

Hamersley Iron Pty Ltd

Operational Audit and Asset Management System Review

Audit Report

23rd September 2013



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Executive Summary

1.1 Background

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

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

The ERA, established under the *Economic Regulation Authority Act 2003*, granted a Water Services Operating Licence (“Operating Licence”) to Hamersley Iron Pty Ltd (“Hamersley Iron”) for the provision of Potable Water Supply and Sewerage Services in areas as stipulated in Schedule 2 of the Operating Licence. The Operating Licence was granted to Hamersley Iron on the 29th June 2001 and was last amended on 8 October 2012.

The operational audit and asset management system review was conducted in accordance with the “Audit Guidelines: Electricity, Gas and Water Licences (August 2010)”, as compiled by the ERA. The audit was conducted in order to assess the licensee’s level of compliance with the conditions of its Operating Licence.

The operational audit and asset management system review covered the period from 1 July 2010 to 30 June 2013.

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Operational Audit

2.1 Overview

2.1.1 Summary of Opinion on the Control Environment

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

2.1.2 Overall Assessment

In the auditor's professional view, Hamersley Iron is achieving an acceptable level of compliance with the requirements of the Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 2.1.5 for more details.

2.1.3 Actions Taken on Previous Post-Audit Plan

The previous operational audit was conducted by Aquaterra in 2010. A number of recommendations were made in respect of the operational audit undertaken. With two exceptions, all of these issues have been resolved.

2.1.4 Post Audit Implementation Plan

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

2.1.5 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Cl. 6.1 and Sch. 3: Cl. 3.1 Cl. 20.1 and Sch. 4: Cl. 1.2	<ul style="list-style-type: none"> The percentages of customer complaints resolved within 15 business days during the audit period were as follows: <ul style="list-style-type: none"> 2010 – 2011: 100%; 2011 – 2012: 80%; and 2012 – 2013: 92%. In terms of Schedule 4, clause 1.2 of the Operating Licence, 90% of customer complaints should be resolved within 15 business days; and Hamersley Iron thus did not meet the performance standard for customer complaints, as included in the Operating Licence, during the 2011 – 2012 year. 	<ul style="list-style-type: none"> Hamersley Iron should improve its reaction time to customer complaints to ensure it reaches the performance standard set in the Operating Licence which requires that 90% of customer complaints are resolved within 15 business days. 	<ul style="list-style-type: none"> Update Guideline and SWP to ensure these reflect the new: <ul style="list-style-type: none"> Arrangement with the Water Ombudsman as the complaints regulator, instead of DoW, using cl. 36 of the Customer Code as guidance; and Call management system, Rio Tinto Ticket Management Service (RTTMS). (DoW is being replaced by the Water Ombudsman effective from 1 January 2014). 	Gary Boylan, Customer Services 31 December 2013
Cl. 6.1 and Sch. 3: Cl. 3.2 (d)	<ul style="list-style-type: none"> The complaints registers across all 3 years during the audit period provide insufficient details of the outcome of complaints. Audit noted, specifically in respect of billing complaints received during the 2012/2013 year, the register did not indicate how the majority of such complaints were resolved. 	<ul style="list-style-type: none"> The complaints register should provide sufficient details of the outcome of customer complaints irrespective of the nature of the complaint. 	<ul style="list-style-type: none"> Transition to new, improved RTTMS, which will allow for the inclusion of more details about both the complaint and the complaint resolution. RTTMS should also remove the requirement for manual tracking sheets. 	Gary Boylan, Customer Services 31 December 2013
Cl. 6.1 and Sch. 3: Cl. 3.6	<ul style="list-style-type: none"> Hamersley Iron has compiled the following documents which deal with customer complaints: <ul style="list-style-type: none"> “Pilbara Utilities Customer Complaints Resolution Guideline”; and “Standard Work Procedure – Customer Complaints”. However, none of these two documents refer to cooperation with the Department of 	<ul style="list-style-type: none"> Either or both of the: <ul style="list-style-type: none"> “Pilbara Utilities Customer Complaints Resolution Guideline”; and “Standard Work Procedure – Customer Complaints” should be updated to include appropriate references to the obligation to promptly cooperate with the Department of Water’s requests, during the process of investigation 	<ul style="list-style-type: none"> Ensure Customer Service Officers have a strong awareness of the Customer Code and change in obligations. 	Gary Boylan, Customer Services 31 December 2013

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	Water's request, during the process of investigation and conciliation of complaints.	and conciliation of complaints.		
Cl. 6.1 and Sch. 3: Cl. 3.7	<ul style="list-style-type: none"> ▪ Hamersley Iron has compiled the following documents which deal with customer complaints: <ul style="list-style-type: none"> ▪ "Pilbara Utilities Customer Complaints Resolution Guideline"; and ▪ "Standard Work Procedure - Customer Complaints". ▪ However, none of these two documents refer to the provision of requested information to the Department of Water in respect of customer complaints. 	<ul style="list-style-type: none"> ▪ Either or both of the: <ul style="list-style-type: none"> ▪ "Pilbara Utilities Customer Complaints Resolution Guideline"; and ▪ "Standard Work Procedure - Customer Complaints" <p>should be updated to include appropriate references to the obligation to provide requested information to the Department of Water in respect of customer complaints.</p>	<ul style="list-style-type: none"> ▪ Ensure Customer Service Officers have a strong awareness of the Customer Code and change in obligations. 	Gary Boylan, Customer Services 31 December 2013
Cl. 7.1 and Sch. 3: Cl. 2.5	<ul style="list-style-type: none"> ▪ Audit noted copies of the Customer Charter are available at the mine sites of Dampier, Paraburdoo and Tom Price. Hamersley Iron has stated the majority of its customers are employees who have access to the mine sites. However, public accesses to these mine sites are restricted and as such the Customer Charter is not readily accessible to all customers. 	<ul style="list-style-type: none"> ▪ Hamersley Iron should prominently display the Customer Charter in those parts of its offices to which customers regularly have access. 	<ul style="list-style-type: none"> ▪ Endeavour to make the Customer Charter available at places other than Hamersley Iron's offices (which are all on site). Continue to ensure the Customer Charter is available online and sent it to new customers. 	Gary Boylan, Customer Services 31 December 2013
Cl. 8.1 and Sch. 3: Cl. 4.2	<ul style="list-style-type: none"> ▪ Hamersley Iron last consulted the ERA in respect to the type and extent of customer consultation in 2004; ▪ Hamersley Iron proposed, in its letter to the ERA dated 9 June 2004, the following: <ul style="list-style-type: none"> ▪ Publication of an annual customer newsletter (Water Wisdom); and ▪ Distribution of a customer feedback questionnaire. ▪ The ERA in its response, dated 21 June 2004, stated it regard the proposed customer 	<ul style="list-style-type: none"> ▪ The ERA should be consulted with respect to the type and extent of customer consultation to be undertaken. Such consultation will help ensure that current customer consultation processes within Hamersley Iron meet the ERA's expectations. 	<ul style="list-style-type: none"> ▪ Hamersley Iron will contact the relevant team at the ERA to review current consultation processes; and ▪ Implement any new recommended consultation tools. 	Tegan Campbell, Risk & Compliance 31 October 2013

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
	<p>consultation: "...as a useful first step towards meeting the licence's requirements for customer consultation..."; and</p> <ul style="list-style-type: none"> As Hamersley Iron last consulted the ERA in respect of customer consultation more than 9 years ago, it is considered prudent to repeat the process. 			
Cl. 20.1 and Sch. 4: Cl. 2.2	<ul style="list-style-type: none"> The percentages of connected properties that did not experience an interruption to water supply exceeding 1 hour in duration (12 month data) were as follows: <ul style="list-style-type: none"> 2010 - 2011: 44.3%; 2011 - 2012: 75.3%; and 2012 - 2013: 41%. Hamersley Iron thus did not meet the performance standard for continuity of supply, as included in the Operating Licence, during the 2010 - 2011 and 2012 - 2013 years. Hamersley Iron has stated that these instances of non-compliance were caused by unplanned outages due to burst mains, and planned outages for mains upgrades. 	<ul style="list-style-type: none"> Hamersley Iron should continue to be proactive in its preventative maintenance of the water systems to ensure it meets the performance standard for continuity of supply in the future. 	<ul style="list-style-type: none"> Continue the ongoing water mains upgrade programs (capital expenditure). 	Heath Bennett, Water Reliability Ongoing
Sch. 6: Cl. 2.3	<ul style="list-style-type: none"> The reference in the Customer Charter to the discontinuance of services due to non-payment of charges is specific but narrow. It does not cover all the different scenarios that may make servicing of a property commercially unviable. 	<ul style="list-style-type: none"> Hamersley Iron changes its Customer Charter appropriately to state that it may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable. 	<ul style="list-style-type: none"> While the charter may no longer be used, Hamersley Iron will ensure all other relevant documents reflect this licence requirement. 	Gary Boylan, Customer Services 31 December 2013

2.2 Objectives and Scope

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

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

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

The scope of the operational audit covered the following areas:

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

2.3 Methodology

2.3.1 Fieldwork

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

2.3.2 Audit Reporting

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

2.4 Time Period Covered in Audit

The audit covered the period from 1 July 2010 to 30 June 2013. The previous audit covered the period from 1 April 2007 to 30 June 2010.

2.5 Time Period of Audit

The audit was conducted from 22 July 2013 to 26 July 2013.

2.6 Licensee's Representatives

Hamersley Iron's primary contacts were as follows:

Staff Member	Position
Ms Tegan Campbell	Advisor Compliance - Utilities Services
Mr Heath Bennett	Principal Water Reliability

2.7 Key Documents and Other Information Sources

- Audit Guidelines: Electricity, Gas and Water Licences (August 2010);
- Water Compliance Reporting Manual (July 2012);
- Operating Licence – Licence No 33 – Hamersley Iron Pty Ltd (8 October 2012);
- Hamersley Iron 2010 Operational Audit and Asset System Management Review;

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- Rio Tinto – Customer Charter – December 2011;
 - Hamersley Iron Pty Ltd – Special Purpose Financial Report for the Year Ended 31 December 2010;
 - Hamersley Iron Pty Ltd – Special Purpose Financial Report for the Year Ended 31 December 2011;
 - Hamersley Iron Pty Ltd – Special Purpose Financial Report for the Year Ended 31 December 2012;
 - Rio Tinto – Asset Management Manual;
 - Rio Tinto Iron Ore Utilities – Asset Management Improvement Plan – Water and Wastewater Services 2013;
 - Hamersley Iron - Compliance Reports (2010/2011 and 2011/2012);
 - Hamersley Iron - Water Compliance Manual Datasheets (2010/2011, 2011/2012 and 2012/2013); and
 - Communication received from the ERA (over the audit period).

2.8 Licensee’s Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 5.1	<ul style="list-style-type: none"> It is recommended that Hamersley Iron works towards a Memorandum of Understanding with the DoH expeditiously. 	<ul style="list-style-type: none"> A “Memorandum of Understanding between the Department of Health and Hamersley Iron Pty Ltd for Drinking Water” was entered into on the 20th January 2012 (MoU). 	<ul style="list-style-type: none"> None 	Resolved
Sch. 3: Cl. 4.1	<ul style="list-style-type: none"> It is recommended that Hamersley Iron continues to provide information, consistent branding and summarising minimum standards. 	<ul style="list-style-type: none"> Hamersley Iron has introduced community advisory groups in all operating areas where water services are provided. These groups meet on a regular basis (at least quarterly) and attendance is open to the general public. The meetings act as an open forum for the discussion of issues by parties in attendance; Hamersley Iron does publish a quarterly newsletter entitled: “Water Wisdom”. The purpose of the newsletter, as stated in the RTIO Utilities Customer Services Manual, is to inform RTIO customers about current water related projects, drinking water quality and to promote water conservation. The newsletter also aims to assist RTIO in meeting requirements of the Water Operating Licence. Hamersley Iron has stated that newsletters are provided to customers with their invoices for water services; and Hamersley Iron has stated copies of the Customer Charter were printed, by an external printer, after the December 2011 update and were sent to all customers together with invoices for services provided. 	<ul style="list-style-type: none"> None 	Resolved
Sch. 4: Cl. 1.1	<ul style="list-style-type: none"> It is understood that this situation is often handled (well) on site by direct customer liaison, but that reporting back to the call centre for interim progress or close out is more 	<ul style="list-style-type: none"> Hamersley Iron has compiled a “Pilbara Utilities Customer Complaints Resolution Guideline” to provide the Utilities Customer Services team with an outline of obligations 	<ul style="list-style-type: none"> None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
	<p>problematic. It is recommended that Hamersley Iron continues to encourage maintainers to update the call centre and close the loop.</p>	<p>regarding customer complaints;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron has also compiled a “Standard Work Procedure – Customer Complaints” which aims to provide an efficient, fair and accessible mechanism for dealing with customer complaints; and ▪ Hamersley Iron has also compiled a “Procedure – ERA reporting monthly data collection – water complaints and emergency calls”. The purpose of the document is to clearly allocate the process and responsibilities required to ensure accurate data is used in reporting. 		
<p>Sch. 3: Cl. 3.2 and Sch. 4: Cl. 1.2</p>	<ul style="list-style-type: none"> ▪ Hamersley Iron is confident in stating that customer services have resolved all complaints within the designated timeframe. The issue relates to recording data and update the history and progress associated with the complaint. This provides the detailed records of responses to calls. However, it is apparent all users are not doing this overall and hence without these detailed records and supporting documentation, Hamersley Iron was not able to state that all issues were resolved within 15 days. It is recommended that Hamersley Iron seeks to improve this by engaging with other groups. 	<ul style="list-style-type: none"> ▪ As stated above, Hamersley Iron has compiled the following documents: <ul style="list-style-type: none"> ▪ “Pilbara Utilities Customer Complaints Resolution Guideline”; ▪ “Standard Work Procedure – Customer Complaints”; and ▪ “Procedure – ERA reporting monthly data collection – water complaints and emergency calls”. ▪ Hamersley Iron uses a comprehensive complaints register to record details of complaints received; and ▪ However, the complaints registers across all 3 years during the audit period provide insufficient details of the outcome of complaints. Audit noted, specifically in respect of billing complaints received during the 2012/2013 year, the register did not indicate how the complaints were resolved. 	<ul style="list-style-type: none"> ▪ The complaints register should provide sufficient details of the outcome of customer complaints irrespective of the nature of the complaint. 	<p>Unresolved</p>

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Sch. 4: Cl. 2.2	<ul style="list-style-type: none"> It is recommended that Hamersley Iron continues to be proactive in its preventative maintenance of the water systems to preserve its success. 	<ul style="list-style-type: none"> The number of water main breaks (per 100km of water main) were as follows: <ul style="list-style-type: none"> 2010 – 2011: 13.2; 2011 – 2012: 11.3; and 2012 – 2013: 13.2%. Hamersley Iron thus met the performance standard for continuity of supply – leaks or bursts, as included in the Operating Licence, during the audit period. 	<ul style="list-style-type: none"> None 	Resolved
Sch. 4: Cl. 2.2	<ul style="list-style-type: none"> It is recommended that Hamersley Iron continues to be proactive in its preventative maintenance of the water systems to acquire this KPI; and Hamersley Iron intends to provide additional staff to take over (from Contractors) some of the (emergency) maintenance tasks. This should reduce emergency response times. It is recommended that Hamersley Iron monitors (anecdotally) the impact of this initiative in meeting 'disruption' KPIs. 	<ul style="list-style-type: none"> The percentages of connected properties that did not experience an interruption to water supply exceeding 1 hour in duration (12 month data) were as follows: <ul style="list-style-type: none"> 2010 – 2011: 44.3%; 2011 – 2012: 75.3%; and 2012 – 2013: 41%. Hamersley Iron thus did not meet the performance standard for continuity of supply, as included in the Operating Licence, during the 2010 – 2011 and 2012 – 2013 years. Hamersley Iron has stated that these instances of non-compliance were caused by unplanned outages due to burst mains, and planned outages for mains upgrades; and Hamersley Iron has stated the following steps were taken to ensure compliance with the performance standard for continuity of supply, as included in the Operating licence: <ul style="list-style-type: none"> Changed from a 5/2 roster (5 days on, 2 days off - normal Monday to Friday, 10 hours per day), to an 8/6 roster (rolling 8 days on, 6 days off - 12 hours per day), so that staff are available every day, including weekends, to respond to 	<ul style="list-style-type: none"> Hamersley Iron should continue to be proactive in its preventative maintenance of the water systems to ensure it meets the performance standard for continuity of supply in the future. 	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
		<p>emergencies;</p> <ul style="list-style-type: none"> ▪ Restructured the division so that former Networks (water) and Hydrocarbons staff are now all classed as Mechanical Maintainers, thus doubling the number of available staff; and ▪ Introduced a "Water Outages Management Plan - Utilities Network - October 2010". 		
Sch. 4: Cl. 3.1	<ul style="list-style-type: none"> ▪ It is recommended that Hamersley Iron's approach to reporting sewer blockage / overflows be modified in accordance with ERA's requirements. It is also recommended that Hamersley Iron continues to try and reduce customer related blockages and overflows, and that Hamersley Iron liaise with ERA such that provision be made in the annual reporting to differentiate between asset based breaks / chokes / spills and those caused by customer products, so that sewer system management practices can continue to be assessed. 	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated that since the 2010 audit, Utilities has completed ongoing maintenance (CCTV inspection, and jet spray cleaning) for mains, as well as conducting a sewer main upgrade program in the towns; ▪ The number of sewer breaks and chokes (per 100km of sewer main) were as follows: <ul style="list-style-type: none"> ▪ 2010 - 2011: 5.9; ▪ 2011 - 2012: 12.9; and ▪ 2012 - 2013: 7.1. ▪ Hamersley Iron thus met the performance standard for the number of sewer blockages per 100km of sewer mains, as included in the Operating Licence, during the audit period; ▪ Hamersley Iron reported, on an annual basis during the audit period, the total number of sewer breaks and chokes, irrespective of the nature thereof (whether it was asset based or customer based). However, the number of sewer breaks and chokes which were caused by customers was recorded in the report (next to the total number disclosed); ▪ The percentage of connected properties not experiencing a wastewater overflow were as follows: 	<ul style="list-style-type: none"> ▪ None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
		<ul style="list-style-type: none"> ▪ 2010 – 2011: 99.6%; ▪ 2011 – 2012: 99.9%; and ▪ 2012 – 2013: 100%. ▪ Hamersley Iron thus met the performance standard for the percentage of connected properties experiencing a wastewater overflow, as included in the Operating Licence, during the audit period. 		

2.9 Performance Summary

2.9.1 Compliance Rating Scale

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

2.9.2 Operational Audit Compliance Summary

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Grant of Licence	Cl. 2.1 & Sch. 1 - 2	1	C	L	S					✓		
Term	Cl. 3.1	1	C	L	S							✓
Fees	Cl. 4.1	1	C	L	S						✓	
Compliance	Cl. 5.1 - 2	3	C	H	S				✓			
Customer Complaints	Cl. 6.1 & Sch. 3: Cl. 3	2	B	M	M			✓				

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Customer Service Charter	Cl. 7.1 & Sch. 3: Cl. 2	2	C	M	S		✓					
Customer Consultation	Cl. 8.1 & Sch. 3: Cl. 4	2	C	M	S				✓			
Customer Contracts	Sch. 3: Cl. 5	2	C	M	S							✓
Customer Surveys	Sch. 3: Cl. 6	1	C	L	S							✓
Memorandum of Understanding	Cl. 9.1 - 7	3	C	H	W					✓		

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)								
						1	2	3	4	5	N/A	N/R		
Transfer of Licence	Cl. 10.1	N/A The Authority has the ability to independently assess compliance if the clause is exercised during the audit period.										✓		
Cancellation of Licence	Cl. 11.1													✓
Surrender of Licence	Cl. 12.1 - 3													✓
Renewal of Licence	Cl. 13.1													✓
Amendment of Licence	Cl. 14.1 - 4												✓	
Accounting Records	Cl. 15.1	3	B	H	S					✓				
Operational Audit	Cl. 16.1 - 4	1	C	L	S					✓				

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Asset Management System	Cl. 17.1 - 6	3	B	H	S					✓		
Reporting	Cl. 18.1	1	C	L	S							✓
Individual Performance Standards	Cl. 19.1 - 4	3	B	H	S							✓
Service and Performance Standards	Cl. 20.1 & Sch. 4	3	B	H	S		✓					
Provision of Information	Cl. 21.1	3	A	H	S				✓			
Information Requirements (Reporting)	Cl. 21.2 & Sch. 5.2	1	C	L	S					✓		

Operating Area	Operating Licence Reference (Cl. = clause, Sch. = schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=unlikely, B=probable, C=unlikely)	Inherent Risk (L=low, M=medium, H=high)	Adequacy of Existing Controls (S=strong, M=moderate, W=weak)	Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details)						
						1	2	3	4	5	N/A	N/R
Publishing Information	Cl. 22.1 - 4	1	C	L	S							✓
Notices	Cl. 23.1	1	C	L	S					✓		
Review of the Authority's Decisions	Cl. 24.1	1	C	L	S							✓
Other Provisions	Sch. 6: Cl. 2	3	B	H	S			✓				

2.9.3 Observations and Recommendations

Operating Area	Operating Licence Reference	Systems, Processes and Controls In Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence	Clause 2.1 and Schedules 1 and 2	<ul style="list-style-type: none"> ▪ An “Operating Licence – Water Services Licensing Act 1995 (WA) - Licence No 33”, dated 8 October 2012 (Operating Licence) was awarded by the Economic Regulation Authority (ERA) to Hamersley Iron Pty Ltd (Hamersley Iron) for the provision of: <ul style="list-style-type: none"> ▪ Potable water supply services; and ▪ Sewerage services. The licence: <ul style="list-style-type: none"> ▪ Commenced on 29 June 2001; and ▪ Expires on 1 June 2026. ▪ Hamersley Iron has stated in the sections entitled: “Water Quality” and “Reliable Water Supply and Sewerage Service” in its “Customer Charter – Utilities Water and Waste Water Services – December 2011” (Customer Charter): <ul style="list-style-type: none"> ▪ “Rio Tinto will supply you with drinking water to the standard determined by the Water Services Operating Licence.”; and ▪ “Rio Tinto aims to provide water supply and sewerage service to you 24 hours every day.” ▪ Hamersley Iron has stated it provides potable water supply services and sewerage services to customers in accordance with the terms and conditions of the Operating Licence; ▪ Hamersley Iron has stated it provides the water services respectively indicated in Schedule 2 to, and within, those areas approved by the ERA for 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence (continued)	Clause 2.1 and Schedules 1 and 2	<p>the provision of the indicated water service;</p> <ul style="list-style-type: none"> ▪ In terms of Schedule 2 of the Operating Licence, Hamersley Iron may provide the following water services to, and within, the areas designated by reference to the following plans: <ul style="list-style-type: none"> ▪ Potable water supply and sewerage services - Plan number: OWR/OA/267(B); ▪ Potable water supply services - Plan numbers: OWR/OA/274(A), OWR/OA/279(A) and OWR/OA/305; and ▪ Sewerage services - Plan numbers: OWR/OA/269(A) and OWR/OA/268(A). ▪ With the exception of Bungaroo Creek, Hamersley Iron provided copies of all the plans listed in Schedule 2 to the Operating Licence for audit purposes; ▪ Hamersley Iron has stated that whilst, Bungaroo Creek has being added as a new operating area in the Operating Licence, the site is still under construction; and ▪ Hamersley Iron has stated it provides the water services respectively indicated in Schedule 2 to, and within, those areas approved by the ERA for the provision of the indicated water service. 		
Term	Clause 3.1	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated the Operating Licence was not cancelled during the audit period; ▪ Hamersley Iron has stated the Operating Licence was not surrendered during the audit period; and ▪ As per Schedule 1 to the Operating licence, the Operating Licence awarded for the provision of potable water supply services and sewerage services expires on the 1st June 2026. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Fees	Clause 4.1	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated no fees are payable in respect of the Operating Licence. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/A
Compliance	Clause 5.1 – 2	<ul style="list-style-type: none"> ▪ Hamersley Iron is required to comply with the Water Services Licensing Act 1995 (WA); ▪ Key legislative requirements are incorporated into the Operating Licence held by Hamersley Iron. Therefore, by complying with the Operating Licence's stipulations, Hamersley Iron will comply with key requirements of the applicable legislation; ▪ Hamersley Iron acknowledges its obligations to comply with applicable legislation and states in the section entitled: "Audit of Performance" in its Customer Charter: "The charter sets out the broad philosophy of Rio Tinto in supplying water supply services and waste water services in accordance with the operating licence issued by the Economic Regulation Authority (ERA) under the Water Services Licensing Act 1995."; ▪ Hamersley Iron uses an 'Evidence Register' to identify compliance obligations in terms of the Operating Licence and to allocate responsibility therefor to specific employees; ▪ The 2010 – 2011 Compliance Report disclosed the following instances of non-compliance with the Operating Licence: <ul style="list-style-type: none"> ▪ Not reaching the continuity of supply standard as per Schedule 4, clause 2.1 of the Operating Licence; and ▪ Failure to enter into a memorandum of Understanding with the Department of Health as soon as practicable after the commencement date. ▪ The 2011 – 2012 Compliance Report did not disclose any instances of non-compliance with the 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Compliance (continued)	Clause 5.1 – 2	<p>obligations stipulated in the Operating Licence. However, only 80% of customer complaints were resolved within 15 business days during the 2011 – 2012 reporting year. Schedule 4 clause 1.2 specifies that 90% of customer complaints should be resolved within 15 business days;</p> <ul style="list-style-type: none"> ▪ The 2012 – 2013 Compliance Report is only due to be submitted to the ERA by 31 August 2013. The 2012 – 2013 Compliance Report has not been finalised at the time of conduct of the audit; and ▪ Hamersley Iron has stated that no direction was received from the ERA in writing to do any measure necessary to: <ul style="list-style-type: none"> ▪ Correct the breach of any applicable legislation; or ▪ Prevent the breach of any applicable legislation occurring again. 		
Customer Complaints	Clause 6.1 and Schedule 3: Clause 3	<ul style="list-style-type: none"> ▪ Hamersley Iron has implemented the following customer complaints processes: <ul style="list-style-type: none"> ▪ Emergency Assistance; and ▪ Complaints and dispute resolution. ▪ The Customer Charter states, in the section entitled: “Reliable Water Supply and Sewage Service”, the following in respect of emergency assistance: <p>“In the event of an interruption to your water supply or sewage service please call 1800 992 777 - we will be on call 24 hours, seven days a week and will return your call within an hour.”;</p> ▪ The Customer Charter states, in the section entitled: “Customer Complaints”, the following in respect of complaints: <p>“Rio Tinto can be contacted on 1800 992 777 and aim to resolve complaints as quickly as possible, at</p> 	<ul style="list-style-type: none"> ▪ Hamersley Iron should improve its reaction time to customer complaints to ensure it reaches the performance standard set in the Operating Licence which require that 90% of customer complaints are resolved within 15 business days; ▪ The complaints register should provide sufficient details of the outcome of customer complaints irrespective of the nature of the complaint; ▪ Either or both of the: <ul style="list-style-type: none"> ▪ “Pilbara Utilities Customer Complaints Resolution Guideline”; and ▪ “Standard Work Procedure – Customer Complaints” <p>should be updated to include appropriate references to the obligation to promptly cooperate with the Department of Water’s requests, during the process of investigation and conciliation of</p> 	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>least within 15 business days.”;</p> <ul style="list-style-type: none"> ▪ The Customer Charter is prominently displayed on the dedicated Rio Tinto webpage entitled “Water supply”; ▪ The Rio Tinto website contains a dedicated page entitled: “Customer satisfaction” which specifically lists the emergency assistance number disclosed in the Customer Charter; ▪ Hamersley Iron uses a “Customer complaint form” to record customer complaints. The form specifically includes dates for the receipt, acknowledgement and reply to complaints; ▪ Hamersley Iron uses a comprehensive complaints register to record details of complaints received; ▪ Hamersley Iron has compiled a “Pilbara Utilities Customer Complaints Resolution Guideline” to provide the Utilities Customer Services team with an outline of obligations regarding customer complaints; ▪ In addition, Hamersley Iron has compiled a “Standard Work Procedure – Customer Complaints” which aims to provide an efficient, fair and accessible mechanism for dealing with customer complaints; ▪ The percentages of customer complaints resolved within 15 business days during the audit period were as follows: <ul style="list-style-type: none"> ▪ 2010 – 2011: 100%; ▪ 2011 – 2012: 80%; and ▪ 2012 – 2013: 92%. ▪ In terms of Schedule 4, clause 1.2 of the Operating Licence, 90% of customer complaints should be resolved within 15 business days; ▪ Hamersley Iron thus did not meet the performance 	<p>complaints; and</p> <ul style="list-style-type: none"> ▪ Either or both of the: <ul style="list-style-type: none"> ▪ “Pilbara Utilities Customer Complaints Resolution Guideline”; and ▪ “Standard Work Procedure – Customer Complaints” <p>should be updated to include appropriate references to the obligation to provide requested information to the Department of Water in respect of customer complaints.</p>	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>standard for customer complaints, as included in the Operating Licence, during the 2011 - 2012 year;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron has compiled a "Pilbara Utilities Customer Complaints Resolution Guideline" which states, in section 5 of the document: "All relevant information about the issue will initially be recorded and given a unique identification number."; ▪ The complaints registers across all 3 years during the audit period record a unique 7 digit complaint number for each individual entry in the registers; ▪ The Customer Charter states, in the section entitled: "Customer Complaints": "For complex issues, we will maintain a free and accessible dispute resolution process. You may raise your complaint to a higher level within our management structure if you are not satisfied with the initial response."; ▪ Hamersley Iron has stated 3 full time employees and a supervisor are employed to deal with customer complaints. This team is assisted by a business improvement specialist and the Advisor Compliance - Utilities Services; ▪ Hamersley Iron has stated the designated officers are trained to deal with customer complaints; ▪ Hamersley Iron has compiled a "Pilbara Utilities Customer Complaints Resolution Guideline" to provide the Utilities Customer Services team with an outline of obligations regarding customer complaints; ▪ In addition, Hamersley Iron has compiled a "Standard Work Procedure - Customer Complaints" which aims to provide an efficient, fair and accessible mechanism for dealing with 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>customer complaints;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron has compiled a “Procedure – ERA reporting monthly data collection – water complaints and emergency calls”. The purpose of the document is to clearly allocate the process and responsibilities required to ensure accurate data is used in reporting; ▪ The complaints registers across all 3 years during the audit period provide insufficient details of the outcome of complaints. Audit noted, specifically in respect of billing complaints received during the 2012/2013 year, the register did not indicate how the majority of such complaints were resolved; ▪ The Customer Charter states, in the section entitled: “Customer Complaints”: <p>“If you are not satisfied with the outcome or if the complaint is not resolved within 15 business days, you can refer the complaint to the Department of Water.”;</p> ▪ Hamersley Iron has stated that it has no knowledge of any complaints referred to the Department of Water; ▪ Hamersley Iron has stated no complaints were investigated by the Department of Water during the audit period; ▪ Hamersley Iron has compiled the following documents which deal with customer complaints: <ul style="list-style-type: none"> ▪ “Pilbara Utilities Customer Complaints Resolution Guideline”; and ▪ “Standard Work Procedure – Customer Complaints”. ▪ However, none of these two documents refer to cooperation with the Department of Water’s request, during the process of investigation and 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>conciliation of complaints;</p> <ul style="list-style-type: none"> Furthermore, none of these two documents refer to the provision of requested information to the Department of Water in respect of customer complaints; and Hamersley Iron has stated no requests for information in respect of complaints, were received from the Department of Water during the audit period. 		
Customer Service Charter	Clause 7.1 and Schedule 3: Clause 2	<ul style="list-style-type: none"> Hamersley Iron has issued a Customer Charter; The Customer Charter is prominently displayed on the dedicated Rio Tinto webpage entitled: "Water supply"; The Customer Charter is drafted in 'plain English'; The Customer Charter is comprehensive; No distinction is made in the Customer Charter between classes of customers; The Customer Charter states, in the section entitled: "Your Rights to Consultation and Information": <p>"Rio Tinto provides customer information and consultation by two methods: by conducting annual surveys and by the publication of magazines and newsletters. We will publish and make available at our premises information on matters relating to our water and waste water supply services and on other aspects such as complaints handling. Rio Tinto company representatives will provide their name and section in business discussions with customers.";</p> Audit noted copies of the Customer Charter are available at the mine sites of Dampier, Paraburdoo and Tom Price. Hamersley iron has stated the majority of its customers are employees who have 	<ul style="list-style-type: none"> Hamersley Iron should prominently display the Customer Charter in those parts of its offices to which customers regularly have access. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Service Charter (continued)	Clause 7.1 and Schedule 3: Clause 2	<p>access to the mine sites. However, public accesses to these mine sites are restricted and as such the Customer Charter is not readily accessible to all customers;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron has stated copies of the Customer Charter, are provided upon request, and at no charge, to customers; ▪ Hamersley Iron has stated copies of the Customer Charter were printed, by an external printer, after the December 2011 update and were sent to all customers together with invoices for services provided; ▪ Hamersley Iron has compiled a document entitled: "Procedure - Customer Charter Review and Approval"; ▪ The previous review of the Customer Charter occurred in October 2008; ▪ Hamersley Iron submitted an amended Customer Charter to the ERA on 31 October 2011; ▪ Hamersley Iron's Customer Charter was approved by the ERA on 11 November 2011; ▪ The Customer Charter states, in the section entitled: "Audit of Performance": "The charter sets out the broad philosophy of Rio Tinto in supplying water supply services and waste water services in accordance with the operating licence issued by the Economic Regulation Authority (ERA) under the Water Services Licensing Act 1995."; and ▪ Except for the recommendations made in this Audit Report, the audit concluded Hamersley Iron is providing its services in a way which is consistent with its Customer Charter. 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation	Clause 8.1 and Schedule 3: Clause 4	<ul style="list-style-type: none"> • The Customer Charter states, in the section entitled: “Your Rights to Consultation and Information”: “Rio Tinto provides customer information and consultation by two methods: by conducting annual surveys and by the publication of magazines and newsletters. We will publish and make available at our premises information on matters relating to our water and waste water supply services and on other aspects such as complaints handling. Rio Tinto company representatives will provide their name and section in business discussions with customers.”; • Hamersley Iron has stated that no Customer Council exists; ▪ Hamersley Iron has introduced community advisory groups in all operating areas where water services are provided. These groups meet on a regular basis (at least quarterly) and attendance is open to the general public. The meetings act as an open forum for the discussion of issues by parties in attendance; • Hamersley Iron does publish a quarterly newsletter entitled: “Water Wisdom”. The purpose of the newsletter, as stated in the RTIO Utilities Customer Services Manual, is to inform RTIO customers about current water related projects, drinking water quality and to promote water conservation. The newsletter also aims to assist RTIO in meeting requirements of the Water Operating Licence. Hamersley Iron has stated that newsletters are provided to customers with their invoices for water services; ▪ The Water Wisdom newsletter was not published during the third and fourth quarters of 2011. Hamersley Iron has stated this was caused by the 	<ul style="list-style-type: none"> ▪ The ERA should be consulted with respect to the type and extent of customer consultation to be undertaken. Such consultation will help ensure that current customer consultation processes within Hamersley Iron meet the ERA's expectations. 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation (continued)	Clause 8.1 and Schedule 3: Clause 4	<p>internal Rio Tinto restructure, including that of the Customer Services team and Utilities division;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron last consulted the ERA in respect to the type and extent of customer consultation in 2004; ▪ Hamersley Iron proposed, in its letter to the ERA dated 9 June 2004, the following: <ul style="list-style-type: none"> ▪ Publication of an annual customer newsletter (Water Wisdom); and ▪ Distribution of a customer feedback questionnaire. ▪ The ERA in its response, dated 21 June 2004, stated it regard the proposed customer consultation: <p>“...as a useful first step towards meeting the licence’s requirements for customer consultation...”;</p> ▪ As Hamersley Iron last consulted the ERA in respect of customer consultation more than 9 years ago, it is considered prudent to repeat the process; and • Hamersley Iron has stated it did not, nor did the ERA request the establishment of other forums for consultation. 		
Customer Contracts	Schedule 3: Clause 5	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated no agreements were entered into with customers to provide water services that exclude, modify or restrict the <i>terms and conditions</i> of the Operating Licence. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R
Customer Surveys	Schedule 3: Clause 6	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated the ERA did not require the commissioning of any independent customer surveys during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding	Clause 9.1 – 7	<ul style="list-style-type: none"> ▪ A “Memorandum of Understanding between the Department of Health and Hamersley Iron Pty Ltd for Drinking Water” was entered into on the 20th January 2012 (MoU); ▪ The Mou states in clause 17.1: “This MoU is executed pursuant to the Licensee’s Operating Licence and is legally binding between the Department and Licensee.”; ▪ All four of the items listed in clause 9.2(b) of the Operating Licence are defined and identified in clause 1.2 of the MoU entitled: “Design of the Memorandum”; ▪ The Mou states in clause 16.2: “The Chief Executive Officers shall ensure that this Memorandum is reviewed and renewed not less than once every three years and that any such review commences at least six months prior to the expiry of the term set under clause 16.1.”; ▪ As the MOU was only entered into on the 20th January 2012, the first review of the MoU need only commence on the 20th July 2014; ▪ The Mou states in clause 17.2: “The Licensee shall provide a complete copy of this MoU to the Authority within one month of entering into the MoU.”; ▪ The MoU was entered into on 20 January 2012. Hamersley Iron provided a copy of the Mou to the ERA on 13 February 2012; ▪ The Mou states in clause 17.3: “The Licensee shall provide any amendments to this MoU to the Authority within one month of entering into any amendments to the MoU.”; ▪ Hamersley Iron has stated that no amendments 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<p>were made to the MoU during the audit period;</p> <ul style="list-style-type: none"> ▪ The Department of Water’s drinking water quality requirements are set out in Schedule 1 – Drinking Water Quality Requirements to the MoU. Schedule 1 stipulates: <p>“The Department expects the Licensee to implement the “Framework for Management of Drinking Water Quality” as set out in the Guidelines. The Department has not set a time period for full implementation as it is considered that this work is ongoing.”;</p> ▪ Hamersley Iron has introduced a “Drinking Water Quality Management Plan – Utilities Water Supply Systems” (Plan). This Plan, as per paragraph 3.2.3, sets critical control points and target criteria for chlorine, E.coli and Naegleria (at 42 degrees Celsius). The Plan also lists the action to be taken if measurements are outside the range; ▪ The Mou states in clause 4.7: <p>“Variations, additional requirements or exemptions that are specified under clauses 4.3, 4.4 or 4.5 have no effect until approved by the Minister for Health or delegate.”;</p> ▪ Hamersley Iron has confirmed that no variations were made to the quality criteria for potable water during the audit period; ▪ The Mou states in clause 6.5: <p>“In consultation with the Department the Licensee shall develop, maintain and implement a drinking quality water monitoring plan that includes a program for taking and analysing water samples.”;</p> ▪ Hamersley Iron has introduced a “Drinking Water Quality Management Plan – Utilities Water Supply Systems”. The Plan states on page 5: 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<p>“The purpose of the manual is to ensure that a safe and reliable water quality supply is provided to town customers within Utilities Operating Licence areas, and to mine and ports supplied by Utilities.”;</p> <ul style="list-style-type: none"> ▪ The Plan, as per paragraph 5.1.3, includes a section that deals with drinking water quality monitoring and makes provision for weekly, monthly, six monthly and annual sampling and testing of water quality; ▪ The MoU states in clause 9.3: <p>“The Licensee shall report to the Department any event within or likely to affect its own water supply systems, schemes or assets operated under contract which may have implications for public health in accordance with Binding Protocol 4 - Exception Protocol.”;</p> ▪ Hamersley Iron has confirmed that no information or event which may have risks for public health occurred during the audit period; ▪ The MoU states in clause 14.1: <p>“The purpose of an audit under this MoU is to determine whether the Licensee has, during the audit period, complied with the obligations imposed by the following sections of this MoU:</p> <ul style="list-style-type: none"> - 4.0 Administration of Drinking Water Quality; - 6.0 Systems Analysis and Management; - 7.0 Materials and Chemicals; - 8.0 Data exchange; and - 9.0 Events of public health significance.”; ▪ The MoU states in clause 14.2: <p>“The Executive Director Public Health may, by written notice given to the Licensee, require the Licensee to be audited in accordance with the</p> 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<p>purpose set out in clause 14.1 of this MoU in respect of a specified audit period by the completion date specified in the notice.”;</p> <ul style="list-style-type: none"> ▪ The MoU states in clause 14.3: “The audit period and completion date will be determined by the Department in consultation with the Licensee, noting that the Operating Licence requires an audit at least once every three years.”; ▪ The MoU states in clause 14.10: “The Licensee shall provide a copy of the Audit Report to the Authority within one month of receiving the audit report from the Department.”; ▪ Hamersley Iron has stated that no audit by the Department of Health on compliance by the licensee with its obligations under the MoU took place during the audit period; ▪ The audit concluded Hamersley Iron is complying with the Operating Licence requirements in respect of the MoU; ▪ Hamersley Iron has stated that it published the text and schedules of the MoU on the Rio Tinto website on 20 January 2012; ▪ Hamersley Iron has stated that no amendments were made to the MoU during the audit period; ▪ The MoU is currently disclosed on the Rio Tinto website; ▪ Hamersley Iron has published “...Potable Water Quality – Quarterly Reports...” on a quarterly basis, since entering into the MoU; ▪ Hamersley Iron has stated the “...Potable Water Quality – Quarterly Reports...” were provided to the Department of Health during the audit period; ▪ Hamersley Iron has stated RTIO publishes all reports online via the RT External Relations 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<ul style="list-style-type: none"> division; and ▪ The “...Potable Water Quality – Quarterly Reports...” are currently disclosed on the Rio Tinto website. 		
Transfer of Licence	Clause 10.1	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated the Operating Licence was not transferred during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R
Cancellation of Licence	Clause 11.1	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated the Operating Licence was not cancelled during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R
Surrender of Licence	Clause 12.1 - 3	<ul style="list-style-type: none"> ▪ Hamersley Iron has stated the Operating Licence was not surrendered during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R
Renewal of Licence	Clause 13.1	<ul style="list-style-type: none"> ▪ An Operating Licence was awarded by the ERA to Hamersley Iron for the provision of potable water supply services and sewerage services. The licence: <ul style="list-style-type: none"> ▪ Commenced on 29 June 2001; and ▪ Expires on 1 June 2026. ▪ The Operating Licence was not renewed during the audit period. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/R
Amendment of Licence	Clause 14.1 – 4	<ul style="list-style-type: none"> ▪ The Operating Licence, as per page 21 of the document, was amended twice during the audit period: <ul style="list-style-type: none"> ▪ The first amendment, during the audit period, was dated 25 August 2010 and its purpose was to remove the 3 month timeframe from sub-clause 9.1; and ▪ The second amendment, during the audit period, was dated 8 October 2012 and its purpose was to include Bungaroo Creek as a new operating area. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	N/A

Operating Area	Operating Reference	Licence Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Accounting Records	Clause 15.1	<ul style="list-style-type: none"> ▪ Hamersley Iron, in its “Special Purpose Financial Report for the Year Ended 31 December 2012”, states, in paragraph 1(a) on page 11: “The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the directors to meet the needs of the members.”; ▪ Hamersley Iron has stated it uses SAP accounting software to maintain its accounting records; ▪ Hamersley Iron has stated its accounting records are maintained by Pilbara Iron Company Services; ▪ Audits were conducted by an independent auditor of the special purpose financial reports of Hamersley Iron for the 2010, 2011 and 2012 financial years; ▪ The independent auditor expressed unqualified audit opinions in respect of the 2010, 2011 and 2012 financial years; and ▪ The independent auditor in his audit opinion in respect of the 2012 financial year stated, on page 40: “<i>In our opinion, the financial report of Hamersley Iron Pty Ltd is in accordance with the Corporations Act 2001, including:</i> (a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date, and (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Accounting Records (continued)	Clause 15.1	Regulations 2001.”		
Operational Audit	Clause 16.1 – 4	<ul style="list-style-type: none"> ▪ The previous operational audit (Audit) was conducted for the period from 1 April 2007 to 30 June 2010; ▪ The current Audit covers the period from 1 July 2010 to 30 June 2013; ▪ The extension of the audit period from 24 months to 36 months was authorised in the ERA's letter to Hamersley Iron dated 12 March 2013; ▪ The Audit Plan for the 2010/2013 Audit was approved by the ERA, as per their letter to Hamersley Iron dated 9 July 2013; ▪ The Audit Plan for the 2010/2013 Audit includes: <ul style="list-style-type: none"> ▪ Audit objectives and scope (par. 2.1); ▪ Risk assessment (par. 3); ▪ Fieldwork (par.4.1); and ▪ Audit reporting (par 4.3). ▪ Hamersley Iron has stated no review was sought of any of the requirements of the ERA's standard audit guidelines during the audit period; ▪ The approval of the appointment of the Paxon Group to conduct the Audit for the period 1 July 2010 to 30 June 2013 is contained in the ERA's letter to Hamersley Iron dated 12 March 2013; and ▪ The audit fieldwork for the 2010/2013 Audit only commenced on 22 July 2013. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5
Asset Management System	Clause 17.1 – 6	<ul style="list-style-type: none"> ▪ The licence for the provision of potable water supply services and sewerage services commenced on the 29th June 2001. As such, clause 17.1 of the Operating Licence falls outside the period covered by the current audit; 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Asset Management System (continued)	Clause 17.1 – 6	<ul style="list-style-type: none"> ▪ Hamersley Iron does have a comprehensive “Asset Management Manual”. This plan was last revised in 2010; ▪ Hamersley Iron also uses a “Rio Tinto Iron Ore Utilities – Asset Management Improvement Plan – Water and Wastewater Services 2013”. Chapter 2 of this plan specifically deals with the 12 key processes of the asset management system referred to in the ERA’s document entitled: “Audit Guidelines: Electricity, Gas and Water Licences – August 2010”; ▪ Hamersley Iron has stated no material changes to the asset management system took place during the audit period; ▪ The previous asset management system review (Review) was conducted for the period from 1 April 2007 to 30 June 2010; ▪ The current Review covers the period from 1 July 2010 to 30 June 2013; ▪ The extension of the review period from 24 months to 36 months was authorised in the ERA’s letter to Hamersley Iron dated 12 March 2013; ▪ The Review Plan for the 2010/2013 Review was approved by the ERA, as per their letter to Hamersley Iron dated 9 July 2013; ▪ The Review Plan for the 2010/2013 Review includes: <ul style="list-style-type: none"> ▪ Objectives and scope (par. 2.2); ▪ Risk assessment (par. 3); ▪ Fieldwork (par.4.2); and ▪ Audit reporting (par 4.3). ▪ Hamersley Iron has stated no review was sought of any of the requirements of the ERA’s standard guidelines dealing with the asset management 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Asset Management System (continued)	Clause 17.1 – 6	<p>system review during the audit period;</p> <ul style="list-style-type: none"> The approval of the appointment of the Paxon Group to conduct the Review for the period 1 July 2010 to 30 June 2013 is contained in the ERA's letter to Hamersley Iron dated 12 March 2013; and The review fieldwork for the 2010/2013 Review only commenced on 22 July 2013. 		
Reporting	Clause 18.1	<ul style="list-style-type: none"> Hamersley Iron has stated it was not under external administration during the audit period; and Hamersley Iron has stated no significant change occurred, during the audit period, in its corporate, financial or technical circumstances upon which the Operating Licence was granted which may affect its ability to meet its obligations under the licence. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Individual Performance Standards	Clause 19.1 - 4	<ul style="list-style-type: none"> Hamersley Iron has stated the ERA did not prescribe any individual performance standards in relation to the licensee's obligations under the Operating Licence or the applicable legislation. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Service and Performance Standards	Clause 20.1 and Schedule 4	<p>Emergency Response</p> <ul style="list-style-type: none"> The Customer Charter does provide an emergency contact number and states that it is available 24 hours a day in the section entitled: "Contact and Further Information" of the Customer Charter; The Customer Charter states, in the section entitled: "Reliable Water Supply and Sewage Service": <p>"In the event of an interruption to your water supply or sewage service please call 1800 992 777 - we will be on call 24 hours, seven days a week and will return your call within an hour.";</p> The emergency contact number is disclosed in a number of relevant sections of the Customer 	<ul style="list-style-type: none"> No recommendation is made. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<p>Charter;</p> <ul style="list-style-type: none"> ▪ The Rio Tinto website contains a dedicated page entitled: “Customer satisfaction” which specifically lists the emergency assistance number disclosed in the Customer Charter; ▪ The percentages of customers who, within one hour of reporting an emergency, were advised of the nature and timing of the action to be undertaken by Hamersley Iron were as follows: <ul style="list-style-type: none"> ▪ 2010 - 2011: 100%; ▪ 2011 - 2012: 95.5%; and ▪ 2012 - 2013: 100%. ▪ Hamersley Iron thus met the performance standard for emergency response, as included in the Operating Licence, during the audit period. <p>Customer Complaints</p> <ul style="list-style-type: none"> ▪ The Customer Charter states, in the section entitled: “Customer Complaints”: “Rio Tinto can be contacted on 1800 992 777 and aim to resolve complaints as quickly as possible, at least within 15 business days.”; ▪ Hamersley Iron uses a “Customer complaint form” to record customer complaints. The form specifically includes dates for the receipt, acknowledgement and reply to complaints; ▪ Hamersley Iron has compiled the following documents which deal with customer complaints: <ul style="list-style-type: none"> ▪ “Pilbara Utilities Customer Complaints Resolution Guideline”; and ▪ “Standard Work Procedure - Customer Complaints”. ▪ The percentages of customer complaints resolved within 15 business days during the audit period 	<ul style="list-style-type: none"> ▪ A recommendation was made in respect of Hamersley Iron’s reaction time to customer complaints at the section of the audit report which deals with Schedule 3, Part 3.1. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<p>were as follows:</p> <ul style="list-style-type: none"> 2010 - 2011: 100%; 2011 - 2012: 80%; and 2012 - 2013: 92%. <ul style="list-style-type: none"> Hamersley Iron thus did not meet the performance standard for customer complaints, as included in the Operating Licence, during the 2011 - 2012 year. <p>Potable Water Supply Pressure and flow</p> <ul style="list-style-type: none"> The Customer Charter states, in the section entitled: "Water Pressure and Flow": "Rio Tinto will ensure each property service is provided with pressure ranges and flow rates in line with recommended industry standards, being 20 litres per minute flow, a minimum pressure of 15 metres, and a maximum pressure of 100 metres."; The percentages of connected properties supplied at a pressure and flow that meets the standards set out in the licence (12 month data) were as follows: <ul style="list-style-type: none"> 2010 - 2011: 100%; 2011 - 2012: 100%; and 2012 - 2013: 100%. Hamersley Iron thus met the performance standard for pressure and flow, as included in the Operating Licence, during the audit period. <p>Potable Water Supply Continuity</p> <ul style="list-style-type: none"> The Customer Charter states, in the section entitled: "Reliable Water Supply and Sewage Service": 	<ul style="list-style-type: none"> No recommendation is made. Hamersley Iron should continue to be proactive in its preventative maintenance of the water systems to ensure it meets the performance standard for continuity of supply in the future. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<p>“Rio Tinto aims to provide water supply and sewage service to you 24 hours every day. In the event of an interruption to your water supply or sewage service ... - We will make every effort to limit any interruption to your water supply or sewage service to no more than six hours.”;</p> <ul style="list-style-type: none"> ▪ The percentages of connected properties that did not experience an interruption to water supply exceeding 1 hour in duration (12 month data) were as follows: <ul style="list-style-type: none"> ▪ 2010 - 2011: 44.3%; ▪ 2011 - 2012: 75.3%; and ▪ 2012 - 2013: 41%. ▪ Hamersley Iron thus did not meet the performance standard for continuity of supply, as included in the Operating Licence, during the 2010 - 2011 and 2012 - 2013 years. Hamersley Iron has stated that these instances of non-compliance were caused by unplanned outages due to burst mains, and planned outages for mains upgrades; ▪ Hamersley Iron has stated the following steps were taken to ensure compliance with the performance standard for continuity of supply, as included in the Operating licence: <ul style="list-style-type: none"> ▪ Changed from a 5/2 roster (5 days on, 2 days off - normal Monday to Friday, 10 hours per day), to an 8/6 roster (rolling 8 days on, 6 days off - 12 hours per day), so that staff are available every day, including weekends, to respond to emergencies; ▪ Restructured the division so that former Networks (water) and Hydrocarbons staff are now all classed as Mechanical Maintainers, thus doubling the number of available staff; and 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<ul style="list-style-type: none"> ▪ Introduced a “Water Outages Management Plan – Utilities Network – October 2010”. ▪ The Compliance report for the 2012 – 2013 year should include this non-compliance with the continuity of supply performance standard. Such disclosure must be in accordance with the stipulations of the Water Compliance Reporting Manual; ▪ The number of water main breaks (per 100km of water main) were as follows: <ul style="list-style-type: none"> ▪ 2010 – 2011: 13.2; ▪ 2011 – 2012: 11.3; and ▪ 2012 – 2013: 13.2%. ▪ Hamersley Iron thus met the performance standard for continuity of supply – leaks or bursts, as included in the Operating Licence, during the audit period. <p>Sewerage Services</p> <ul style="list-style-type: none"> ▪ The Customer Charter states, in the section entitled: “Sewer Blockages”: “If a customer’s sewer becomes blocked Rio Tinto can be contacted on 1800 992 777 to arrange repairs. If the blockage is in a Rio Tinto sewer pipe, we will pay for the clearance. If the blockage is in the customers sewage pipe the customer can contact us on 1800 992 777 to arrange repairs at the customers own cost.”; ▪ The Customer Charter states, in the section entitled: “Sewage Spills”: “Rio Tinto will make every reasonable effort to minimise sewage spills on customer’s properties, due to failure of our sewage systems. Where we are responsible for a sewage spill on a customer’s property, we will ensure: 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<ul style="list-style-type: none"> ▪ The spill is contained within one hour of notification if the spill is in the customer's house; all other spills are contained within four hours; ▪ Inconvenience to the customer is minimised; and ▪ The areas are cleaned up as quickly as possible in such a manner to ensure the risk to human health is negligible." ▪ Hamersley Iron has stated that since the 2010 audit, Utilities has completed ongoing maintenance (CCTV inspection, and jet spray cleaning) for mains, as well as conducting a sewer main upgrade program in the towns; ▪ The number of sewer breaks and chokes (per 100km of sewer main) were as follows: <ul style="list-style-type: none"> ▪ 2010 – 2011: 5.9; ▪ 2011 – 2012: 12.9; and ▪ 2012 – 2013: 7.1. ▪ Hamersley Iron thus met the performance standard for the number of sewer blockages per 100km of sewer mains, as included in the Operating Licence, during the audit period; ▪ Hamersley Iron reported, on an annual basis during the audit period, the total number of sewer breaks and chokes, irrespective of the nature thereof (whether it was asset based or customer based). However, the number of sewer breaks and chokes which were caused by customers was recorded in the report (next to the total number disclosed); ▪ The percentage of connected properties not experiencing a wastewater overflow were as follows: <ul style="list-style-type: none"> ▪ 2010 – 2011: 99.6%; 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<ul style="list-style-type: none"> ▪ 2011 – 2012: 99.9%; and ▪ 2012 – 2013: 100%. ▪ Hamersley Iron thus met the performance standard for the percentage of connected properties experiencing a wastewater overflow, as included in the Operating Licence, during the audit period. 		
Provision of Information	Clause 21.1	<ul style="list-style-type: none"> ▪ Hamersley Iron is required, as per paragraph 3.1 of the “Water Compliance Reporting Manual – July 2012”, to submit an annual performance report to the ERA by 31 July for the year ending 30 June; ▪ Hamersley Iron is required, as per paragraph 5.2.1 of the “Water Compliance Reporting Manual – July 2012”, to submit an annual compliance report to the ERA by 31 August for the year ending 30 June; ▪ Hamersley Iron uses an ‘Evidence Register’ to identify compliance obligations in terms of the Operating Licence and to allocate responsibility therefor to specific employees. The ‘Evidence Register’ specifically refers to the provision of performance reports and compliance reports on an annual basis; ▪ Hamersley Iron submitted its annual performance reports for the 2010 -2011, 2011 – 2012 and 2012 – 2013 years in time; ▪ Hamersley Iron has stated that the annual compliance reports for 2010 – 2011 and 2011 – 2012 years were submitted on time during the audit period; ▪ The 2012 – 2013 Compliance Report is only due to be submitted to the ERA by 31 August 2013. The 2012 – 2013 Compliance Report has not been finalised at the time of conduct of the audit; ▪ The format of the 2010 – 2011 and 2011 – 2012 compliance reports are in accordance with the stipulations contained in the “Water Compliance 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	4

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Provision of Information (continued)	Clause 21.1	<p>Reporting Manual – July 2012”; and</p> <ul style="list-style-type: none"> The 2011 – 2012 Compliance Report did not disclose any instances of non-compliance. However, only 80% of customer complaints were resolved within 15 business days during the 2011 – 2012 reporting year. Schedule 4 clause 1.2 specifies that 90% of customer complaints should be resolved within 15 business days. 		
Information Requirements (Reporting)	Cl. 21.2 and Schedule 5	<ul style="list-style-type: none"> Paragraphs 15, 17 and 19 of the “Water Compliance Reporting Manual – July 2012” contain specific performance reporting requirements Hamersley Iron has to comply with; The Annual Performance Report for the 2010 – 2011, 2011 – 2012 and 2012 – 2013 years complies with the specific performance reporting requirements contained in paragraphs 15, 17 and 19 of the “Water Compliance Reporting Manual – July 2012”; The “Water Compliance Reporting Manual – July 2012”, as per paragraphs 3.1 and 5.2.1, sets specific dates for the submission of both Performance Reports (31 July) and Compliance Reports (31 August). This date of 31 July, for the provision of performance monitoring information differ from the date of 31 October as included in Schedule 5, clause 2.2 of the Operating Licence; and As stated above, Hamersley Iron submitted its annual performance reports for the 2010 - 2011, 2011 – 2012 and 2012 – 2013 years in time (by 31 July for the reporting year ending 30 June). 	<ul style="list-style-type: none"> No recommendation is made. 	5
Publishing Information	Clause 22.1 - 4	<ul style="list-style-type: none"> Hamersley Iron has stated the ERA did not direct it to publish any information, in addition to that published in terms of other clauses of the Operating Licence. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Notices	Clause 23.1		<ul style="list-style-type: none"> Hamersley Iron has stated all notices given, during the audit period, were in writing. 	<ul style="list-style-type: none"> No recommendation is made. 	5
Review of the Authority's Decisions	Clause 24.1		<ul style="list-style-type: none"> Hamersley Iron has stated no review was sought of any reviewable decision by the ERA during the audit period. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Other Provisions	Schedule 6: Clause 2		<ul style="list-style-type: none"> The Customer Charter states, in the section entitled: "Customer Obligations": "When you move into or vacate a property, you will need to complete either an application form or a termination form for the water supply. The form must be returned to Rio Tinto within seven days of occupying the property; Hamersley Iron uses a document entitled: "Water & Waste Water Connection Application" for applicants for connection. This document contains conditions for connection; The Customer Charter states, in the section entitled: "Providing New Services": "Where the reticulation main is available, we will provide a connection to the water reticulation system within ten days of receiving your application subject to charge."; Hamersley Iron uses a document entitled: "Water & Waste Water Connection Application" for applicants for connection. This document does refer to the reliability and financial viability of services. This document includes the following conditions for connection: <ul style="list-style-type: none"> "General conditions: This application shall not be binding on Pilbara Iron Customer Services Pty Ltd until the quote issued in response to this application is accepted and the quoted invoice paid along 	<ul style="list-style-type: none"> Hamersley Iron changes its Customer Charter appropriately to state that it may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable. 	3

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions (continued)	Schedule 6: Clause 2	<p>with all relevant fees;</p> <ul style="list-style-type: none"> ▪ Water Service connections: If our water main is available to your property and has enough capacity, we will install your new water service connection within 10 business days after receiving your application and payment. In all other cases, applications for water service connections will be considered subject to engineering and financial assessment; and ▪ Wastewater connections: If our sewer main is available to your property and has enough capacity, we will install your new sewer service connection within 30 business days after receiving your application and payment.”; ▪ The application form specifically makes provision for approval by both a Customer Services Superintendent and a Compliance Superintendent; ▪ The Customer Charter states, in the section entitled: “Limitation or Withdrawal of Service”: “Rio Tinto may discontinue our water supply services and waste water services in the following circumstances: <ul style="list-style-type: none"> ▪ If you do not comply with the terms and conditions of this charter; ▪ If there is a public health, environment and/or safety risk to our services from your service connection (e.g. backflow risk or unauthorised industrial waste discharge); and/or ▪ If you do not pay, or meet and make arrangements to pay overdue charges for the services.” ▪ Hamersley Iron has stated no services to properties 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Hamersley Iron to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions (continued)	Schedule 6: Clause 2	<p>were discontinued during the audit period; and</p> <ul style="list-style-type: none"> ▪ The reference in the Customer Charter to the discontinuance of services due to non-payment of charges is specific but narrow. It does not cover all the different scenarios that may make servicing of a property commercially unviable. 		

3

Asset Management System Review

3.1 Introduction

Hamersley Iron (a subsidiary of Rio Tinto) operates iron ore mines, and associated railway and port facilities in the Pilbara region of Western Australia.

Under the Operating Licence, issued by the ERA, Hamersley Iron operates and maintains the Sewerage and Potable Water Services for the inland mining towns of Tom Price and Paraburdoo and the port town of Dampier.

The towns of Tom Price, Paraburdoo & Dampier were constructed in 1975/76 in conjunction with development of the Tom Price and Channar mines at Tom Price and Paraburdoo respectively and the port facilities at Dampier.

The towns and their water services were constructed to accommodate 3000 persons in the case of Paraburdoo and Dampier – both of which currently have a population of approximately 2000. Tom Price was constructed for a 5000 population and currently has 4000.

The water supply for both Tom Price and Paraburdoo is sourced from groundwater, whereas the storage tanks, which serve Dampier, are supplied from the Water Corporation's system. The sewerage systems serving Tom Price and Paraburdoo respectively involve 43 kilometres and 19 kilometres of gravity collection sewers, two pumping stations and lagoon treatment ponds which discharge effluent over the ground surface. 21 Kilometres of gravity collection sewers, two pumping stations and a treatment plant comprised of Imhoff tanks and trickling filters serve the Dampier town site. Treated effluent from both the Tom Price and Dampier treatment facilities is disinfected by chlorination. Effluent from the Dampier plant is stored on-site and irrigated on the town's sports ovals at night. When irrigation is precluded, the stored effluent is pumped into the ocean via a long outfall.

In addition to its water services licence issued by ERA, Hamersley Iron holds Department of Environment and Conservation licence numbers: L5817/1994/12, L6759/1996/12 and L6755/1996/8 for the wastewater treatment plants at Tom Price, Paraburdoo and Dampier respectively. Hamersley Iron operates its drinking water services in accordance with the Memorandum of Understanding entered into with the Department of Health, dated 20th January 2012.

3.2 Objectives and Scope

The Water Services Licensing Act 1995 requires that Hamersley Iron provides for and maintains an asset management system. The system should set out the processes to be taken by Hamersley Iron to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for

monitoring of its water services. The Act requires Hamersley Iron to provide the ERA with a report by an independent expert on the effectiveness of the system.

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

This Asset Management System Review (“Review”) therefore examined:

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

The Review also identified any aspects of the asset management system, which are considered to require correction, amendment, or improvement.

3.3 Key Documents Inspected During the Review

- ERA Water Services Operating Licence No. 33, Version OL6, dated 8th October 2012 – Hamersley Iron Pty Ltd (1) Potable Water Services (2) Sewerage Services;
- 2010 Operational Audit and Asset Management System Review Report;
- Memorandum of Understanding – Health Department of WA and Rio Tinto Ltd - Drinking Water Quality, dated 20th January 2012, plus minutes of meetings held on 5/9/2012, 18/12/2012 and 19/2/2013;
- Department of Environment and Conservation licence numbers: L5817/1994/12, L6759/1996/12 and L6755/1996/8 for the wastewater treatment plants at Tom Price, Paraburdoo and Dampier respectively;
- Annual Reports – Water Services, provided to the ERA for 2011 and 2012;
- Annual Reports - Drinking Water Quality, provided to the Department of Health for 2011 and 2012;
- Annual Reports – Waste Water, provided to the Department of Environment and Conservation for Tom Price, Paraburdoo and Dampier for 2011 and 2012;

- Rio Tinto Customer Charter – Utilities, Water and Wastewater Services – December 2011;
- RIO Tinto Asset Management Manual;
- Rio Tinto Legal and Other Requirements for Assets;
- Rio Tinto Iron Ore Western Australia - Asset Management Strategy;
- Rio Tinto Works Management Manual;
- Rio Tinto Works Management Process Flow Sheet;
- TAFE New South Wales, “Certificate 111 in Water Operations” S Dremel – Technical Advisor, Water Reliability, Dampier;
- Asset Disposal Procedure and S44 application pro-forma;
- Capital Accounting Manual;
- Table of Planned and Actual Expenditure - Water Services, 2010 to 2013;
- Hamersley Iron Pty Ltd – Special Purpose Financial Reports for 2010, 2011 and 2012;
- Rio Tinto – “Bluesheet” Application for Capital Expenditure for 2013 Upgrade of Sewer and Water Mains, Dampier, Paraburdoo and Tom Price;
- Capital Expenditure “ In Plan” Water and Wastewater, 2013 to 2017;
- Rio Tinto Water Services Asset Register and Condition - February 2013;
- Rio Tinto – Risk Summary;
- Rio Tinto – Water Services Operating Licence – KPI’s 2011 and 2013;
- Water Quality Risk Assessments for Tom Price, Paraburdoo and Dampier;
- Drinking Water Quality Management Plan;
- Water Quality Assurance – Chemical & Microbiological Testing - Maintenance Plans;
- Rio Tinto Utilities – Business Continuity Plan and Recovery Strategy - November 2012;
- Rio Tinto Utilities – Business Resilience Management Plan - November 2012;
- Water and Wastewater Contingency Plans – Tom Price, Paraburdoo and Dampier;
- Emergency Action – Tank Failure;
- Emergency Action – Tom Price Tanks;
- Operation and Maintenance Plans for Water and Wastewater - Tom Price, Paraburdoo and Dampier;
- Water Supply and Sewerage Protocols 2013 – Tom Price and Paraburdoo; and
- Asset Management Improvement Plan - Water and Wastewater – 2013.

3.4 Time Period Covered in Review

This Review covered the period from 1 July 2010 to 30 June 2013. The previous Review covered the period from 1 April 2007 to 30 June 2010.

3.5 Time Period of Review

The Review was undertaken during visits to Hamersley Iron’s offices in Perth on 22nd July 2013, and at Tom Price, Paraburdoo and Dampier on the 23rd to 26th July 2013.

3.6 Licensee’s Representatives

Hamersley Iron’s primary contacts were as follows:

Staff Member	Position
Mr H. Bennett	Principal Water Reliability
Mr D Clear	Long Term Planning
Mr D Taylor	Principal Engineer, Utilities Projects & Development
Mr S Balch	Principal Adviser, Risk & Compliance Services/ Pilbara Utilities
Ms K McDougal	Document Controller, Utilities
Ms C Njelesani-Mjovu	Financial Operation Analyst
Mr D Coutts	Technical Advisor, Water Reliability
Mr S Seet	Specialist Engineer – Maintenance
Mr S Dremel	Technical Advisor, Water Reliability

3.7 Post Review Implementation Plan

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

3.8 Licensee's Response to Previous Review Recommendations

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Management Information System	<ul style="list-style-type: none"> It is recommended that Hamersley Iron ensures the KPIs and Hamersley Iron's obligations to its customers are fully understood by all (especially new) staff. 	<ul style="list-style-type: none"> Certificate No.3 of Utilities Training for March 2011 contains details of Hamersley Iron's obligations to its customers under the Operating Licence. This document was reviewed and re issued in March 2013. 	<ul style="list-style-type: none"> None 	Resolved
Asset Management Information System	<ul style="list-style-type: none"> Hamersley Iron is encouraged to further explore this avenue as an improvement to the AMS. 	<ul style="list-style-type: none"> Cost centres in SAP have been reviewed and refined. 	<ul style="list-style-type: none"> None 	Resolved
Asset Management Information System	<ul style="list-style-type: none"> It is recommended that Hamersley Iron considers some additional security with regard to this information (this may include ensuring key documents are stored electronically and /or storing key paper copies of key documents in another location). 	<ul style="list-style-type: none"> All key documents are now stored on the Centralised Document System in Perth. 	<ul style="list-style-type: none"> None 	Resolved

3.9 Summary of Issues and Recommendations

Detailed Review observations and recommendations are included in Section 3.11.

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
Environmental Analysis	<ul style="list-style-type: none"> Hamersley Iron's "<i>Utilities Asset Management Improvement Plan 2013</i>" (Improvement Plan) provides a description of the water services operating and maintenance, legislative and corporate environment; Item 1.3 - "<i>Legislative Environment</i>" of the Improvement Plan, lists the Operating Licence together with other legislative controls. However, the Memorandum of Understanding (MoU) between Hamersley Iron and the Department of Health, regarding the supply of drinking water is not listed, nor are the Licences issued by the Department of Environment and Conservation (DEC) - for the operation of wastewater treatment facilities serving each of the towns; and Hamersley Iron's responsibilities under the Operating Licence and the MoU with the Department of Health are set out as a matrix in Appendix 6 of the Improvement Plan. The MOU and DEC licences are also noted in <i>Appendix 3 - Operational / Maintenance Requirements Summary</i>, which sets out those responsible for monitoring and achievement of the relevant KPIs and standards of the respective licences. Notwithstanding these additional references, the Reviewer considers the MoU and DEC licences should be listed in Item 1.3 of the Improvement Plan for completeness. 	<p>Hamersley Iron should add references to both the:</p> <ul style="list-style-type: none"> MoU with the Department of Health; and Licences issued by the Department of Environment and Conservation for the Wastewater Treatment Plants <p>to Item 1.3 - "<i>Legislative Environment</i>" of the <i>Utilities Asset Management Improvement Plan</i>; and</p> <ul style="list-style-type: none"> The title of Item 1.3 should be amended to read "<i>Legislative and Licensing Environment</i>". 	<ul style="list-style-type: none"> Update Asset Management Improvement Plan as per recommendation. 	<p>Heath Bennet, Water Reliability 30 September 2013</p>

3.10 Ratings

The effectiveness ratings assigned to each of the key processes examined during the Review, as disclosed in paragraph 3.10.1, are based on the criteria set out in the following two Tables - taken from Authority's: "Audit Guidelines: Electricity, Gas and Water Licences – August 2010" (ERA Guidelines).

Asset Management Process and Policy Definition Adequacy Ratings

ERA Guidelines: Table No. 5

Rating	Description	Criteria
A	Adequately defined	<ul style="list-style-type: none"> ▪ 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 information system(s) require significant improvements (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 (s) is not fit for purpose (taking into consideration the assets that are being managed).

Asset Management Performance Ratings

ERA Guidelines: Table No. 6

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 where 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.

3.10.1 Asset Management System Effectiveness Summary

Asset Management System	Asset Management Process & Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	A	1
Asset Creation and Acquisition	A	1
Asset Disposal	A	1
Environmental Analysis	A	1
Asset Operations	A	1
Asset Maintenance	A	1
Asset Management Information System	A	1
Risk Management	A	1
Contingency Planning	A	1
Financial Planning	A	1
Capital Expenditure Planning	A	1
Review of AMS	A	1

3.11 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	<ul style="list-style-type: none"> ▪ Overall asset planning for each mine, or port and its associated infrastructure is undertaken as an initial business plan prior to development. The business plans consider mine or port size, production, development stages and life, together with the facilities required for their operation as development occurs. The business plans relate intended production and mine development to associated requirements for water, fuel, transport and other services necessary to sustain mine and or port operations. Similarly, work force size, accommodation type and necessary services such as water supply, sewerage, power, gas etc. are considered, together with the safety, health, quality and service standards for those services; ▪ The business plans for the three licenced towns were developed on the basis of their size (maximum population) being fixed, with little or no expansion planned. The licenced towns were developed with their water and other services provided to service the planned population plus those of the associated mine or port. The planning includes provision for back-up capacity and support facilities determined from detailed risk analysis; ▪ The water services and other facilities of the towns are maintained at or above their minimum required company or legislative service levels by sophisticated programs of maintenance, upgrade, replacement and repair; ▪ A review of towns' growth is undertaken annually – based on information provided by Hamersley Iron's Integrated Planning group's Accommodation and 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning (continued)	<p>Towns Management Division, the Shires of Ashburton and Roebourne and the Utilities Water and Wastewater Strategy; and</p> <ul style="list-style-type: none"> ▪ The 2013 review concluded that no towns' growth is expected for the next five years and that existing assets have adequate capacity, subject to ongoing maintenance. 			
Asset Creation and Acquisition	<ul style="list-style-type: none"> ▪ As stated in Item 1 - "Asset Planning", the creation of assets for water services is related mainly to the maintenance, replacement, or upgrade of existing assets in order to maintain or improve performance and to mitigate against breakdown; ▪ Hamersley Iron has a documented procurement policy and procedure, which is implemented following the identification of a need for asset acquisition. The need may arise due to asset non-performance, breakdown, replacement due to age or obsolescence; ▪ The above leads to preparation and submission of a Capital Expenditure Application or "Bluesheet", which sets out the argument for the acquisition, including the background to the application, the proposal, alternatives, justification and benefits, costing and timing. In addition, the impacts on the people, process and technology of the business and the consequences of postponement or rejection are discussed. On approval, funds are allocated to the acquisition and procurement, installation, commissioning and performance evaluation proceeds; and ▪ Reviewer was provided with a copy of an approved "Bluesheet" application for \$ 2M sewer and water main upgrades at Tom Price, Paraburdoo and Dampier. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Disposal	<ul style="list-style-type: none"> ▪ Assets may be disposed of for reasons including being surplus to requirements, obsolescence, under performance, replacement strategy or condition; ▪ Disposal Management processes are documented in Hamersley Iron's Capital Accounting Manual. Following identification of assets to be disposed of, a "Surplus Advice - Form S44" is raised providing information relating to the asset description, reasons for surplus status and a condition report. Also included are details of the asset including model, location, asset register numbers and associated spares. The S44 form includes the identity and signatures of the Originator of the form, together with the relevant Superintendent, Manager, Financial Services General Manager and Warehouse Superintendent; and ▪ The accounting manual sets out the how disposal costs are allocated against any revenue from disposal, together with the approach taken in treatment of residual value of the disposed asset and its replacement. Disposal scenarios considered include auction, direct sale, tender, transfer donations or scrap. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1
Environmental Analysis	<ul style="list-style-type: none"> ▪ Hamersley Iron's "Utilities Asset Management Improvement Plan 2013" (Improvement Plan) provides a description of the water services operating and maintenance, legislative and corporate environment; ▪ Item 1.3 - "Legislative Environment" of the Improvement Plan, lists the Operating Licence together with other legislative controls. However, the Memorandum of Understanding (MoU) between Hamersley Iron and the Department of Health, regarding the supply of drinking water is not listed, 	<p>Hamersley Iron should add references to both the:</p> <ul style="list-style-type: none"> ▪ MoU with the Department of Health; and ▪ Licences issued by the Department of Environment and Conservation for the Wastewater Treatment Plants <p>to Item 1.3 - "Legislative Environment" of the Utilities Asset Management Improvement Plan; and</p> <ul style="list-style-type: none"> ▪ The title of Item 1.3 should be amended to read "Legislative and Licensing Environment". 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Environmental Analysis (continued)	<p>nor are the Licences issued to Hamersley Iron by the Department of Environment and Conservation (DEC) - for the operation of wastewater treatment facilities serving each of the towns;</p> <ul style="list-style-type: none"> ▪ Hamersley Iron’s responsibilities under the Operating Licence and the MoU with the Department of Health are set out as a matrix in Appendix 6 of the Improvement Plan. The MOU and DEC licences are also noted in “Appendix 3 - Operational / Maintenance Requirements Summary”, which sets out those responsible for monitoring and achievement of the relevant KPIs and standards of the respective licences. Notwithstanding these additional references, the Reviewer considers the MoU and DEC licences should be listed in Item 1.3 of the Improvement Plan for completeness; ▪ Opportunities and threats in the systems are identified and assessed in accordance with “Appendix 5 - Hazard Identification and Risk Management Work Practice” of the Improvement Plan; ▪ Monitoring test results for water quality indicated compliance with the requirements of the MoU, except for one sample from Dampier, which indicated the presence of Naegleria in the Water Corporation’s supply. Re-sampling tests performed were all clear. Also, many of the water samples from all towns indicated higher than desirable levels of hardness and total dissolved solids. These higher values are common in bore water supplies, but are not health related or otherwise detrimental to the supply. Similarly, slightly higher than recommended chlorine levels were noted in some samples, the discrepancy however, errs on the safe side, is not significant, and the slight excess should dissipate in the distribution 			

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Environmental Analysis (continued)	<p>systems;</p> <ul style="list-style-type: none"> ▪ Annual reports to the Department of Health indicated conformance with requirements. Reports to the ERA indicated conformance with the exception of a high level of unplanned supply interruptions (due to faulty 1980's construction) in the 2010/2011 and 2011/2012 reports. Major upgrades have been undertaken; and ▪ Annual reports to the DEC indicated that the standards for wastewater treatment are being met. 			
Asset Operations	<ul style="list-style-type: none"> ▪ Hamersley Iron's overall mining operations are now controlled wirelessly from Perth. The day to day monitoring of assets, water services performance, maintenance and replacement of water services assets is undertaken by Hamersley Iron's Utilities Maintenance Group in each of the towns; ▪ Early morning meetings are held in each town to discuss operational maintenance, any compliance issues and project works as they arise, or which arise via maintenance plans or capital projects schedules. Relevant licence KPIs are considered in connection with existing and proposed works to limit the number of isolated properties or, to provide temporary services in order to reduce an outage to less than 1 hour. The results of monthly measurement of KPIs are discussed in terms of compliance or otherwise, and any action required therefrom; ▪ Hamersley Iron undertakes significant training programs for all site employees - mainly site inductions and work safety in accordance with company and legislative requirements. Additional training in specialist areas include chlorinator operations, water sampling etc. In addition, senior staff members attend a range of more intensive 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Operations (continued)	<p>programs including TAFE (NSW) Certificate 111 in Water Operations. Selected Senior Management staff members attend a five day Asset Management Professional Development course sponsored by Hamersley Iron and provided by the University of WA and The Australian Institute of Management; and</p> <ul style="list-style-type: none"> ▪ A record of training and re-training undertaken by all employees is retained and updated as appropriate. 			
Asset Maintenance	<ul style="list-style-type: none"> ▪ The ongoing performance of its assets is critical to Hamersley Iron's operations. e.g., a serious failure of its' water services could necessitate the evacuation of a town, thereby depriving a mine or port of its work force, thereby stopping or severely reducing production; ▪ Hamersley Iron therefore has a rigorous program of maintenance, replacement and condition monitoring for all of its assets. The program is based on an assessment of the criticality of the assets and consideration of the most appropriate maintenance strategies available eg, condition or preventive based or run to failure; ▪ The register of assets resides on the SAP software, together with details of location age, condition maintenance details, timing and previous maintenance, condition reports; ▪ The SAP program automatically triggers notices to relevant managers of maintenance due on all assets. Procedure documentation for the maintenance is generated from the SAP program including, the date of due maintenance, numbers and trade of staff and spares required and the time allocated in hours for the work to be undertaken. On completion of a task, the responsible maintenance person notes the hours taken, any comments on the task, condition of the 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Maintenance (continued)	<p>asset etc. These details are reviewed by the responsible manager and entered into the SAP program; and</p> <ul style="list-style-type: none"> ▪ Implementation and programming of the maintenance requires the responsible manager to consider staff and spares availability, interference with other company or outside Authority work, liaison with other departments and shut down requirements. 			
Asset Management Information System	<ul style="list-style-type: none"> ▪ Hamersley Iron does not operate a commercial asset management system for the management of its assets. Rather assets are managed via several related computer based systems (each with a specific service requirement), supplemented by manual management input; ▪ These systems include: <ul style="list-style-type: none"> ▪ SAP program which supports the maintenance plans. The program is very sophisticated and is operated by specially trained planning staff. Access is limited and password protected; ▪ The FDMS (Foundation Document Management System) – contains foundation documents. The system has varying levels of access and authority to make amendments. Access is password protected; ▪ The HSEQ (Health, Safety, Environment, Community and Quality) – contains controlled documents intended to provide information to employees regarding policy and procedures. The system is variable access password protected. The system has its own website to guide staff in accessing and using the system; ▪ ARMS (Asset Management Mapping System) – A graphic mapping of water systems overlain on 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Management Information System (continued)	<p>“Google Earth” shows the location of bores, pumping stations and alignment of pipelines. Allows the user to access aerial and ground based views of installations and to access information on the assets including construction details, drawings, asset register and condition and spares;</p> <ul style="list-style-type: none"> ▪ The CITECT computer graphic system is installed at Paraburdoo and Tom Price to visually monitor the operation of their water supplies including fault alarms and location; and ▪ AQUAVIEW - also a computer graphic system is installed at Tom Price, Paraburdoo and Dampier. The program allows monitoring of the wastewater pumping stations, measurement of, pump rates adjustment of settings etc. ▪ All systems are backed up daily as appropriate; and ▪ The extent and diversity of Rio Tinto, its subsidiaries and geographical locations, necessitates an initially overwhelming system of procedures and protocols. However, application of the above programs by their experienced users allows very efficient access to all aspects of management, performance reporting, maintenance and operation of its water services. 			
Risk Management	<ul style="list-style-type: none"> ▪ Hamersley Iron has a multi-facetted approach to the management of risk. The process involves identification and analysis of risks, their consequences and likelihood of occurrence - leading to level of risk assessments ranging from low through medium and high to catastrophic; ▪ Risks include those affecting customers, health, safety, the environment and the business. Consideration of the risk analyses result in implementation of controls, plans for management, 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Risk Management (continued)	<p>maintenance, monitoring and contingencies, together with Business Continuity and Resilience Management plans for emergency events; and</p> <ul style="list-style-type: none"> The various plans are reviewed annually. 			
Contingency Planning	<ul style="list-style-type: none"> Contingency plans are developed in conjunction with risk analysis and risk management controls. The scale of contingency plans considers the level of risk involved, delays which may occur, availability of spares, equipment, work force and access; Development of the contingency plans includes re-assessment of the level of risk following implementation of a plan and, if necessary, amending / strengthening the proposal and implementing additional works to mitigate the residual risk; and Plans are reviewed annually and, in the case of risks associated with chlorine leakage physically tested during regular training in this area. A typical review document was sighted by the reviewer. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1
Financial Planning	<ul style="list-style-type: none"> Licensed water services for the towns are not reliant on income as are those provided by state or local government authorities. Rather, the services are considered as a mining expense and as such, are financed from mining activities. A long term financial plan for the water services is therefore not prepared. Forward financial planning for water services takes the form of a rolling five year program of proposed projects submitted for capital expenditure approval; On approval the projects are described as "In Plan" and are included in the rolling five year plan, together with estimated annual costs; Approval is instigated via "Bluesheet" submissions for Capital Expenditure Approval. "Bluesheets" set out 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Financial Planning (continued)	<p>the reasons for the project, overall and staging costs, benefits, staging timing and implications of rejection. Projects are noted as “sustaining” when proposed for maintaining performance – and “improvement” when performance is expected to be altered, or increased; and</p> <ul style="list-style-type: none"> ▪ Projects with an estimated cost of less than A\$ 0.5 million, are reviewed by Capital Accounting prior to rejection or approval. Projects with an estimated cost exceeding A\$ 0.5 million are similarly reviewed by Business Analysis and Planning. 			
Capital Expenditure Planning	<ul style="list-style-type: none"> ▪ Capital Expenditure for a forthcoming financial year normally includes projects “In Plan” for the year in question. Other projects while not “In Plan, but considered necessary inclusions for the forthcoming year, are subject to separate “Bluesheet” submission and approval for capital expenditure; ▪ Despite receiving capital expenditure allocation and “In Plan” status, the projects are subjected to further levels of review (depending on cost) and endorsement or rejection, before receiving final capital allocation for the forthcoming year; and ▪ Expenditure is tracked against budget throughout project implementation. 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1
Review of AMS	<ul style="list-style-type: none"> ▪ The various plans and documents which form part of Hamersley Iron’s asset management system are reviewed annually as required by the company’s policy. Reviewer noted these documents either recorded dated footers or change register information on face sheets indicating the author and date of preparation or review; and ▪ Specific procedures stipulate the requirements and procedure for amending controlled documents 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in place at Hamersley Iron for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Review of AMS (continued)	following reviews.			

3.12 Conclusions

This report concludes that the Tom Price, Paraburdoo & Dampier water services (potable water supply and sewerage systems) were professionally and competently operated and maintained during the review period. Hamersley Iron's water services achieved the quality and delivery standards set by both the Operating Licence and the Department of Environment and Conservation licenses; and the Memorandum of Understanding with the Department of Health regarding drinking water quality.

Management of the assets is based on experienced competent management, supported by an array of computer software, documented work practices, policies and training – which in combination, provide a high standard of operation, delivery and reporting.

4

Auditor Information

4.1 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	10
Anton Prinsloo – Senior Audit Consultant	70
Barry Robbins – Barry Robbins Engineering & Project Management	70
TOTAL	150

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Signature of Auditor

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

Cameron Palassis
Director – Audit and Assurance

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Date: 23rd September 2013