to pressure problems in the customer's own plumbing or pressure valves that have been turned off in the network to allow maintenance work to be carried out but have accidentally not been turned back on. ▪ Although the pressure complaint numbers indicate that BW did not meet its target in either year in the two year audit period, based on the site investigation findings and information logged in Confirm and Mainpac (prior to 18/06/2012), we consider it unlikely that BW would not have met its required flow and pressure target. ▪ Assuming a total of 11,356 customers, BW would need to exceed 22 customers not receiving the flow and pressure standard to fail to meet its licence target. ▪ We consider that BW has sufficient systems to determine compliance with the pressure and flow obligation to the extent that it could ever realistically accurately determine compliance. 		
Sch 4, CI 2.2	Continuity The licensee shall make every endeavour to	<ul style="list-style-type: none"> ▪ Since 18/06/2012, the work order details for network maintenance jobs have been 	4	<ul style="list-style-type: none"> ▪ We recommend that BW revises the drop down list used to record the water

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<p>meet the following continuity of supply standards:</p> <p>Target:</p> <p>Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of supply (no flow) exceeding 1 hour to the supply standard set out in Section 2.1.</p>	<p>recorded in Confirm, BW's new asset management system. Prior to the implementation of Confirm, BW used Mainpac as its works management system.</p> <ul style="list-style-type: none"> ▪ The times that the customer called in to report no flow (for main break events) and the times that the water was turned off and back on by field staff (for interruptions to supply to carry out repair work) are recorded on the hard copy work orders that the field crew complete in the field. ▪ The field staff estimate the number of properties affected by an interruption to supply but this is not confirmed after the event and there is currently no integration between the water supply network and connected properties in the GIS to automatically determine affected properties by selecting the valves where the supply is turned off. ▪ When the work orders are input into Confirm the water off times are input via a drop down box that provides the options in 30 minute increments. As a result, any interruptions lasting between 45 minutes and 75 minutes are rounded up/down to 60 minutes. This makes accurate reporting of the interruptions problematic against the service standard target. ▪ We reviewed the Mainpac report for the customers experiencing water interruptions for the period 01/04/2011 to 31/03/2012 and confirmed that 841 properties were reported as having experienced a water supply interruption over the 12 month period. Of these, 269 properties experienced an interruption of less than an hour, 16 properties were reported as having experienced an interruption of exactly an hour and 556 properties experienced an interruption of greater than one hour. This is equivalent to 4.90% of 		<p>off time to provide smaller intervals than the 30 minute options that it currently has available to select from.</p> <ul style="list-style-type: none"> ▪ In the meantime, we recommend that BW rounds up any water off times between 60 mins and 75 minutes to 90 minutes to ensure that it is reporting these incidents as exceeding the 1 hour service standard. ▪ As part of the work that BW is undertaking to integrate the GIS with the asset register, we recommend that it investigates being able to automatically report on the number of connected properties affected by any interruption to supply. Until this improvement can be implemented, we recommend that BW introduces a process and procedure for the number of properties affected by a supply interruption to be confirmed in BW's office rather than being solely based on a field estimate.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>the total 11,356 customers experiencing a supply interruption of greater than 1 hour. The 16 properties experiencing an interruption of exactly an hour has little impact on the data if they are all assumed as taking greater than an hour and being rounded down.</p> <ul style="list-style-type: none"> ▪ Therefore, for the 01/04/2011 to 31/03/2012 period, BW achieved its target of at least 75% of connected properties not experiencing a complete interruption of supply exceeding 1 hour. ▪ For the 01/04/2012 to 17/06/2012 period, the supply interruptions were recorded and have been reported from Mainpac. For the rest of the 12 month period until 31/03/2013, the data was recorded and reported from Confirm. We reviewed the outputs from both systems and confirmed that over the 12 month period, 1,754 properties were reported as experiencing a water supply interruption. Of the total, 519 properties experienced an interruption of greater than one hour. Taking the number of connected properties as 11,356, this is equivalent to 4.57%. Therefore, BW has achieved its service standard target for the second 12 month period in the two year audit period. ▪ However we observed that of the 1,754 properties experiencing a water supply interruption between 01/04/2012 and 31/03/2013, 577 were recorded of experiencing an interruption of exactly an hour. As for the previous 12 month period, this does not have any impact on BW achieving the service standard target, although it is likely that a number of these 577 properties experienced an interruption of greater than an hour but the time has been rounded down. ▪ During the two year audit period (1 April 		

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>2011 to 31 March 2013), a total of 2,596 connected properties were affected by disrupted flows, irrespective of the duration of the interruption to supply. This is a large increase on the 751 connected properties affected by water supply interruptions during the previous two year audit period. The reason for the spike in numbers is a small number of significant events that impacted on a large number of customers. These include:</p> <ul style="list-style-type: none"> – 300 customers on 15/11/2012 due to a valve replacement – 131 customers on 22/12/2012 due to a broken tapping band – 190 customers impacted on 18/07/2012 due to a leaking hydrant – 75 customers impacted on 4/07/2012 due to a leaking hydrant, – 75 customers impacted on 4/08/2011 due to a leaking hydrant, – 90 customers impacted on 30/08/2012 due to a seized spindle on a hydrant, – 65 customers impacted on 13/11/2012 due to a moved hydrant, – 70 customers impacted on 10/12/2012 due to a broken spindle on hydrant, – 60 customers impacted on 13/12/2012 due to a leaking flushing point, – 120 customers impacted on 17/12/2012 due to a mains break on Caves Road. 		
Sch 4, CI 2.3	<p>Drought Response</p> <p>Subject to Section 2.2, the licensee shall ensure that during conditions that necessitate restrictions on water use, including drought, sufficient water will be available to meet</p>	<ul style="list-style-type: none"> ▪ By having deep aquifers, BW is not impacted by water shortages. However, it enforces water restrictions when instructed to. ▪ At the time of the audit, BW was on water 	4	<ul style="list-style-type: none"> ▪ We recommend that in future mock testing of its emergency plans, BW ensures that the actions related to providing external water are included in order to test BW's associated

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	essential in-house demand.	<p>restrictions allowing two days per week external water use before 9am and after 6pm, based on the customer's property number.</p> <ul style="list-style-type: none"> ▪ Since the last operational licence audit, BW has revised its Water Quality Incident Response Plan to include a Water Availability Plan. ▪ The actions considered in the Plan related to the severity of water unavailability include tankering and provision of bottled water. The contacts list in the Response Plan includes details of external organisations that could be used to mitigate water restrictions, including water carriers, bottled water suppliers and other water service providers. ▪ Although BW has completed a number of mock tests of its emergency response plans, these have been for water quality issues rather than testing for drought response. The WQ emergency response plans include actions noting that "...the use of external resources may include potable water from other sources such as; bottled water suppliers, employing water tankers/freighters, Aqwest, Water Corporation". 		procedures.
Clause 21	Provision of Information			
21.1	The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	<ul style="list-style-type: none"> ▪ All ERA requests and information are received by Busselton Water's CEO and are forwarded to the appropriate officers for action. 	5	<ul style="list-style-type: none"> ▪ No further action required.
21.2	<i>The licensee must comply with the information reporting requirements as set out in Schedule 5.</i>			
Sch 5, Cl 2.1	The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual, as amended from time to time.	<ul style="list-style-type: none"> ▪ BW prepares annual compliance and performance reports in accordance with the requirements set out by the ERA. 	5	<ul style="list-style-type: none"> ▪ No further action required.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
Sch 5, CI 2.2	The licensee must provide the data required by Schedule 5, Clause 2.1 for the previous financial year by 31 October each year.	<ul style="list-style-type: none"> The annual compliance reports are submitted to the ERA by 31 August each year and the performance reports by 31 October. We confirmed that the 2010/11 annual compliance report was submitted to the Authority on 11/07/2011 and the 2011/12 report was submitted on 12/07/2012. 	5	<ul style="list-style-type: none"> No further action required.
Sch 5, CI 2.3	The data supplied to the Authority, pursuant to Schedule 5, Clause 2.1 must be audited in accordance with Clause 6 and Schedule 3 of the Deed by 31 October 2007 (or other such date as determined by the Authority) and then at least once every 36 months (or other such date as determined by the Authority)	<ul style="list-style-type: none"> An audit of the data is undertaken every three years in accordance with the ERA. The last audit of the National Water Performance data was carried out in 2010 for the three year period ended 2009/10. The next audit will be carried out this year for the three year period ended 2012/13. 	5	<ul style="list-style-type: none"> No further action required.
Sch 5, CI 2.4	The data supplied to the Authority in accordance with performance indicators LPW 3, LPW 4 and LPW 6 in the Water Compliance Reporting Manual must also be provided on a monthly and rolling 12 month basis.	<ul style="list-style-type: none"> Data on the service standards (pressure and flow, disruption to flow) is reported to the ERA. Details of any restrictions to water supply are also reported to the ERA (e.g., watering roster, winter sprinkling bans). BW prepares annual compliance reports in accordance with the requirements set out by the ERA. The data is prepared at the same time as the data for the National Water Initiative Performance Report is prepared. We confirmed the submitted data in the reporting template reconciled with the data that was observed at audit for the 2011/12 Report Year. The 2012/13 data has not been reported as the Report Year has not finished. 	5	<ul style="list-style-type: none"> No further action required.
Clause 22	Publishing Information			
22.1	The Authority may direct the licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or the performance of the licensee of its	<ul style="list-style-type: none"> BW did not receive any requests from the ERA to publish information relating to its licence or performance against its licence condition. 	NR	<ul style="list-style-type: none"> Not assessed as BW did not receive any request to publish information pertaining to its licence condition or performance against the licence

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	obligations under this license.			condition from the ERA.
22.2	Subject to Clause 22.3, the licensee must publish the information referred to in Clause 22.1	<ul style="list-style-type: none"> BW did not receive any requests from the ERA to publish information relating to its licence or performance against its licence condition. 	NR	<ul style="list-style-type: none"> Not assessed as BW did not publish any information requested by the ERA.
22.3	If the licensee considers that the information is confidential it must: <ol style="list-style-type: none"> Immediately notify the Authority; and Seek a review of the Authority's decision in accordance with Clause 24.1. 	<ul style="list-style-type: none"> BW did not notify or seek a review from the ERA. 	NR	<ul style="list-style-type: none"> Not assessed as BW did not receive any requests or publish any information requested by the ERA.
Clause 23 Notices				
23.1	Unless otherwise specified, all notices must be in writing.	<ul style="list-style-type: none"> Busselton Water issues all formal correspondence in writing. 	5	<ul style="list-style-type: none"> No further action required.
23.2	A notice will be regarded as having been sent and received: <ol style="list-style-type: none"> When delivered in person to the addressee; or 3 business days after the date of posting if the notice is posted in Western Australia; or 5 business days after the date of posting if the notice is posted outside Western Australia; or If sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or If sent by email when, according to the sender's electronic record, the notice has been successfully sent to the addressee's water licensing email address. 	<ul style="list-style-type: none"> All formal notices are now logged in TRIM, BW's document management system. BW has only been using TRIM for the last month. For the formal notices issued during the audit period, correspondence was logged in the appropriate folder on BW's server drive or in the relevant corporate register / correspondence file for hard copies. 	5	<ul style="list-style-type: none"> No further action required.
Clause 24 Review of Authority's Decision				
24.1	The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure:	<ul style="list-style-type: none"> BW did not seek a review of a reviewable decision from the ERA during the audit period. 	NR	<ul style="list-style-type: none"> Not assessed as BW did not request a review of a decision made by the ERA during the audit period.

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<ul style="list-style-type: none"> (a) The licensee must make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the Authority) of the decision; and (b) The Authority will consider the submission and provide the licensee with a written response within 20 business days. 			

5.2 Asset Management System Review

The following tables provide detailed commentary based on the findings observed during the audit process and includes the nominated adequacy and performance ratings (effectiveness rating), and recommended actions to improve the effectiveness of the asset management process to an acceptable level.

Table 5-2 Observations from the Asset Management Review

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
Asset Planning				
<ul style="list-style-type: none"> ▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning ▪ Service levels are defined ▪ Non-asset options (e.g., demand management) are considered ▪ Lifecycle costs of owning and operating assets are assessed ▪ Funding options are evaluated ▪ Costs are justified and cost drivers identified ▪ Likelihood and consequences of asset failure are predicted ▪ Plans are regularly reviewed and updated 	<p>Asset Management Plans</p> <ul style="list-style-type: none"> ▪ BW's Asset Management Policy (WO32) guides the strategic management of all BW's infrastructure assets. ▪ At the time of the last operational licence audit, BW had in place a Total Asset Management System (TAMS), consisting of 5 volumes and covering assets on private property, pipework, pump stations, reservoirs and treatment and maintenance equipment. ▪ The TAMS included an outline of the asset management responsibilities of key BW staff. ▪ The TAMS also documented the plans and procedures for operational and maintenance tasks. These procedures were recorded on MainPac, which was the maintenance schedule tool utilised by BW operational staff. ▪ BW has replaced TAMS with an Asset Strategy document and an Asset Management Plan. However, at the time of the audit, both of these documents were at draft and appeared to be some way from being finalised. BW's intention is to have both of these key strategic documents finalised by the end of the current financial year. ▪ Section 4 of the draft Asset Management Strategy is on Planning Management. ▪ Service levels are currently defined in the Customer Charter and are included in the draft Asset Management Strategy document. <p>Asset Management System</p> <ul style="list-style-type: none"> ▪ Since the last asset management review, BW has 	C	2	<ul style="list-style-type: none"> ▪ It is recommended that BW finalise the draft Asset Strategy and Asset Management Plan documents as a priority. ▪ We would suggest that the structure of the Asset Management Strategy should be a short, very high level document that takes the following items into account: <ul style="list-style-type: none"> – Asset Management Outcomes and alignment with service delivery strategies – Assets – Asset Drivers – Asset Management Governance Framework – Asset Investment Strategy – Asset Management Development and Improvement Strategies – Action Plan ▪ We would suggest that the structure of the Asset Management Plan should take the following items into account: <ul style="list-style-type: none"> – Asset Management Drivers – Levels of Service – Service Demand – Overview of Assets Owned – Asset Management Governance and Accountabilities – Asset Management Systems Processes

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>replaced its previous asset management system, Mainpac, with Confirm. Confirm was implemented in June 2012.</p> <ul style="list-style-type: none"> ▪ Assets are recorded in Confirm with an 'Expiry Date' based on their estimated life. Condition ratings are also added against each asset record. Condition inspections of plant assets takes place annually, with network assets inspected on a rolling three year program. ▪ Reports can be run from Confirm for the Expiry Dates and for assets in poor condition and these are used to identify BW's replacement and renewal program. ▪ Business cases are developed as part of the budgeting process for projects that have been identified. <p>Hydraulic Modelling</p> <ul style="list-style-type: none"> ▪ BW procured a hydraulic modelling program (H2O) in March 2011 and this is used by BW's principal hydraulic consultant on an annual basis to simulate operating scenarios, including future development and water demand needs and whether the existing infrastructure can provide BW's levels of service. The results are provided to BW together with identified consequential maintenance and replacement programs and used as the basis for BW's development plan. <p>Asset Management Planning</p> <ul style="list-style-type: none"> ▪ BW's overall asset planning process is based on a 10-year development plan. ▪ The Plan considers forecast population growth, estimated peak demands, infrastructure capacity / condition, agreements in place (i.e., supply to Dunsborough). ▪ The development plan identifies a list of projects to be undertaken over the next 10 year period. ▪ The identified projects are investigated further, with business case studies prepared to justify the project to the Busselton Water Board, and, in some instances, to the Minister, before it is 			<ul style="list-style-type: none"> – Risk and Criticality Assessment – Emergency Response and Contingency Plans – Asset Management Resources and Capabilities – Funding and Investment Strategies – Asset Management Improvement Plan <ul style="list-style-type: none"> ▪ Our suggestions related to the structure of BW's AMP and Asset Strategy documents are presented more as suggestions as how to best present them rather absolute recommendations. At the time of the audit, BW was drafting these documents. The PRIP includes a recommendation to finish and finalise these documents as a priority ▪ We have made a number of recommendations related to BW's Capital Expenditure Planning later in this table.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>formalised in the budget process and implemented.</p> <ul style="list-style-type: none"> ▪ Business cases are prepared in accordance with MOD 05.18 Business Case and Asset Acquisitions. Projects valued at >\$1M are progressed using the Department of Treasury's Strategic Asset Management Framework documents. ▪ Busselton Water prepares business cases using the one page Capital Works Proposal template. The template includes justification for the project to be provided and considers alternative options as well as non-asset solutions. The timeframe for the project, lifecycle costs, including acquisition and operations, and risks are also identified on the template. ▪ The Senior Executive Group (SEG) review and approve the projects for input into the 10 year works plan. ▪ The 10-year forward capital works program is incorporated into the financial planning process to assess whether sufficient funding is available. ▪ Funding strategies are outlined in Section 6.3 of the draft Asset Strategy document but the section has yet to be finalised. ▪ After Board approval, the whole budget is approved by the Minister. 			
<p>Asset Creation</p> <ul style="list-style-type: none"> ▪ Full project evaluations are undertaken for new assets including comparative assessment of non-asset solutions. ▪ Evaluations include all life-cycle costs. ▪ Projects reflect sound engineering and business decisions. ▪ Commissioning tests are 	<ul style="list-style-type: none"> ▪ As noted above, the need / requirement of new assets are identified from the 10-year development plan report. ▪ BW's Asset Management Policy (WO32) guides the strategic management of all BW's infrastructure assets, including the use of "whole of life" costs as the basis for making decisions regarding asset acquisition, replacement, maintenance and disposal". ▪ An overview of Asset Acquisition, Renewal and Disposal is also provided in Section 4.1.3 of the 	<p>B</p>	<p>2</p>	<ul style="list-style-type: none"> ▪ It is recommended that BW completes its Asset Management Strategy document (currently at draft stage). ▪ We have made a number of recommendations related to BW's Capital Expenditure Planning later in this table.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
<p>documented and completed.</p> <ul style="list-style-type: none"> ▪ Ongoing legal / environmental / safety obligations of the asset owners are assigned and understood. 	<p>draft Asset Management Strategy.</p> <ul style="list-style-type: none"> ▪ Business case studies are prepared using the Capital Works Proposal template to justify the need for the new works / assets in accordance with the MOD 05.18 Business Case and Asset Acquisitions procedure. The business cases include an assessment of asset and non-asset solutions, and the life cycle cost of the proposed capital works. ▪ The Standard Activity Cost Estimating template is used to assist in preparing costs for the options included on the Capital Works Proposal template ▪ Projects valued at >\$1M are progressed using the Department of Treasury's Strategic Asset Management Framework documents. ▪ MOD 05.18 includes a flow chart indicating the process for seeking approval of a project be developed so that all staff understand how the planning process is undertaken. ▪ Business cases are approved at SEG level for inclusion in the 10 year and annual budget prior to Board approval and ministerial approval for the whole budget. ▪ Projects are documented in the Strategic Development Plan (including 10-year forward financial estimates) document. ▪ Requirements for commissioning tests are included in the contracts for new works. Details of commissioning tests are now logged in Confirm. For the 01/04/2011 to 17/06/2012 Period this information was documented against the relevant asset in MainPac. An outline procedure for managing commissioning test information is included in MOD 05.18. ▪ A review and update of BW's obligations was required with the introduction of chlorine. Legal, environmental and safety obligations are documented in Section 3 of the draft Asset Management Strategy, although this document needs to be finalised. 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
Asset Disposal				
<ul style="list-style-type: none"> ▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process. ▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. ▪ Disposal alternatives are evaluated. ▪ There is a replacement strategy for assets. 	<ul style="list-style-type: none"> ▪ Since the last asset management review, BW has developed an Asset Replacement and Disposal procedure and incorporated it into the MOD Manual as MOD 05.12. ▪ BW also has a Meter Replacement Procedure (MOD 05.16) and an AC Mains Replacement Policy (WO22). ▪ BW engaged Opus to develop the Assessing Asset Condition, June 2012 document which describes the procedures for assessing different assets, asset lives, condition ratings and the data to be collected for each asset. ▪ BW has commenced an annual process of treatment plant inspections and a rolling three year program for its network assets to identify assets in poor condition. ▪ Under-performing assets are identified through the annual hydraulic model study that BW commissions as well as through field staff using knowledge gained from site and historical information such as asset performance and failures. ▪ The Confirm assets management system is able to report maintenance cost involved with the assets to allow costs to be monitored as the assets age. ▪ When assets are disposed, the Fixed Asset Registration Form is completed to record details of the asset, reason for, the date and method of disposal, and any sales value. The sign-off for the form has to be completed by the Purchasing Officer and the CEO. ▪ The Fixed Asset Registration Form is used for updating the asset and financial registers. ▪ Assets that are still operational at the time of disposal by BW are generally auctioned, while non-operational assets are scrapped. Vehicles are traded when they need replacing. 	A	1	<ul style="list-style-type: none"> ▪ No further action required.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
Environmental Analysis				
<ul style="list-style-type: none"> ▪ Opportunities and threats in the system environment are assessed. ▪ Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved. ▪ Compliance with statutory and regulatory requirements. ▪ Achievement of customer service levels. 	<ul style="list-style-type: none"> ▪ BW has been in contact with the WA Police Critical Infrastructure Unit to discuss security measures & potential cyber threats and what BW has in place to mitigate the risks. In addition, BW's IT contractor provided information suggesting that BW comply with recommended contingencies. ▪ As far as system opportunities are concerned BW had an independent analysis of its IT systems conducted in early 2013. BW are preparing an action plan to implement the recommendations from this work. ▪ A new Risk Register system, using the Synergy Risk management software, was implemented in December 2011 and BW has added risks to the new system on an ongoing basis. ▪ The majority of the risks that have been input into Synergy are for production and operational risks. However, they also include environmental risks (e.g. borehole contamination, salinity of boreholes). ▪ Performance standards are documented in the customer charter and in the draft Asset Management Strategy document. ▪ Prior to the introduction of Confirm in June 2012, the customer contact database was used to report on and assess customer response times, with Mainpac used to report on and assess continuity of supply, pressure and flow. Performance standards since 18 June 2013 have been reported from Confirm. ▪ Assessment of records for 2011 to 2013 indicate that the performance standards were achieved, although some deficiencies have been identified (refer to observations provided in Section 5.1 under Clause 20). ▪ There were no notices of non-compliances / breaches against legislation, performance standards or customer service levels. ▪ Performance standards are reported to the Board 	B	2	<ul style="list-style-type: none"> ▪ It is recommended that the risk register continues to be reviewed and updated (refer to previous recommendation) ▪ It is recommended that BW completes its Asset Management Strategy and Asset Management Plan documents (both are currently at draft stage)

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>and the ERA.</p> <ul style="list-style-type: none"> ▪ Internal newsletters are also generated to report on performance against service standards. ▪ Under BW's AC Mains Replacement Policy (WO22), a rolling pipe replacement program has been implemented which sees existing AC pipes, which are old and failing, replaced with PVC pipes. This program is intended to negate failures within the system. ▪ BW's licence to discharge has been reassessed and approved for the post-chlorine implementation. ▪ BW's boreholes were proclaimed by the DoW in January 2013 and are now covered by legislation to protect the borehole sites. ▪ The Source Protection Plan is currently at draft stage. This is a DoW document and they are responsible for publishing it. ▪ BW implemented its Heritage Policy (WO31) in August 2012. ▪ BW has an Environmental Policy (GO18). ▪ BW has developed a Preliminaries to Construction Manual (September 2012) which includes an Environmental Impact Assessment process referral and the procedures involved in assessing and arriving at a decision. 			

Asset Operations				
<ul style="list-style-type: none"> ▪ Operational policies and procedures are documented and linked to service levels required. ▪ Risk management is applied to prioritise operations tasks. ▪ Assets are documented in an Asset Register, including asset type, location, material, plans of components, an assessment of assets' physical / structural condition and accounting data. ▪ Operational costs are measured 	<p>Policies</p> <ul style="list-style-type: none"> ▪ BW has a Policy Manual and a suite of operational policies are included in the Works and Services section of the manual. These include an overall Asset Management Policy (WO32) and a Water Quality Policy (WO30). BW also has policies for Meter Replacement (WO11) and AC Pipe Replacement (WO22). ▪ Operational and maintenance policies/overview procedures are also documented in Section 5 of the Management Operations Directives (MODs). Where applicable, these refer to the ERA 	B	2	<ul style="list-style-type: none"> ▪ It is recommended that BW finalise its Asset Management Strategy and Asset Management Plan as priorities. ▪ It is recommended that BW commences its network inspections in August, updates the condition assessment data in Confirm and uses this information to further develop its future works programs. ▪ It is recommended that BW continues to progress its implementation of mobile field devices.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
<p>and monitored.</p> <ul style="list-style-type: none"> ▪ Staff receives training commensurate with their responsibilities. 	<p>performance standards. These MODs include Temporary Water Service Connections (MOD 05.01), Minor Water Quality Investigations Protocol (05.10), Pressure and Flow Reporting (05.13) and Meter Replacement (05.16).</p> <ul style="list-style-type: none"> ▪ BW's operations strategy and maintenance standards are outlined in the draft Asset Management Plan. <p>Operational / Maintenance Procedures and Tasks</p> <ul style="list-style-type: none"> ▪ BW's policies and MODs are supported by the wide range of operational and maintenance procedures included in the Production and Supply Standard Operating Procedures (SOPs) Manual. ▪ The Water Quality and Treatment SOPs, including Maintenance Standard Operating Procedures are included in Part 1 of the SOPs Manual. Distribution SOPs are included in Part 2, Plan, Machinery and Vehicle SOPs in Part 3 and Administration SOPs in Part 4 of the Manual. ▪ A number of new SOPs have been developed as a result of the introduction of chlorine into the treatment process, including routine inspection and maintenance procedures related to the new chlorine assets. ▪ The SOPs Manual is reviewed monthly and new SOPs created when identified. We confirmed this process from the Operational Team Briefing Minutes, 07/03/2013. ▪ SOPs are provided to field officers on USB drives so that the relevant procedures can be accessed on site. ▪ Weekly work orders for operations and maintenance tasks are automatically generated from Confirm. Field officers complete hard copy versions of the work orders and return them to the administration staff to be updated into Confirm. The SOPs Manual also includes the procedures for raising/closing work orders in the system and running the different reports that have been set up (e.g. job cost, asset condition reports, etc.). 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> ▪ Works orders are categorised in Confirm as <ul style="list-style-type: none"> – Urgent (BM01) – Unplanned Maintenance (BM02) – Operations (BM03) – Planned Maintenance Urgent (BM04) – Planned Maintenance Non Urgent (BM05) – Capital Projects (BM06) – Non Operational Tasks (BM07). ▪ This is described in Section 4.1.3 of BW’s Asset Management Strategy document. It also describes the priority given to the categories and suggests timeframes for the works to be completed within. ▪ Confirm generates a list of outstanding works orders daily as an email to the Asset Management administrator and to the Administration Officer Asset Management. ▪ BW has purchased a licence to be able to use Confirm for tablet devices. However, the roll out of the tablets has not yet started and the integration with Confirm is still to be finalised before implementation. ▪ The work order process is managed by the WQ Treatment Officer and the Distribution Officer, depending on the asset. <p>Risk Management</p> <ul style="list-style-type: none"> ▪ As noted previously, since the last asset management review, BW has replaced its previous works management system, Mainpac, with a new system, Confirm. ▪ As part of the implementation of Confirm, a new asset ID convention was developed. This consists of a 13 character code based in the Class, Location, Description, Parent, Item and Skill of each asset. Each Class has been assigned a rank (Treatment assets being Rank 1, Storage Rank 2, down to non-operational assets with ranks 12 and under) and these are used to prioritise the operations and maintenance tasks. 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> ▪ In addition to the priority of the asset, work activities are also prioritised, ensuring that work activities at lower class assets do not always stay at the bottom of the scheduled work activities. ▪ Each type of work activity has a timeframe associated with it. Overdue work orders that have not been completed generate an automatic system email so that the task can be reviewed and re-prioritised if required. <p>Asset Register</p> <ul style="list-style-type: none"> ▪ Assets are registered in BW’s new asset management system, Confirm. ▪ As part of the implementation of Confirm, a new asset ID convention was developed. This consists of a 13 character code based on the: <ul style="list-style-type: none"> – Class (area/section of water production/supply) – Location (e.g. which treatment plant) – Description (best description or street name) – Parent (major asset group) – Item (asset children of parent asset) – Skill (profession/skill to work on asset) ▪ At the time of the review, 15,772 assets were recorded in Confirm, although this includes more than 11,000 customer water meters. ▪ Condition assessment data can be recorded against an asset in Confirm. BW has commenced an annual inspection program for its treatment plant assets and a rolling three year program for its distribution assets. ▪ Since the implementation of Confirm and the introduction of its asset ID convention, BW has completed one annual inspection of its treatment plant assets. The data has been entered into Confirm. The first year of the network assets is due to commence in August 2013. ▪ BW does not own hydrants, these are owned by the Fire Service. The Fire Service issues a work 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>order to BW if any work is required to be carried out on a water hydrant.</p> <p>Asset Costs</p> <ul style="list-style-type: none"> ▪ BW's financial asset register is stored separately in a financial asset register (Synergy Soft). The financial asset register utilises a different asset numbering system to Confirm and is less detailed than the operations register. ▪ BW is looking to add the financial asset register code into Confirm so that there is a reference even though the two systems are not integrated. ▪ BW's operational budget is documented in the 10-year financial plan. ▪ Maintenance costs are captured on the work orders using accounting cost codes and these are input into Confirm for reporting and future budgeting purposes. ▪ Operational costs for electricity and chemicals are recorded in Synergy. ▪ As a result of the introduction of Confirm, BW is able to differentiate between the different types of operational costs and maintenance costs. <p>Staff Training</p> <ul style="list-style-type: none"> ▪ Field staff are trained to meet their position responsibilities. ▪ Training requirements are identified through the annual staff performance review process. ▪ Specialist training (e.g. breathing apparatus) has been carried out as a result of the introduction of chlorine at BW's treatment plants ▪ BW's HR Manager is responsible for maintaining training records. 			
Asset Maintenance	<p>Policies and Procedures Refer to previous section for details of policies and procedures.</p> <p>Operational / Maintenance Procedures and Tasks Refer to previous section for details of maintenance</p>	B	2	<ul style="list-style-type: none"> ▪ Refer to above ▪ It is recommended that BW continues to progress the additional Confirm reports it has identified as requiring: <ul style="list-style-type: none"> – Complaint by Area

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
<p>performance and condition.</p> <ul style="list-style-type: none"> ▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. ▪ Failures are analysed and operational / maintenance plans adjusted where necessary. ▪ Risk management is applied to priorities maintenance tasks. ▪ Maintenance costs are measured and monitored. 	<p>procedures and tasks.</p> <p>Maintenance Plans</p> <ul style="list-style-type: none"> ▪ A section on Maintenance Standards is included in Section 2.2 of BW's draft AMP. This includes details expected lives and inspection frequency for different asset types. Maintenance requirements for BW's different network asset types (pipes, meters, sample points, backflow prevention devices and data loggers are outlined. <p>Asset Inspections</p> <ul style="list-style-type: none"> ▪ Refer to previous section for details of asset inspections <p>Asset Failure Analysis</p> <ul style="list-style-type: none"> ▪ Although Confirm is able to be used to report on asset failure analysis, at the present time this has not been implemented. BW is engaging a consultant to develop an approach for recording and reporting multiple failures on an asset. ▪ BW maintains a list of Confirm Reports Required to be Produced. Reports that are planned to be developed include: <ul style="list-style-type: none"> – Complaint by Area – Job by Area – Feature by Number of Failures (Emergency/Reactive Maintenance) – List of Regimes against site with next due dates – Number of jobs against job types ▪ At the present time failures can be reported from Confirm for a feature group of assets. ▪ Confirm can also report on asset inspection condition ratings and this is used by BW to identify assets rated as 4 or 5. <p>Risk Management</p> <ul style="list-style-type: none"> ▪ Refer to previous section for details of risk management included in the AMS. <p>Maintenance Costs</p> <ul style="list-style-type: none"> ▪ Refer to previous section for details of asset costs. 			<ul style="list-style-type: none"> – Job by Area – Feature by Number of Failures (Emergency/Reactive Maintenance) – List of Regimes against site with next due dates – Number of jobs against job types

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
Asset Management Information System				
<ul style="list-style-type: none"> ▪ Adequate system documentation for users and IT operators. ▪ Input controls include appropriate verification and validation of data entered into the system. ▪ Logical security access controls appear adequate, such as passwords and that appropriate system access and functionality is provided to users. ▪ Physical security access controls appear adequate. ▪ Data backup procedures appear adequate. ▪ Key computations related to licensee performance reporting are materially accurate. ▪ Management reports appear adequate for the licensee to monitor licence obligations. 	<p>Overview</p> <ul style="list-style-type: none"> ▪ Busselton Water utilises the following asset information systems: <ul style="list-style-type: none"> – Confirm - utilised as a job scheduling tool for operations and maintenance activities, asset register (including condition rating), and monthly reporting. Confirm replaced Mainpac on 18/06/2012. Confirm is also used for recording customer correspondence. Prior to its implementation, BW used an Access database to record complaints and enquiries. – SCADA – utilised to store pressure and flow data. The system is being upgraded to use CITEC 7. – Bentley – a stand-alone mapping system, still being used for CAD for developer drawings and which can convert drawings to MapInfo TAB files. – MapInfo – GIS being used for the integration with Confirm and which will be used when BW implements mobile field tablets. – Synergy Soft – corporate financial system. – Synergy Soft Risk Asset Management – A module of Synergy is also used by BW for its Risk Register. – Aquarate – the billing database and meter data used for replacement program. – TRIM – BW’s new document management system (only in operation for the last month prior to the review). <p>Data Entry</p> <ul style="list-style-type: none"> ▪ Data entry into Confirm is undertaken by the Administration Assistants from the Production and Supply Section. ▪ Data entry is based on field data sheets / job 	B	2	<ul style="list-style-type: none"> ▪ It is recommended that BW complete the work related to the reports from Confirm that have been identified but which are yet to be developed ▪ It is recommended that BW complete the changes to Confirm that have been identified during the first year of implementation (e.g. access rights to be able to make changes to work order records in Confirm once the record has been archived). ▪ It is recommended that BW continue to progress the planned integration of Confirm with the GIS.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>sheets supplied by field staff.</p> <ul style="list-style-type: none"> ▪ Hard copies of the job sheets are filed for 7 years. ▪ Data entered into Confirm are used to generate monthly reports. Reports are checked and validated to ensure no discrepancies in the data. ▪ There is no formal verification/validation process, owever, the Asset Identification number entered in Confirm cannot be duplicated, If this is entered as such, an error message is displayed advising that the number is currently in use and cannot be accepted. ▪ Most attribute fields for assets are entered by way of drop down menus, tick boxes or pick lists so that only those categories available can be selected. Date field inputs can only be entered as valid dates, otherwise an error message will be displayed. ▪ Asset information such as model and serial numbers could potentially be entered incorrectly with typographical errors as there is no way of utilising a drop down menu or pick list for inputting this information. However, as the reports generated in Confirm utilise these types of attribute/data fields, there is little scope for the entry of incorrect information. ▪ Although asset information can be changed, work orders for jobs that have been committed are locked, so that the requirements can't be retrospectively altered. <p>Management Reports</p> <ul style="list-style-type: none"> ▪ Monthly and quarterly reports, Members Information Bulletin and Fortnightly Reports are generated from Confirm. ▪ Other reports generated include new services, maintenance services, forecast jobs, outstanding jobs and Annual NWI reports. ▪ The reports include a summary of the operational performance during the reporting period and its conformance with the agreed performance standards. Any non-conformances are highlighted 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>in the reports with an explanation included and the corrective action taken.</p> <p>Security Access of System</p> <ul style="list-style-type: none"> ▪ All systems except TRIM require a password to log on. ▪ Specific staff have specific rights and access to BW's key system depending on their position. ▪ TRIM has container security for access to specific folders depending on who is logged into the system. ▪ To access the Confirm system, a staff member must first be a registered user with allocated access to the various modules stipulated. This can only be done by a Confirm Administrator prior to their accessing the system. The user will then be given a password that is different to their Busselton Water password. ▪ To physically access BW's system the person must have access to either the Administration building or the Plant 2 office and be logged into the Busselton Water system, then be logged in to the Atlas server before attempting to log into Confirm. ▪ Once the job status has been entered into Confirm, the data is locked down and cannot be changed (e.g. the description cannot be changed). Once the job has been archived, the record is permanently locked and there are no administrative rights to make any changes to the data ▪ Data entry into Confirm is undertaken by the Administration Assistants in Production and Supply. ▪ Field Supervisors have rights to raise jobs within Confirm and all other staff has viewer access rights only. ▪ Maintenance of Bentley is undertaken by the Planning and Development Officer. All other staff has viewer access rights only. ▪ Synergy Soft is maintained by the Chief Financial 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>Officer.</p> <ul style="list-style-type: none"> ▪ All systems are backed up daily from BW's Administration building servers onto portable backup tapes and hard drives. These are stored offsite at Plant 2. Notification of successful completion of the backup is issued to the Water Tariff Officer. ▪ Although BW does not have a specific standalone procedural document for backing up its systems, the process is described in the Disaster Management Plan. The Plan also includes BW's Back Up Policy. <p>The SCADA is operated from the Plant 2 Control Room. Treatment Plant Officers are able to remotely dial on to monitor each of BW's plants.</p>			

Risk Management				
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<ul style="list-style-type: none"> ▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system. ▪ Risks are documented in a risk register and treatment plans are actioned and monitored. ▪ The probability and consequence of risk failure are regularly assessed. 	<ul style="list-style-type: none"> ▪ BW has a corporate risk management policy in place (F034) and this is reviewed annually. The last update of the policy took place on 19 November 2012. ▪ Since the last operational licence audit, BW has implemented a new risk management system, Synergy Risk Asset Management. ▪ Risks have been added to Synergy on an ongoing basis. Risks were taken from the previous TAMS as the starting point, with high and medium risks prioritised for entry into Synergy. Currently BW's risk register has 48 risks assessed and input into the system. ▪ The majority of the risks that have been input into Synergy are for production and operational risks. However, they also include corporate, organisational and environmental risks (e.g. borehole contamination, salinity of boreholes). ▪ The risks are categorised by Service Units and Department. There is no categorisation to group the risks under high level generic categories (e.g. Service Quality, Safety & Environment, People, Governance, Financial/Commercial, Assets & Systems etc). 	B	2	<ul style="list-style-type: none"> ▪ It is recommended that BW continues to update the risks included in Synergy. ▪ It is recommended that BW formalise a procedural Risk Management Process document. ▪ It is recommended that BW should determine what the organisation's "Risk Appetite" is. ▪ It is recommended that BW aligns its risk management processes to its overall corporate Areas, Priorities, Values, Objectives and Actions. ▪ It is recommended that BW uses its risk management processes in its program/project prioritisation during the development of its annual budget. At present the prioritisation of projects in the capital works budgeting process is fairly informal.
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Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> ▪ The risk register includes the risk assessment, the risk controls and who is responsible for managing each identified risk. ▪ Actions items are logged against the risks, with dates for review. A monthly report is run from Synergy and sent to the relevant staff so they are aware of the status of any actions and any changes to the register. ▪ BW has a risk management process that includes the policy, procedures and database. Risk assessment for contractor performance is also included in the procedure. ▪ The risk assessment takes budget implications into account if expenditure is assigned to the actions associated with mitigating the identified risk. The system is not integrated with the Finance system but allows the risk-related expenditure to be reported and taken into account when developing the budget. ▪ The risk management process used by BW is aligned with AS/NZS ISO 31000:2009. ▪ Relevant BW staff completed training for working with the Synergy Risk Management module. There is no specific SOP related to using the software, with review dates and action event reminders automated in the system. ▪ The Technical Officer Asset and Risk Management is responsible for the management of the risk register. 			
Contingency Planning				
<ul style="list-style-type: none"> ▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks. 	<ul style="list-style-type: none"> ▪ Since the last asset management review, BW has reviewed and updated its suite of Emergency Documents. A number of new documents have been developed, including: <ul style="list-style-type: none"> – Business Continuity Summary – Water Availability section of WQ Incident Response Plan – Emergency Response Plan – Plant 1 	B	2	<ul style="list-style-type: none"> ▪ Refer to previous comments re contingency plans & mock tests (Sch 4, Cl 2.3 in Table 5-1)

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> - Emergency Response Plan – Plant 2 - Emergency Response Plan – Plant 3 - Emergency Response Plan – Administration - Network Disaster Recovery Plan - Business Continuity Plan - Risk Management Process ▪ These new documents include contingency plans to cover corporate and organisational risks ▪ The plans that had previously been developed have all been updated to take account of the introduction of chlorine. ▪ BW have implemented an incident response calendar which allows events to be tracked in Outlook (i.e. if an event happens, actions that need to be required in the following days are loaded in the Outlook calendars for the appropriate staff involved in managing the incident) ▪ BW maintains a number of incident logs. We viewed the Water Quality Incident Database, the Operational Incident Database and the WH&S Incident log and observed that incidents are logged for review and action. ▪ Desktop reviews of BW’s incident response plans were held on 18 October and 23 November 2011 under observation by Hunter Water and the DoH. ▪ Formal testing of the incident plans occurred on 22 February and 17 May 2012 under the supervision of Hunter Water. ▪ We reviewed the WQ Incident Planning Mock Event Report, February 2012 and noted that Hunter Water made a number of recommendations related to involvement with the DoH. We confirmed that clarification was provided by the DoH and that the WQ Response Plans were updated with the new information. ▪ BW has scheduled testing of its incident plans to take place annually. BW’s next mock event to test 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>its contingency plans is with the DoH and scheduled for 16/05/2013. If required, further updates will be made to BW's WQ Incident Management Plan if recommendations are made after the mock event.</p> <ul style="list-style-type: none"> ▪ Plant 2 is the lowest lying area of all BW's treatment plants and, as such, the infrastructure has been raised on hard stands to minimise the impact of flooding at the site. The clear well pumps are an exception to this and this is identified on BW's Risk Register with action planned to mitigate the risk. ▪ Flood contingencies are covered in BW's Emergency Response Plans for the Administration Building, and Plants 1, 2 & 3. 			
Financial Planning				
<ul style="list-style-type: none"> ▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives ▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs ▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) ▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period ▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services ▪ Significant variances in actual / budget income and expenses 	<ul style="list-style-type: none"> ▪ BW's financial policies are included in Section 3 of its Policy Manual. This includes policies on Borrowing (FO43), Investments (FO36) and Purchasing (FO4 and FO5), as well as those related to charges for different customer types and financial management of different asset types. ▪ BW's policies are supported by the Financial Operations Directives (FODs). Directives are provided for: <ul style="list-style-type: none"> – Accounts Receivable – Accounts Payable – Payroll – Stock Control/Tenders – Asset Management – Taxation – Accountable Documents – Contracts/Quotes/Buy Local – Works Costing – Miscellaneous – Reporting 	A	1	<ul style="list-style-type: none"> ▪ No further action required

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
are identified and corrective action taken where necessary	<ul style="list-style-type: none"> – Electronic Banking ▪ BW has a robust approach to financial planning and prepares a 10 year financial plan which includes expenditure for operations, maintenance, administration and capital items. The 10 year Financial Plan is updated annually. ▪ BW is currently looking to expand this to a 30 year plan starting from the next financial year. ▪ We were provided with, and reviewed the latest Consolidated Financial Summary Financial Plan which shows operating expenditure against revenue out to 2022/23. The detailed financial plans that roll up to the summary document were also provided. ▪ The basis for the financial forecasts is the approved ERA tariffs and headwork charges, and a CPI inflator based on the past three year period. Predicted population growth is factored into the revenue forecasts. ▪ Ongoing general operations and maintenance budgets are based on the previous year's expenditure and inflated for CPI, and refined where required. ▪ The capital expenditure component of the Plan is based on the 10 year infrastructure development plan. ▪ The Financial Plan identifies the balance and anticipated movement in reserve funds, as well as any borrowing required. Busselton Water submits a financial model to the State Treasury each year which includes loan applications. ▪ Funding sources include reserves and headwork charges from Water Corporation for the Dunsborough bulk water supply. ▪ BW borrowed from the WA Treasury to fund the chlorine implementation project but does not expect to need to borrow money to fund its projects in the next 10 years. ▪ We reviewed the Financial Plan and confirmed that it includes projections of operating 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>statements, statements of financial position and predictions of income for a 10 year period. We confirmed that the capital expenditure forecasts reconcile with forecasts in the current 10 year development Plan.</p> <ul style="list-style-type: none"> ▪ Variances in expenditure are identified and tracked typically monthly for operating expenditure and as needed for capital expenditure. Forecasts until the end of the current Financial Year are included, with notes to explain any large variations against budget. We witnessed evidence of variance tracking and analysis in monthly reports. ▪ The monthly finance report is issued to the Board in the Board Papers. 			
Capital Expenditure Planning				
<ul style="list-style-type: none"> ▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates ▪ The plan provides reasons for capital expenditure and timing of expenditure ▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan ▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> ▪ Assets are recorded in Confirm with an 'Expiry Date' based on their estimated life. Condition ratings are also added against each asset record. Condition inspections of plant assets take place annually, with network assets inspected on a rolling three year program. ▪ Reports can be run from Confirm for the Expiry Dates and for assets in poor condition and these are used to identify BW's replacement and renewal program. ▪ The asset lives adopted by BW are outlined in the Assessing Asset Condition Manual. ▪ Renewals planning is taken into account. Some assets (e.g. turbidity meters are replaced at the end of their asset life) although other assets are replaced on failure. BW does not undertake any deterioration modelling of its assets. ▪ Business cases are developed as part of the budgeting process for projects that have been identified. ▪ BW procured a hydraulic modelling program (H2O) in March 2011 and this is used by BW's principal hydraulic consultant on an annual basis to simulate operating scenarios, including future development and water demand needs and 	C	3	<ul style="list-style-type: none"> ▪ We recommend that BW further develops its tools for preparing business cases in order to exert a more formal approach with improved consistency to the business planning process. ▪ We recommend that the Capital Works Proposal Form be expanded to allow a formal risk assessment to be undertaken for any proposed project to allow it to be prioritised in the budgeting process. ▪ We recommend that every proposed business case should include a mandatory option of "Do Nothing", and the risks of taking this option assessed to derive a baseline risk score. ▪ We recommend that BW refines the Capital Works Proposal Form and procedure so that there is better alignment with the organisation's overall corporate Areas, Priorities, Values, Objectives and Actions.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>whether the existing infrastructure can provide BW's levels of service. The results are provided to BW together with identified consequential maintenance and replacement programs and used as the basis for BW's development plan.</p> <ul style="list-style-type: none"> ▪ The 10 year Infrastructure Development Plan outlines the reasons for new capital expenditure and the triggers for its timing, ▪ The Plan considers forecast population growth, estimated peak demands, infrastructure capacity / condition, agreements in place (i.e., supply to Dunsborough). However, forecast expenditure for new connections and meter replacements (as well as vehicle replacement) is included in a separate program. ▪ The identified projects are investigated further, with business case studies prepared to justify the project to the Busselton Water Board, and, in some instances, to the Minister, before it is formalised in the budget process and implemented. ▪ Business cases are prepared in accordance with MOD 05.18 Business Case and Asset Acquisitions. Projects valued at >\$1M are progressed using the Department of Treasury's Strategic Asset Management Framework documents. ▪ Busselton prepares business cases using the one page Capital Works Proposal template. The template includes justification for the project to be provided and considers alternative options as well as non-asset solutions. The timeframe for the project, lifecycle costs, including acquisition and operations, and risks are also identified on the template. ▪ The Senior Executive Group (SEG) review and approve the projects for input into the 10 year works plan. ▪ The 10-year forward capital works program is incorporated into the financial planning process to assess whether sufficient funding is available. 			

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> ▪ Funding strategies are outlined in Section 6.3 of the draft Asset Strategy document but the section has yet to be finalised. ▪ After Board approval, the whole budget is approved by the Minister. ▪ The process for updating the capital expenditure plan is well defined and we confirm that it is actioned. ▪ However, as we noted in the 2011 review report, we believe that the existing capital expenditure planning process can be improved by formalising the processes currently undertaken, or creating new processes where required. In particular, processes or policies for project prioritisation and based on risk management and BW's strategic objectives should be created. ▪ A summary of capital expenditure progress against budget is prepared each month. This is included in the management report and also goes to the Board for review. The report also includes forecasts of the months when the expenditure is expected to be incurred. ▪ BW is currently introducing a formal close-out process for each project to assess the expenditure and review reasons for any over/under spend. 			
Review of Asset Management System				
<ul style="list-style-type: none"> ▪ A review process is in place to ensure that the asset management plan and asset management system described therein are kept current ▪ Independent reviews (e.g., internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> ▪ Asset management system review was last carried out by Opus in 2012 to ensure that BW implemented best practice asset management. This review resulted in the development of BW's asset ID convention and the structure of the asset management and asset strategy plans. BW provided the review report which contained the findings and recommendations. BW is currently implementing Opus's recommendations. ▪ BW also identified audit and reporting areas that it needs to improve with assistance from Pitney Bowes, the Confirm system vendor. A list of items to be reviewed has been prepared for future progression. 	B	2	<ul style="list-style-type: none"> ▪ Refer to recommendations outlined in this table to further enhance the asset management system. ▪ BW to include review and update processes in the AMP and Asset Management Strategy before the documents are finalised.

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<ul style="list-style-type: none"> ▪ The new Fixed Asset Registration Form is being used by BW to update the asset register in Confirm. The same form is also used to update the asset cost data in the financial register. ▪ BW's AMP and Asset Management Strategy documents are currently in draft and expected to be finalised by the end of the Financial Year 			

6 Changes to Licence

It is of the Auditor's opinion that no changes to the licence conditions are required.

7 Confirmation of the Audit / Review

I confirm that the audit / review carried out at Busselton Water on 29 and 30 April 2013 and recorded in this report is an accurate presentation of our findings and opinions.

Dr Justin Edwards PhD MEng
Cardno (QLD) Pty Ltd
515 St Paul's Terrace
Fortitude Valley QLD 4006

7 August 2013

APPENDIX A
RISK ASSESSMENT
RATING SCALE
DEFINITIONS



Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Audit Guidelines – Electricity, Gas and Water Licences (ERA, August 2010).

Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality	Supply Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	Minor public health or safety issues Breach of quality standards minor – minimal impact on customers	System failure or connection delays affecting only a few customers. Some inconvenience to customers.	Customer complaints procedures not followed in a few instances. Nil or minor costs incurred by customers.	Licence conditions not fully complied with but issues have been promptly resolved.
2 Moderate	Event is restricted in both area and time, e.g. supply of service to one street is affected for up to one day. Some remedial action is required.	Event is restricted in both area and time, e.g. supply of service to one street is affected for up to one day. Some remedial is required.	Lapse in customer service standards is clearly noticeable but manageable. Some additional cost may be incurred by some customers.	Clear evidence of one or more breaches of legislation or other licence conditions and/or sustained period of breaches.
3 Major	Significant system failure. Life-threatening injuries or widespread health risks. Extensive remedial action required.	Significant system failure. Extensive remedial action required.		

Likelihood Ratings

The likelihood rating scale is described below.

Level	Description
A Likely	Non-compliance is expected to occur at least once or twice a year
B Probable	Non-compliance is expected to occur once every three years
C Unlikely	Non-compliance is expected to occur once every 10 years or longer

Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Strong controls that are sufficient for the identified risks
Medium	Moderate controls that cover significant risks; improvement possible
Weak	Controls are weak or non-existent and have minimal impact on the risks.

Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1	Audit Priority 2	
Medium	Audit Priority 3	Audit Priority 4	
Low	Audit Priority 5		

APPENDIX B
ASSET
MANAGEMENT
PERFORMANCE
RATING
DEFINITIONS



Compliance Assessment Rating Scale

In accordance with the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, August 2010), a 7-point rating scale has been adopted to assess the licensee’s compliance against each licence condition. The rating scale and description of compliance is outlined below.

Compliance Status	Rating	Description of Compliance
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-Compliant	2	Does not meet minimum requirements
Significantly Non-Compliant	1	Significant weaknesses and/or serious action required
Not Applicable	N/A	Determined that the compliance obligation does not apply to the licensee’s business operations.
Not Rated	N/R	No relevant activity took place during the audit period therefore it is not possible to assess compliance.

Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, August 2010).

Asset Management Adequacy Ratings

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

Asset Management Performance Ratings

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

APPENDIX C
POST-AUDIT
IMPLEMENTATION
PLAN



Reference in Document	Item No. Clause	Recommendation	Responsible Officer	Target Date for Completion
Outstanding Actions from 2009 Audit / Review				
Table 3-1	Risk Management	<ul style="list-style-type: none"> BW to continue to develop the risks included in the risk register and review and update the currently identified risks as appropriate. 	Technical Officer Asset & Risk Management (TOARM)	<ul style="list-style-type: none"> Register completion July 2013 Full register review due January 2014
Table 3-1	Contingency Planning	<ul style="list-style-type: none"> The recommendation from the 2009 review was for Busselton Water to test the contingency plans with mock events and update / amend the plans as necessary. Therefore, any findings and recommendations from the DoH mock event in May to be included in updates of BW's contingency plans. 	TOARM	Update Emergency Response Plan flow diagram by end June 2013
Recommendations from the 2011 Audit / Review				
Table 3-1	Asset Planning	<ul style="list-style-type: none"> The recommendation from the 2011 review was for Busselton Water to develop a formal procedure outlining the business planning process, including the preparation of the business case study reports as a Management Operations Directive (MOD). However, we consider that there are further improvements that Busselton Water needs to complete for its business case processes and we have included these in the Recommendations from the 2013 Asset Management System Review section of this table. 	TOARM	August 2013
Table 3-1	Risk Management	<ul style="list-style-type: none"> Refer to Risk Management recommendation in the previous section of this table. 	TOARM	<ul style="list-style-type: none"> Register completion July 2013 Full register review due January 2014
Table 3-1	Asset Operations / Asset Maintenance	<ul style="list-style-type: none"> The recommendation from the 2011 review was for Busselton Water to develop and implement a formal condition assessment program for all assets. BW has implemented a rolling three year program of inspections of the network assets, which is due to commence in August 2013. Therefore, BW should commence the inspections of the network assets over the next three years and use the collected information to further inform their operations, maintenance and capital works programs. 	Distribution Officer (DO) TOARM	<ul style="list-style-type: none"> Complete valve condition assessment by end October 13 Enter data in Confirm by end November 2013
Table 3-1	Asset Operations / Asset Maintenance	<ul style="list-style-type: none"> BW to continue to progress the integration of the GIS with Confirm. 	TOARM/ Technical Officer Projects/ Development	December 2013
Table 3-1	Contingency Planning	<ul style="list-style-type: none"> The recommendation from the 2011 review was for Busselton Water to test the contingency plans with mock events and update / amend the plans as necessary. Therefore, any findings and recommendations from the DoH mock event in May to be included in updates of BW's 	TOARM	Update ERP flow diagram by end June 13

Reference in Document	Item No. Clause	Recommendation	Responsible Officer	Target Date for Completion
		contingency plans.		
Table 3-1	Capital Expenditure Planning	<ul style="list-style-type: none"> ▪ The recommendation from the 2011 review was for Busselton Water to formalise the capital expenditure planning process to address: <ul style="list-style-type: none"> – Process for identifying all investment needs; – Establish project justification requirements based on value, complexity and type of expenditure; – Link project justification to operational and whole of organisation risk management; – Review governance procedures and authority levels for project approvals; – Establish capital expenditure prioritisation methodology based on risk management and Busselton Water's strategic objectives ▪ However, we consider that there are further improvements that Busselton Water needs to complete for its business case processes and we have included these in the Recommendations from the 2013 Asset Management System Review section of this table. 	TOARM	August 2013
Recommendations from the 2013 Operational / Performance Audit				
Table 5-1	5.1	<ul style="list-style-type: none"> ▪ It is recommended that BW completes its Asset Management Strategy and reviews and updates the list the applicable legislation by the end of the current financial year. 	TOARM	July 2013
Table 5-1	Sch 3, CI 2.4	<ul style="list-style-type: none"> ▪ BW to review its current Customer Service Charter by September 2014 and forward any amendments to the ERA for approval 	Manager Customer Services (MCS)	Corporatisation expected in September 2013 will negate the need for this action.
Table 5-1	Sch 3, CI 2.5	<ul style="list-style-type: none"> ▪ BW to review its current Customer Service Charter by September 2014 and update its full and summary versions of the document as required. ▪ The updated Charter should be sent to all customers at least once in the following three year period. Printed copies of the revised charter should be available at the customer service office and uploaded onto BW's internet site. 	MCS	Corporatisation expected in September 2013 will negate the need for both of these actions.
Table 5-1	Sch 3, CI 2.6	<ul style="list-style-type: none"> ▪ BW to review its current Customer Service Charter by September 2014 	MCS	Corporatisation expected in September 2013 will negate the need for this action.
Table 5-1	9.6	<ul style="list-style-type: none"> ▪ BW to publish the MoU Audit Report on its website within one month of 	MCS	MoU audit due April 2015

Reference in Document	Item No. Clause	Recommendation	Responsible Officer	Target Date for Completion
		the completion of the audit when applicable.		
Table 5-1	Sch 4, Cl 2.2	<ul style="list-style-type: none"> We recommend that BW revises the drop down list used to record the water off time to provide smaller intervals than the 30 minute options that it currently has available to select from. In the meantime, we recommend that BW rounds up any water off times between 60 mins and 75 minutes to 90 minutes to ensure that it is reporting these incidents as exceeding the 1 hour service standard. As part of the work that BW is undertaking to integrate the GIS with the asset register, we recommend that it investigates being able to automatically report on the number of connected properties affected by any interruption to supply. Until this improvement can be implemented, we recommend that BW introduces a process and procedure for the number of properties affected by a supply interruption to be confirmed in BW's office rather than being solely based on a field estimate. 	TOARM TOARM TOARM	<ul style="list-style-type: none"> July 2013 Complete. Implemented June 2013 To be included in budget allocation 2014/15
Table 5-1	Sch 4, Cl 2.3	<ul style="list-style-type: none"> We recommend that in future mock testing of its emergency plans, BW ensures that the actions related to providing external water are included in order to test BW's associated procedures. 	TOARM	November 2013
Recommendations from the 2013 Asset Management System Review				
Table 5-2	Asset Planning	<ul style="list-style-type: none"> It is recommended that BW finalise the draft Asset Strategy and Asset Management Plan documents as a priority. 	TOARM	July 2013
Table 5-2	Asset Creation	<ul style="list-style-type: none"> As above 	As above	As above
Table 5-2	Environmental Analysis	<ul style="list-style-type: none"> As above It is recommended that the risk register continues to be reviewed and updated (refer to previous recommendation) 	TOARM	<ul style="list-style-type: none"> Register completion July 2013 Full register review due January 2014
Table 5-2	Asset Operations	<ul style="list-style-type: none"> It is recommended that BW finalise its Asset Management Strategy and Asset Management Plan as priorities. It is recommended that BW commences its network inspections of pipes and valves in August, updates the condition assessment data in Confirm and uses this information to further develop its future works programs. BW's network assets are to be condition assessed in accordance with the BW Assessing Asset Condition Manual. It stipulates that the network assets are to be assessed over a 3 year period, with one-third of the assets assessed each year. It is likely that the network assets will be assessed around the same time of year (i.e. starting in August, as this is the expected time that the budget is approved), although it could vary depending on staff availability. 	TOARM <ul style="list-style-type: none"> DO TOARM 	August 2013 <ul style="list-style-type: none"> October 2013 Enter data in Confirm by end November 2013

Reference in Document	Item No. Clause	Recommendation	Responsible Officer	Target Date for Completion
		<ul style="list-style-type: none"> It is recommended that BW continues to progress its implementation of mobile field devices 	TOARM	Proposed for 2014/15
Table 5-2	Asset Maintenance	<ul style="list-style-type: none"> As for Asset Operations It is recommended that BW continues to progress the additional Confirm reports it has identified as requiring. 	TOARM	Completed and implemented
Table 5-2	Asset Management Information System	<ul style="list-style-type: none"> It is recommended that BW complete the work related to the reports from Confirm that have been identified but which are yet to be developed It is recommended that BW complete the changes to Confirm that have been identified during the first year of implementation (e.g. access rights to be able to make changes to work order records in Confirm once the record has been archived). It is recommended that BW continue to progress the planned integration of Confirm with the GIS. 	TOARM TOARM TOARM	Completed and implemented December 2013 December 2013
Table 5-2	Risk Management	<ul style="list-style-type: none"> It is recommended that BW continues to update the risks included in Synergy (as in previous risk management recommendations in the PAIP) It is recommended that BW formalise a procedural Risk Management Process document. It is recommended that BW should determine what the organisation's "Risk Appetite" is. It is recommended that BW aligns its risk management processes to its overall corporate Areas, Priorities, Values, Objectives and Actions. It is recommended that BW uses its risk management processes in its program/project prioritisation during the development of its annual budget. At present the prioritisation of projects in the capital works budgeting process is fairly informal. 	TOARM TOARM TOARM TOARM Manager Production & Supply	<ul style="list-style-type: none"> Register completion July 2013 Full register review due January 2014 Approved process to be formalised in a MOD July 2013 July 2013 Weighting not possible in current RM software. Investigate systems Dec 2013 Business Case MOD to be finalised/ approved end of July 2013
Table 5-2	Contingency Planning	<ul style="list-style-type: none"> Refer to previous comments re contingency plans & mock tests in this table. 	TOARM	November 2013

Reference in Document	Item No. Clause	Recommendation	Responsible Officer	Target Date for Completion
Table 5-2	Capital Expenditure Planning	<ul style="list-style-type: none"> We recommend that BW further develops its tools for preparing business cases in order to exert a more formal approach with improved consistency to the business planning process. 		
		<ul style="list-style-type: none"> We recommend that the Capital Works Proposal Form be expanded to allow a formal risk assessment to be undertaken for any proposed project to allow it to be prioritised in the budgeting process. 	TOARM	Completed
		<ul style="list-style-type: none"> We recommend that every proposed business case should include a mandatory option of “Do Nothing”, and the risks of taking this option assessed to derive a baseline risk score. 	TOARM	August 2013
		<ul style="list-style-type: none"> We recommend that BW refines the Capital Works Proposal Form and procedures so that there is better alignment with the organisation’s overall corporate Areas, Priorities, Values, Objectives and Actions. 		
Table 5-2	Review of Asset Management System	<ul style="list-style-type: none"> BW to include review and update processes in the AMP and Asset Management Strategy before the documents are finalised. 	TOARM	July 2013

Note: The last two columns in the table (Responsible Officer and Target Date for Completion) are provide by the licensee and do not form part of the audit/review report.