

Rottnest Island Authority

Operational Audit and Asset Management System Review

Audit Report

5th November 2013



Liability limited by a scheme approved under Professional Standards Legislation.

Perth

Level 5, 160 St Georges Terrace
Perth Western Australia 6000
GPO Box 2753 PERTH WA 6001
Telephone: +61 8 9476 3144
Facsimile: +61 8 9476 3188

Melbourne

Level 2, 520 Collins Street
Melbourne Victoria 3000
Telephone: + 61 3 8317 5660
Facsimile: + 61 3 8317 5650

Sydney

MLC Centre
Martin Place Sydney
New South Wales 2000
Telephone: +61 2 9238 6881

Paxon Business and Financial Services Pty Ltd ABN 60 148 950 168

www.paxongroup.com.au

Table of Contents

1	EXECUTIVE SUMMARY.....	4
1.1	Background.....	4
2	OPERATIONAL AUDIT.....	5
2.1	Overview	5
2.1.1	Summary of Opinion on the Control Environment	5
2.1.2	Overall Assessment	5
2.1.3	Actions Taken on Previous Post-Audit Plan.....	5
2.1.4	Post Audit Implementation Plan	5
2.1.5	Summary of Issues and Recommendations	6
2.2	Objectives and Scope.....	9
2.3	Methodology.....	9
2.3.1	Fieldwork.....	9
2.3.2	Audit Reporting.....	10
2.4	Time Period Covered in Audit	10
2.5	Time Period of Audit	10
2.6	Licensee's Representatives	10
2.7	Key Documents and Other Information Sources	10
2.8	Licensee's Response to Previous Audit Recommendations.....	12
2.9	Performance Summary	19
2.9.1	Compliance Rating Scale	19
2.9.2	Operational Audit Compliance Summary	20
2.9.3	Observations and Recommendations	25
3	ASSET MANAGEMENT SYSTEM REVIEW	59
3.1	Introduction.....	59
3.2	Objectives and Scope.....	60
3.3	Key Documents Inspected During the Review	60
3.4	Time Period Covered in Review	61
3.5	Time Period of Review	62
3.6	Licensee's Representatives	62
3.7	Post Review Implementation Plan	62
3.8	Licensee's Response to Previous Review Recommendations	63
3.9	Summary of Issues and Recommendations.....	69
3.10	Ratings	73

3.10.1	Asset Management System Effectiveness Summary.....	75
3.11	Observations and Recommendations	76
3.12	Conclusions.....	89
4	AUDITOR INFORMATION.....	90
4.1	Audit/Review Team Members and Hours Utilised	90
5	SIGNATURE OF AUDITOR	91

1

Executive Summary

1.1 Background

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

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 Rottnest Island Authority (RIA) for the provision of Potable Water Supply Services, Sewerage Services and Drainage as stipulated in Schedule 1 of the Operating Licence. The Operating Licence was granted to the RIA on 14 December 1996 and was last amended on 25 August 2010.

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 RIA’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 2011 to 30 June 2013 (Audit Period).

2

Operational Audit

2.1 Overview

2.1.1 Summary of Opinion on the Control Environment

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

2.1.2 Overall Assessment

In the auditor's professional view, RIA 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 the Paxon Group in 2011. A number of recommendations were made in respect of the operational audit undertaken. Four issues identified during the previous operational audit remain unresolved. Refer to section 2.8 for more details.

2.1.4 Post-Audit Implementation Plan

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

2.1.5 Summary of Issues and Recommendations

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Clause 6.1 and Schedule 3: Clause 3	<ul style="list-style-type: none"> As per the documents entitled: "Water Compliance Manual Datasheet - Complaints", the percentages of customer complaints resolved within 15 business days were as follows: <ul style="list-style-type: none"> 2011 – 2012: 100%; and 2012 – 2013: 100%. A billing complaint was recorded in the Complaints Register on 5th June 2012. The Complaints Register indicates the complaint was both acknowledged and responded to on 11th July 2012 and closed on 2nd August 2012. As such, the complaint was not resolved within 15 business days. Only 66.7% of complaints received during 2011 – 2012 were thus resolved within 15 business days; As a result, the: <ul style="list-style-type: none"> Water Compliance Manual Datasheet – Complaints for 2011 – 2012 which disclosed a 100% figure is thus incorrect; and RIA 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"> The RIA should: <ul style="list-style-type: none"> Ensure information included in their annual Performance Reports is correct; and Address customer complaints in respect of billing with the same vigour as other complaints. 	<ul style="list-style-type: none"> Annual Performance Reports will be cross checked with the Water Customer Complaints Reporting Register to ensure all complaints have been captured and the information in the performance reports is correct; Complaint Handling Procedures will be amended to include complaints received by the billing agent(s); Complaints received by the billing agent(s) will be captured and processed in the Water Customer Complaints Reporting Register; and Billing agent(s) to acknowledge amended procedure in formal counter signed letter. 	<p>PFM/RIA 31/07/2014</p> <p>PFM/RIA 31/12/2013</p> <p>PFM/RIA 31/12/2013</p> <p>RIA 31/01/2014</p>
Clause 6.1 & Schedule 3: Clause 3 and Section 20.1 & Schedule 4: Clause 1.2	<ul style="list-style-type: none"> The Complaints Manual does provide, as on pages 3 and 4 of the Manual for recording information received on complaints in the Complaints Register, including: <ul style="list-style-type: none"> A unique number; Category of complaint; and 	<ul style="list-style-type: none"> The Complaints Manual should specifically state the outcome of complaints must be recorded in sufficient detail, in the Complaints Register, to proof the complaint was appropriately resolved; and The Complaints Register should provide 	<ul style="list-style-type: none"> Complaint Handling Procedures will be amended to specifically state the outcome of the customer complaint must be recorded in sufficient detail, irrespective of the nature of the complaint; Proof that the complaint was appropriately 	<p>PFM/RIA 31/12/2013</p> <p>PFM/RIA</p>

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Clause 6.1 & Schedule 3: Clause 3 and Section 20.1 & Schedule 4: Clause 1.2 (continued)	<ul style="list-style-type: none"> “Additional comments as required”. However, the Complaints Manual does not specifically state that the outcome of complaints should be recorded in the Complaints Register; RIA used a comprehensive Complaints Register to record details of complaints received during the Audit period, including a unique number, category and comments; and The Complaints Register, with the exception of a billing complaint, did provide sufficient detail of the outcome of complaints recorded during the Audit Period. 	sufficient details of the outcome of customer complaints received irrespective of the nature of the complaint.	<p>resolved will be included in the Complaint Handling Procedures; and</p> <ul style="list-style-type: none"> Water complaints will be discussed at the monthly FOU meetings and the Water Customer Complaints Reporting Register will be checked. 	<p>31/12/2013</p> <p>PFM/RIA 31/12/2013</p>
Clause 20.1 & Schedule 4: Clause 2.1	<ul style="list-style-type: none"> As per the documents entitled: “Water Compliance Manual Datasheet – Potable Water Providers not Subject to NWI Reporting”, the percentages of connected properties that have been 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"> 2011 – 2012: 100%; and 2012 – 2013: 100%. Based upon this information, it appears as if RIA thus met the performance standard for pressure and flow, as included in the Operating Licence, during the Audit Period; and However, the Compliance Report for 2012 – 2013 stated that no testing was completed in respect of pressure and flow. 	<ul style="list-style-type: none"> The RIA should disclose no measurement was performed in respect of individual performance standards, where applicable, instead of disclosing perfect ratings for those performance standards. 	<ul style="list-style-type: none"> The RIA will disclose that no measurement was performed in respect of individual performance standards, where applicable; and In some instances there is no water meter attached to the property. 	<p>PFM/RIA 31/07/2014</p>
Clause 20.1 & Schedule 4: Clause 2.2	<ul style="list-style-type: none"> As per the documents entitled: “Water Compliance Manual Datasheet - Potable Water Providers not Subject to NWI 	<ul style="list-style-type: none"> The RIA should take appropriate steps to reduce leaks and bursts to a number below the maximum stipulated in the performance 	<ul style="list-style-type: none"> The RIA has purchased leak detector equipment to enable PFM to test for underground leaks/bursts; 	

Licence Condition Reference	Issue	Recommendation	Post-Audit Implementation Plan	Person Responsible / Date of Implementation
Clause 20.1 & Schedule 4: Clause 2.2 (continued)	<p>Reporting", the number of water main breaks (per 100 km of water main) were as follows:</p> <ul style="list-style-type: none"> 2011 – 2012: 15; and 2012 – 2013: 35. <ul style="list-style-type: none"> The RIA thus did not meet the performance standard for continuity of supply – leaks or bursts, as included in the Operating Licence, during 2012 – 2013; and The Compliance Report for 2012 -2013 did disclose information in respect of this non-compliance with the performance standard. The report stated: "2. Impact to all effected customers has been minimal...; 3. The main causes of pipe breaks are the age of the pipe work; 4. Immediate action was taken to repair the breaks...; and 5. The RIA Board will be recommended to fund a staged replacement program of degraded and old potable water pipe work...". 	standards.	<ul style="list-style-type: none"> PFM are undertaking ad-hoc water usage trending analysis using electronic SCADA operating system; If trending indicates abnormalities, water leak/burst investigation is conducted using the leak detector equipment; and As stated in the compliance report 2012/13, it will be recommended to the RIA Board to fund a staged replacement program of degraded and old potable water pipe work. 	RIA 31/08/2014
Clause 21.1	<ul style="list-style-type: none"> The 2011 – 2012 Compliance Report, which covers the period 1 July 2011 to 30 June 2012, states: "Schedule A to this report provides information on all obligations with which Rottnest Island Authority did not comply during 1 July 2010 to 30 June 2011 as required by the Authority's current Water Operating License."; and The Compliance Report for 2011 – 2012 listed non-compliances which occurred in respect of the 2010 – 2011 year. 	<ul style="list-style-type: none"> The RIA should ensure it provides information for the correct period in its annual compliance report. 	<ul style="list-style-type: none"> Annual Compliance Reports will be thoroughly checked to ensure all the information in the reports is correct. 	RIA 31/08/2014

2.2 Objectives and Scope

The objective of the operational audit was to provide an assessment of the effectiveness of measures taken by the RIA 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 Operating 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 Operating 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 were being consistently followed and controls were being maintained);
- **Integrity of Reporting** – the completeness and accuracy of the compliance and performance reports provided to the ERA; and
- **Compliance with any individual licence conditions** – the requirements imposed on the RIA by the ERA or specific issues that were advised by the ERA.

2.3 Methodology

2.3.1 Fieldwork

- Conducted an initial meeting with relevant staff at the RIA and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with Operating 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 Operating 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 representatives of the RIA to confirm understanding of the issues and to agree upon the action to be taken;
- Provided a draft report to the RIA 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 RIA for submission to the ERA 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 RIA 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 operational audit covered the period from 1 July 2011 to 30 June 2013. The previous operational audit covered the period from 1 July 2009 to 30 June 2011.

2.5 Time Period of Audit

The audit was conducted from 10 September 2013 to 17 September 2013.

2.6 Licensee's Representatives

The RIA's primary contacts were as follows:

Staff Member	Position
Tracey Hornsey	Manager, Major Contracts
Rob Smithson	Project Manager
Janett Enke	Contracts Project Officer
Justin Franklin	Compliance and Utilities Manager (PFM)

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 10 – Rottnest Island Authority (25 August 2010);

-
- Rottnest Island Authority - Operational Audit and Asset Management Review (January 2012);
 - Rottnest Island Authority - Progress Report on Non-Compliances with the Water Services Operating Licence and Asset System Deficiencies (August 2012);
 - Rottnest Island Authority – Audit Plan – Water Services Licence - Operational Audit and Asset Management System Review (August 2013);
 - Rottnest Island Authority – Customer Charter (August 2010);
 - Rottnest Island Authority – Annual Report (2011 – 2012);
 - 2011-12 Asset Management Plan;
 - Rottnest Island Authority - Compliance Reports (2011/2012 and 2012/2013);
 - Rottnest Island Authority - Water Compliance Manual Datasheets (2011/2012 and 2012/2013);
 - Communication received from the ERA (over the Audit Period);
 - Water Services Customer Complaints Manual (February 2012);
 - Customer Complaints Register (current version);
 - Memorandum of Understanding between the Department of Health and Rottnest Island Authority for Drinking Water (April 2012);
 - Compliance Calendar 2013;
 - Utilities Compliance Schedule – Rottnest Island Authority (current version);
 - Annual Drainage System Desktop Audit of 2011-12 (Minutes of meeting held on 10 July 2012);
 - Annual Drainage System Desktop Audit of 2012-13 (Minutes of meeting held on 17 July 2013); and
 - Rottnest Island – Drinking Water Quality Plan 2012 (March 2013).

2.8 Licensee's Response to Previous Audit Recommendations

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 5.2, Cl. 21, Cl. 21.2 and Sch. 5 Cl. 2.1	<ul style="list-style-type: none"> Utilities Compliance Spread sheet to be reviewed monthly and managed jointly by RIA (Contracts and Admin Officer) and PFM (Compliance & Utilities Manager). 	<ul style="list-style-type: none"> The Paxon Group prepared a "Progress Report on Non-Compliances with the Water Services Operating Licence and Asset System Deficiencies" dated 22nd August 2012. This report dealt comprehensively with the action taken by the RIA to resolve this matter. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Cl. 6 and Sch. 3, Cl. 3 and Clause 20 & Sch. 4	<ul style="list-style-type: none"> All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. As complaints can be directly lodged with either the RIA or PFM, the parties should setup a proper procedure to ensure the capture of all complaints in the complaints register. <p>Further Action Required - as per Audit Report dated 22nd August 2012:</p> <ul style="list-style-type: none"> All complaints lodged within the period covered by the fortnightly meeting between the RIA and PFM, should be specifically addressed during the meeting. This will help ensure the completeness of the complaints register and the joint management of complaints. The minutes of the meeting should include an appropriate reference to the complaint; and All complaints, irrespective of the nature thereof, should be treated in compliance with the current stipulated procedure. 	<ul style="list-style-type: none"> RIA and Programmed Facility Management (PFM) did jointly compile a document entitled: "Water Services Customer Complaints Manual" (Complaints Manual) to provide employees with detail on how to process customer complaints; The Complaints Manual: <ul style="list-style-type: none"> Refers to complaints received both per telephone and in writing; and Stipulates all complaints received (per telephone and in writing) must be recorded in the complaints register. The Complaints Manual states: "Once registered complaints are sent to RIA/Programmed FM Group Contracts Manager for discussion and action through FOU Meeting."; The RIA used a register entitled: "Water Services Customer Complaints Reporting Register" (Complaints Register) during the audit period. The Complaints Register used was comprehensive in nature and specifically provided for recording separate dates to acknowledge, respond to and close complaints; A complaint was received at the beginning of 	<ul style="list-style-type: none"> All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register. 	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 6 and Sch. 3, Cl. 3 and Clause 20 & Sch. 4 (continued)		<p>April 2013. The Complaint was acknowledged in the "RIA/PFM - FOU Meeting Minutes (FOU Minutes) for the meeting held on the 24th April 2013. The FOU minutes states:</p> <p>"One water quality complaint was received by Accommodation Services....Complaint to be included in complaints register by PFM....";</p> <ul style="list-style-type: none"> The FOU Minutes for the meeting held on 21st May 2013 again referred to the complaint and the fact that it should be recorded in the Complaints Register; and However, the complaint was never recorded in the Complaints Register. 		
Sch. 3, Cl. 3.1	<ul style="list-style-type: none"> Both the PFM's "Water Services Customer Complaints Procedure" and the PFM's 'Flow Chart for Customer Complaints' should be updated to reflect complaints must be resolved within 15 business days and not only be responded to in writing within 15 business days. 	<ul style="list-style-type: none"> The Flow Chart for Customer Complaints, as included in the Complaints Manual states: "Complaints must be resolved where possible within 15 working days."; and The Complaints Manual states complaints must be resolved where possible within 15 working days. 	<ul style="list-style-type: none"> None 	Resolved
Sch. 3, Cl. 3.2(a)	<ul style="list-style-type: none"> Update Water Services Customer Complaints Reporting Register to include unique identifier. 	<ul style="list-style-type: none"> The Paxon Group prepared a "Progress Report on Non-Compliances with the Water Services Operating Licence and Asset System Deficiencies" dated 22nd August 2012. This report dealt comprehensively with the action taken by the RIA to resolve this matter. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Sch. 3, Cl. 3.4	<ul style="list-style-type: none"> The PMF's 'Water Services Customer Complaints Procedure' should be amended to include the obligation, where a dispute has not been resolved within 15 business days, to inform the customer of the option of referring their complaint to the Department of Water. 	<ul style="list-style-type: none"> The Customer Manual states: "Where a dispute has not been resolved within 15 business days, PFM must advise the customer of the option to refer their complaint to the Department of Water." 	<ul style="list-style-type: none"> None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Sch. 3, Cl. 3.6	<ul style="list-style-type: none"> The PMF's 'Water Services Customer Complaints Procedure' should be amended to include the obligation to co-operate with the Department of Water's request for information concerning a disputed complaint. 	<ul style="list-style-type: none"> Page 4 of the Complaints Manual states: "PFM/RIA has an obligation to co-operate with the Department of Water's requests for information concerning a disputed complaint and upon request provide complaint details." 	<ul style="list-style-type: none"> None 	Resolved
Sch. 3, Cl. 3.7	<ul style="list-style-type: none"> The PMF's 'Water Services Customer Complaints Procedure' should be amended to include the obligation to, upon request, provide complaints details to the Department of Water. 	<ul style="list-style-type: none"> Page 4 of the Complaints Manual states: "PFM/RIA has an obligation to co-operate with the Department of Water's requests for information concerning a disputed complaint and upon request provide complaint details." 	<ul style="list-style-type: none"> None 	Resolved
Sch. 3, Cl. 2.5 (c)	<ul style="list-style-type: none"> The RIA's 'Utilities Compliance Spread Sheet' should be updated to refer to the licence requirement to send a current copy of the Customer Charter to all customers at least once in every three year period. 	<ul style="list-style-type: none"> The RIA document entitled: "Utilities Compliance Schedule" states: "As a licence requirement, a current copy of the Customer Service Charter is to be sent to all customers once in every three year period." 	<ul style="list-style-type: none"> None 	Resolved
Cl. 8.1	<ul style="list-style-type: none"> The RIA must re-establish sound customer consultation processes in compliance with its licence requirements. <p>Further Action Required - as per Audit Report dated 22nd August 2012:</p> <ul style="list-style-type: none"> The RIA proposal as agreed to by the ERA must now be implemented in practice; and Audit noted that a full member meeting of the RIBC is scheduled for the 6th September 2012. 	<ul style="list-style-type: none"> The RIA sent a proposal to the ERA in August 2012 in respect of customer consultation. The proposal included the following items: <ul style="list-style-type: none"> Engaging the Rottneest Island Business Community Inc. (RIBC) as a forum to facilitate ongoing community involvement on issues relevant to the exercise of the RIA's level of service required under the licence; Holding full member meetings, which include all business owners, each quarter. The RIA advised that this forum would be used to raise issues and disseminate information directly to customers, and would include water services issues as a standing agenda item; and ERA considering the proposal as fulfilling the role of a customer council for the 	<ul style="list-style-type: none"> The RIA should consult with the ERA in respect of its customer consultation processes. 	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Cl. 8.1 (continued)		<p>purposes of satisfying Schedule 3 clause 4 of the Operating Licence.</p> <ul style="list-style-type: none"> The ERA, as per its letter dated 3 August 2012, agreed to the proposal and stated water services must be added as a standing agenda item for the full members meeting of the RIBC; Only one full member meeting for the RIBC was held after August 2012. This meeting took place on the 3rd April 2013. The agenda for the meeting included "Water Service on Rottneest Island" as a standing agenda item; However, the minutes to the meeting only refers to the fact of a sewage line which was frequently blocked and the steps proposed to address this issue. As such, it contains limited information on water services; and The RIA has stated it is envisaged only three full member meeting of the RIBC will take place during 2013 – 2014. 		
Sch. 3, Cl. 4.2	<ul style="list-style-type: none"> The RIA must re-establish sound customer consultation processes in compliance with its licence requirements. The ERA must be consulted with respect to the type and extent of such customer consultation initiatives. <p>Further Action Required - as per Audit Report dated 22nd August 2012:</p> <ul style="list-style-type: none"> The 'Utilities Compliance Spread Sheet' should be appropriately updated to refer to the customer consultation process as agreed with the ERA. 	<ul style="list-style-type: none"> See the audit findings entitled: "Action Taken", directly above in respect of Section 8.1 of the Operating Licence; and The RIA document entitled: "Utilities Compliance Schedule" refers to the full members' meetings of the RIA and the inclusion of water services as a standing agenda item for such meetings. 	<ul style="list-style-type: none"> The RIA should consult with the ERA in respect of its customer consultation processes. 	Unresolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/ Unresolved
Sch. 3, Cl. 5.1	<ul style="list-style-type: none"> The Work Method Statement should be changed to include a stipulation that the relevant agreement must not be amended without the prior approval of the ERA. 	<ul style="list-style-type: none"> The PFM document entitled: “ Alternate agreements to provision of water services” states: “RIA will consult with ERA for advice and approval before any changes are made that may restrict, exclude or modify the terms of the licence.” 	<ul style="list-style-type: none"> None 	Resolved
Cl. 9.1	<ul style="list-style-type: none"> The RIA should promptly negotiate an appropriate MoU with the Department of Health. A procedure manual to cover all the obligations conferred upon the RIA by such a MoU and the Operating Licence should be compiled immediately upon finalisation of the MoU. 	<ul style="list-style-type: none"> An agreement entitled: “Memorandum of Understanding between the Department of Health and RIA for Drinking Water” was entered into on the 18th April 2012 (MoU); and The RIA document entitled: “Utilities Compliance Schedule” includes the following specific sections in respect of the MoU: <ul style="list-style-type: none"> Review of the MoU; Audit under the MoU; Water quality monitoring plan; Water coordination meetings; and Drinking water source protection plan. 	<ul style="list-style-type: none"> None 	Resolved
Cl. 9.2(d)	<ul style="list-style-type: none"> The RIA’s ‘Utilities Compliance Spread Sheet’ must be appropriately changed to specify a complete copy of the MoU must be provided to the ERA within one month of entering into it. 	<ul style="list-style-type: none"> The RIA document entitled: “Utilities Compliance Schedule” states, in respect of the MoU: “The RIA are required to (i) provide a copy to the ERA once approved by the DoH...”; <ul style="list-style-type: none"> The MoU was entered into on the 18th April 2012; and The RIA provided a complete copy of the MoU to the ERA on 20th April 2012. 	<ul style="list-style-type: none"> None 	Resolved
Cl. 9.2(j)	<ul style="list-style-type: none"> The RIA’s ‘Utilities Compliance Spread Sheet’ must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting 	<ul style="list-style-type: none"> The RIA’s document entitled: “Utilities Compliance Schedule” stipulates prominently, an audit by the Department of Health is required on compliance by the RIA with its 	<ul style="list-style-type: none"> None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/Unresolved
Cl. 9.2(j) (continued)	obligations.	obligations under the MOU at least once every three years and the provision of the audit report to the ERA. The Schedule further stipulates the audit report is to be provided to the Department of Health and the ERA one month after completion of the audit.		
Cl. 9.5	<ul style="list-style-type: none"> The RIA's 'Utilities Compliance Spread Sheet' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations. 	<ul style="list-style-type: none"> The RIA document entitled: "Utilities Compliance Schedule" stipulates prominently the text and schedules of the MoU including any amendments is to be published within one month of entering into the MoU or making amendments on the RIA website. 	<ul style="list-style-type: none"> None 	Resolved
Cl. 9.6	<ul style="list-style-type: none"> The IRA's 'Utilities Compliance Spread Sheet' must be appropriately changed to move this licence stipulation from a note to a position of equal prominence with other reporting obligations. 	<ul style="list-style-type: none"> The RIA document entitled: "Utilities Compliance Schedule" stipulates prominently the RIA must publish the Audit Report on its web site within one month of the completion of the audit. 	<ul style="list-style-type: none"> None 	Resolved
Cl. 9.7	<ul style="list-style-type: none"> The missing (quarterly) reports are now published on the web-site; Publication of the quarterly reports is disclosed as an activity in the RIA's 'Utilities Compliance Spread sheet'; and A procedure manual will be developed to address both the compilation and publication of the quarterly reports. 	<ul style="list-style-type: none"> The Paxon Group prepared a "Progress Report on Non-Compliances with the Water Services Operating Licence and Asset System Deficiencies" dated 22nd August 2012. This report dealt comprehensively with the action taken by the RIA to resolve this matter. 	<ul style="list-style-type: none"> No further action is required. 	Resolved
Cl. 17.2	<ul style="list-style-type: none"> The RIA's 'Utilities Compliance Spread Sheet' should be updated to indicate the requirement to notify the ERA of any material changes to the Asset Management System within 10 business days. 	<ul style="list-style-type: none"> The RIA document entitled: "Utilities Compliance Schedule" states: "ERA to be notified of any material change to Asset Management System within 10 business days of such change." 	<ul style="list-style-type: none"> None 	Resolved
Cl. 17.2	<ul style="list-style-type: none"> The PFM should update its 'Notification of Asset Management System Changes Review Procedure' appropriately to refer to the 	<ul style="list-style-type: none"> The PFM document entitled: "Notification of Asset Management System Changes Review Procedure" states: 	<ul style="list-style-type: none"> None 	Resolved

Licence Condition Reference	Recommendation	Action Taken	Further Action Required	Resolved/Unresolved
Cl. 17.2 (continued)	requirement to notify the ERA of any material changes to the Asset Management System within 10 business days.	"Programmed FM Compliance & Utilities Manager to notify the Rottnest Island Authority of any changes to the Asset Management System within 10 business days of the change. Rottnest Island Authority to pass this information onto the Economic Regulatory Authority."		
Cl. 21.2 & Sch. 5, Cl. 2.2	<ul style="list-style-type: none"> The Work Method Statement should be appropriately changed to indicate the RIA is required to provide their annual performance reports to the ERA no later than 31 July for the reporting year ending 30 June; and The PFM should record a set of complimentary deadlines for the forward of ERA required information to the RIA. These deadlines must accommodate any further processing needed of such information by the RIA prior to submission thereof to the ERA. 	<ul style="list-style-type: none"> The PFM document entitled: "Information Reporting Requirements – Work Method Statement" states: "The RIA will provide the ERA with data required for performance monitoring purposes (as set out in the water compliance reporting manual) for the previous financial year by 31 October each year"; and The RIA submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time. 	<ul style="list-style-type: none"> The PFM document should be appropriately changed to state the annual performance report should be submitted to the ERA by 31 July (for the ended 30 June). 	Unresolved
Sch. 6, Cl. 2.3	<ul style="list-style-type: none"> The RIA's 'Operation of 'Water Services Customer Charter 2010' should be amended to include a provision relating to the discontinuance of a service to a property where the servicing of the property is not commercially viable. 	<ul style="list-style-type: none"> The current Customer Charter is dated 30 August 2010; The ERA has extended the review date of the Customer Charter to 13 July 2014; and As such, no action was taken to amend the Customer Charter. 	<ul style="list-style-type: none"> The RIA 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. 	Unresolved

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	B	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	B	M	M		✓					
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	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
Transfer of Licence	Cl. 10.1	N/A The ERA 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 Rottnest Island Authority 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 10”, dated 25th August 2010 (Operating Licence) was awarded by the Economic Regulation Authority (ERA) to Rottnest Island Authority (RIA) for the provision of: <ul style="list-style-type: none"> Potable water supply services; Sewerage services; and Drainage. The Operating Licence: <ul style="list-style-type: none"> Commenced on the 14th December 1996; and Expires on 14th December 2023. The RIA has stated in section 1.2 entitled: “The Role of the Customer Charter” of the document entitled: “Rottnest Island Authority – Operation of Water Services - Customer Charter – 2010” (Customer Charter): <p>“This Customer Charter sets out the principle terms and conditions upon which the Rottnest Island Authority (RIA) intends to provide water services to its customers in accordance with the licence issued to the RIA by the Economic Regulation Authority under the Water Services Licensing Act 1995.”;</p> The RIA has stated during the period 1 July 2011 to 30 June 2013 (Audit Period), it provided potable water supply services, sewerage services and drainage to its customers in accordance with the terms and conditions of the Operating Licence; 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Grant of Licence (continued)	Clause 2.1 and Schedules 1 and 2	<ul style="list-style-type: none"> As per Schedule 2 to the Operating Licence, the RIA may provide potable water supply services, sewerage services and drainage to, and within, the areas designated by reference to plan number: OWR – OA – 189(A). The plan number refers to the plan of the relevant <i>Operating Area</i> approved by the <i>Authority</i> for the purposes of the provision of the indicated water service; The RIA did provide a copy of plan number: OWR – OA – 189(A) for audit purposes; and The RIA has stated during the Audit Period it provided the water services respectively indicated in Schedule 2 to, and within, those areas approved by the ERA for the provision of the indicated water services. 		
Term	Clause 3.1	<ul style="list-style-type: none"> The RIA has stated the Operating Licence was not cancelled during the Audit Period; The RIA 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, sewerage and drainage services expires on the 14th December 2023. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Fees	Clause 4.1	<ul style="list-style-type: none"> The RIA has stated no fees were payable, during the Audit Period, in respect of the Water Services Licensing Act 1995. 	<ul style="list-style-type: none"> No recommendation is made. 	N/A
Compliance	Clause 5.1 – 2	<ul style="list-style-type: none"> RIA is required to comply with legislation which includes the Water Services Licensing Act 1995 (WA); Key legislative requirements are incorporated into the Operating Licence held by RIA. Therefore, by complying with the Operating Licence's stipulations, RIA will comply with key requirements 	<ul style="list-style-type: none"> See Section 2.8 of this Audit Report entitled: "Licensee's Response to Previous Audit Recommendations". 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Compliance (continued)	Clause 5.1 – 2	<p>of the Water Services Licensing Act 1995 (WA);</p> <ul style="list-style-type: none"> RIA acknowledges its obligations to comply with the Water Services Licensing Act 1995 (WA). Section 1.2 entitled: “The Role of the Customer Charter” of the Customer Charter states: “ This Customer Charter sets out the principle terms and conditions upon which the Rottnest Island Authority (RIA) intends to provide water services to its customers in accordance with the licence issued to the RIA by the Economic Regulation Authority under the Water Services Licensing Act 1995.”; RIA used a document entitled: “Utilities Compliance Schedule” during the Audit Period. This document comprehensively lists reportable compliance obligations included in the Operating Licence; RIA used a document entitled: “Compliance Calendar” during 2012 and 2013 to record specific dates and allocate tasks for compliance obligations to Programmed Facility Management (PFM) and the RIA respectively; The RIA submitted its annual Compliance Reports for 2011 – 2012 and 2012 – 2013 on time; The RIA submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time; The 2011 - 2012 Compliance Report disclosed two instances of non-compliance with the Operating Licence obligations. Both the items reported relate to non-compliances which occurred prior to the Audit Period; The 2012 – 2013 Compliance Report disclosed two instances of non-compliance with the Operating Licence obligations. Both the items reported relate to clause 20.1 and in particular the Service and Performance Standards contained in Schedule 4 to the Operating licence for: 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Compliance (continued)	Clause 5.1 – 2	<ul style="list-style-type: none"> Pressure and flow; and Continuity of supply. The ERA wrote a letter to the RIA after the finalisation of the 2011 Operational Audit and Asset Management System Review. The ERA in this letter dated 14 March 2012 required the RIA to: <ul style="list-style-type: none"> Complete all the action items addressing the non-compliances (operational audit findings) and asset system deficiencies by 31 July 2012; and Provide a report to the ERA prepared by an independent auditor on the progress made towards addressing the non-compliances and asset system deficiencies by 15 August 2012. A “Progress Report on Non-Compliances with the Water Services Operating Licence and Asset System Deficiencies” was prepared by the Paxon Group; and RIA has stated that during the Audit Period, except as disclosed above, 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"> The RIA has implemented the following customer complaints processes: <ul style="list-style-type: none"> Emergency Assistance; and Complaints and dispute resolution. Section 1.8 entitled: “Emergency Assistance” in the Customer Charter: <ul style="list-style-type: none"> Distinguishes between visitors and lessees/residents in respect of the procedure 	<ul style="list-style-type: none"> All complaints, irrespective of which party (RIA or PFM) receives the complaint, must be recorded in the complaints register; The RIA should ensure: <ul style="list-style-type: none"> Information included in their annual Performance Reports is correct; and Address customer complaints in respect of billing with the same vigour as other 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>to be followed to request emergency assistance;</p> <ul style="list-style-type: none"> Provides a 24 hour contact number for both visitors and lessees/residents; and States both visitors and lessees/residents will be advised within one hour of an assistance request of the nature and timing of the action to be undertaken. <p>Section 3.4.2 entitled: "Complaints Procedure" in the Customer Charter states:</p> <p>"When you lodge a complaint, either in writing, or verbally, the RIA will address the issue in a timely and efficient manner. A representative of the RIA will acknowledge the complaint within ten (10) business days and will resolve the complaint within fifteen (15) business days.";</p> <ul style="list-style-type: none"> The Customer Charter is currently prominently displayed on the RIA webpage entitled: "Rottnest Island Utility Reports; All the emergency assistance contact numbers listed in the Customer Charter are currently disclosed as such on the RIA website; RIA and Programmed Facility Management (PFM) did jointly compile a document entitled: "Water Services Customer Complaints Manual" (Complaints Manual) to provide employees with detail on how to process customer complaints; The Complaints Manual: <ul style="list-style-type: none"> Refers to complaints received both per telephone and in writing; and Stipulates all complaints received (per telephone and in writing) must be recorded in the complaints register. 	<p>complaints.</p> <ul style="list-style-type: none"> The Complaints Manual should specifically state the outcome of complaints must be recorded in sufficient detail, in the Complaints Register, to proof the complaint was appropriately resolved; and The Complaints Register should provide sufficient details of the outcome of customer complaints received irrespective of the nature of the complaint. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<ul style="list-style-type: none"> The Complaints Manual states: “Once registered complaints are sent to RIA/Programmed FM Group Contracts Manager for discussion and action through FOU Meeting.”; The RIA used a register entitled: “Water Services Customer Complaints Reporting Register” (Complaints Register) during the audit period. The Complaints Register used was comprehensive in nature and specifically provided for recording separate dates to acknowledge, respond to and close complaints; A complaint was received at the beginning of April 2013. The Complaint was acknowledged in the “RIA/PFM - FOU Meeting Minutes (FOU Minutes) for the meeting held on the 24th April 2013. The FOU minutes states: “One water quality complaint was received by Accommodation Services....Complaint to be included in complaints register by PFM....”; The FOU Minutes for the meeting held on 21st May 2013 again referred to the complaint and the fact that it should be recorded in the Complaints Register; However, the complaint was never recorded in the Complaints Register; As per the documents entitled: “Water Compliance Manual Datasheet - Complaints”, the percentages of customer complaints resolved within 15 business days were as follows: <ul style="list-style-type: none"> 2011 - 2012: 100%; and 2012 - 2013: 100%. A billing complaint was recorded in the Complaints Register on 5th June 2012. The Complaints Register indicates the complaint was both acknowledged 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>and responded to on 11th July 2012 and closed on 2nd August 2012. As such, the complaint was not resolved within 15 business days. Only 66.7% of complaints received during 2011 – 2012 were thus resolved within 15 business days;</p> <ul style="list-style-type: none"> ▪ As a result, the: <ul style="list-style-type: none"> ▪ Water Compliance Manual Datasheet – Complaints for 2011 – 2012 which disclosed a 100% figure is thus incorrect; and ▪ RIA thus did not meet the performance standard for customer complaints, as included in the Operating Licence, during the 2011 – 2012 year. ▪ Page 3 of the Complaints Manual states: “The complaints register records: A unique number assigned to the complaint..”; ▪ The Complaints Register did record a unique 5 digit complaint number for each individual entry in the register during the Audit Period; ▪ Section 3.4.2 entitled: “Complaints Procedure” in the Customer Charter states: “If you are not satisfied with a solution offered or action taken on a complaint, you may seek referral to the RIA’s Chief Executive Officer. The Chief Executive Officer will investigate the complaint, assess the appropriateness of RIA’s response and either confirm or amend the RIA’s proposed solution or action.”; ▪ PFM has stated: <ul style="list-style-type: none"> ▪ Complaints can be lodged with representatives of both the RIA and PFM; and ▪ No specific training is given to employees on how to deal with customer complaints. 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<ul style="list-style-type: none"> The Complaints Manual provides employees with detail on how to process customer complaints; Section 3.4.2 entitled: "Complaints Procedure" in the Customer Charter states: "When you lodge a complaint, either in writing, or verbally, the RIA will address the issue in a timely and efficient manner. A representative of the RIA will acknowledge the complaint within ten (10) business days and will resolve the complaint within fifteen (15) business days."; The Flow Chart for Customer Complaints, as included in the Complaints Manual states: "Complaints must be resolved where possible within 15 working days."; The Complaints Manual states complaints must be resolved where possible within 15 working days; The Complaints Manual does provide, as on pages 3 and 4 of the Manual for recording information received on complaints in the Complaints Register, including: <ul style="list-style-type: none"> A unique number; Category of complaint; and "Additional comments as required". However, the Complaints Manual does not specifically state that the outcome of complaints should be recorded in the Complaints Register; RIA used a comprehensive Complaints Register to record details of complaints received during the Audit period, including a unique number, category and comments; The Complaints Register, with the exception of a billing complaint, did provide sufficient detail of the outcome of complaints recorded during the Audit 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Complaints (continued)	Clause 6.1 and Schedule 3: Clause 3	<p>Period;</p> <ul style="list-style-type: none"> Section 3.4.2 entitled: "Complaints Procedure" in the Customer Charter states: "If the matter has not been resolved to your satisfaction within fifteen (15) business days, you may refer the matter to... Department of Water" The Customer Manual states: "Where a dispute has not been resolved within 15 business days, PFM must advise the customer of the option to refer their complaint to the Department of Water." The RIA has stated it has no knowledge of any complaints referred, during the Audit Period, to the Department of Water; Page 4 of the Complaints Manual states: "PFM/RIA has an obligation to co-operate with the Department of Water's requests for information concerning a disputed complaint and upon request provide complaint details." The RIA has stated no complaints were investigated, during the Audit Period, by the Department of Water; and RIA has stated no requests for information in respect of complaints made, 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"> The RIA has issued a Customer Charter entitled: "Rottnest Island Authority - Operation of Water Services - Customer Charter - 2010" (Customer Charter); The RIA's Customer Charter was approved by the ERA on 30 August 2010; The Customer Charter: 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Service Charter (continued)	Clause 7.1 and Schedule 3: Clause 2	<ul style="list-style-type: none"> Is drafted in 'plain English'; Is comprehensive; Does distinguish between visitors and lessees/residents in respect of emergency assistance; Is prominently displayed on the RIA webpage entitled: "Rottnest Island Utility Reports"; Is currently displayed at the RIA's office on Rottnest Island; and Is currently displayed at the Visitor's Centre on Rottnest Island. RIA has stated copies of the Customer Charter, were provided upon request, and at no charge, to customers during the Audit Period; The RIA document entitled: "Utilities Compliance Schedule" states: "As a licence requirement, a current copy of the Customer Service Charter is to be sent to all customers once in every three year period."; After the 2010 changes to the Customer Charter were finalised, it was distributed to all customers via instruction of the real estate agents who managed the leases for the relevant properties; Based upon the three year interval prescribed in the Operating Licence, the RIA did not need to distribute the Customer Charter during the Audit Period; Both the: <ul style="list-style-type: none"> Compliance Calender for 2013; and Utilities Compliance Schedule refers to the review of the Customer Charter every three years. The current Customer Charter is dated 30 August 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Service Charter (continued)	Clause 7.1 and Schedule 3: Clause 2	<p>2010;</p> <ul style="list-style-type: none"> As per the ERA's letter dated 23 May 2012 the RIA's Customer Charter was due for review by 13 July 2012. The letter extended the review date to 13 July 2013; An additional letter was received from the ERA, dated 16 May 2013, which extended the RIA's Customer Charter review period by a further 12 months; The RIA has implemented a number of processes, systems and controls to help ensure it provides services in a way which is consistent with its Customer Charter. These include: <ul style="list-style-type: none"> Water Services Customer Complaints Reporting Register; Water Services Customer Complaints Manual; Utilities Compliance Schedule; Compliance Calendar; and Memorandum of Understanding with the Department of Health. Except for the recommendations made in this Work Program, the audit concluded, the RIA provided its services in a way which is consistent with its Customer Charter during the Audit Period. 		
Customer Consultation	Clause 8.1 and Schedule 3: Clause 4	<ul style="list-style-type: none"> Section 3.2 entitled: "Your Rights to Consultation and Information" in the Customer Charter states: "The RIA is committed to involving its customers on issues relating to its programs and services. Community involvement in Rottnest Island service planning and decision -making processes will be sought through the Rottnest Island Business Community (RIBC) which holds regular meetings. The RIA will use local media bulletins to advise 	<ul style="list-style-type: none"> The RIA should consult with the ERA in respect of its customer consultation processes. 	2

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation (continued)	Clause 8.1 and Schedule 3: Clause 4	<p>customers of any system change that may result in result in significant variation in its service levels.</p> <p>The RIA will publish and make available at its premises information on matters relating to its water supply services and other aspects such as charging and complaints handling. Information regarding these matters can be obtained from the RIA's business office.”;</p> <ul style="list-style-type: none"> ▪ RIA has stated no Customer Council exists; ▪ The RIA sent a proposal to the ERA in August 2012 in respect of customer consultation. The proposal included the following items: <ul style="list-style-type: none"> ▪ Engaging the Rottnest Island Business Community Inc. (RIBC) as a forum to facilitate ongoing community involvement on issues relevant to the exercise of the RIA's level of service required under the licence; ▪ Holding full member meetings, which include all business owners, each quarter. The RIA advised that this forum would be used to raise issues and disseminate information directly to customers, and would include water services issues as a standing agenda item; and ▪ ERA considering the proposal as fulfilling the role of a customer council for the purposes of satisfying Schedule 3 clause 4 of the Operating Licence. ▪ The ERA, as per its letter dated 3 August 2012, agreed to the proposal and stated water services must be added as a standing agenda item for the full members meeting of the RIBC; ▪ The RIA document entitled: “Utilities Compliance Schedule” refers to the full members' meetings of the RIA and the inclusion of water services as a standing agenda item for such meetings; 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Customer Consultation (continued)	Clause 8.1 and Schedule 3: Clause 4	<ul style="list-style-type: none"> Only one full member meeting for the RIBC was held after August 2012. This meeting took place on the 3rd April 2013. The agenda for the meeting included "Water Service on Rottnest Island" as a standing agenda item; However, the minutes to the meeting only refers to the fact of a sewage line which was frequently blocked and the steps proposed to address this issue. As such, it contains limited information on water services; The RIA has stated it is envisaged only three full member meeting of the RIBC will take place during 2013 – 2014; and RIA has stated it did not, nor did the ERA request the establishment of other forums for consultation during the Audit Period. 		
Customer Contracts	Schedule 3: Clause 5	<ul style="list-style-type: none"> The RIA has stated no agreements were entered into, during the Audit Period, with customers to provide water services that exclude, modify or restrict the <i>terms and conditions</i> of the Operating Licence; and The PFM document entitled: " Alternate agreements to provision of water services" states: "RIA will consult with ERA for advice and approval before any changes are made that may restrict, exclude or modify the terms of the 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"> The RIA has stated the ERA did not, during the Audit Period, require the commissioning of any independent customer surveys. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R
Memorandum of Understanding	Clause 9.1 – 7	<ul style="list-style-type: none"> An agreement entitled: "Memorandum of Understanding between the Department of Health and RIA for Drinking Water" was entered into on the 18th April 2012 (MoU); 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<ul style="list-style-type: none"> Section 17.1 entitled: “Mou is Legally Binding” of the Mou states: “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 in clause 1.2 of the MoU entitled: “Design of the Memorandum”; Section 1.3 of the MoU entitled: “Parts of the Memorandum” of the MoU states: “The Text, Schedules and Binding Protocols are referred to in the Contents and are identifiable by the information in the footer of the relevant page. The Water Quality Management Processes and Procedures that have been endorsed by the Department are listed in Binding Protocol 2.”; Section 16.2 entitled: “Review and Renewal of MoU” of the Mou states: “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.”; The RIA’s Utilities Compliance Schedule stipulates the Mou must be reviewed and amended by 18 April 2015; As the MOU was only entered into on the 18th April 2012, the first review of the MoU need only commence on the 18th October 2014; Section 17.2 entitled: “Provision of Complete Copy of Mou to the Authority” of the Mou states: “The Licensee shall provide a complete copy of this MoU to the Authority within one month of entering into the MoU.”; 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7		<ul style="list-style-type: none"> The RIA document entitled: “Utilities Compliance Schedule” states, in respect of the MoU: <ul style="list-style-type: none"> “The RIA are required to (i) provide a copy to the ERA once approved by the DoH...”; The MoU was entered into on the 18th April 2012; The RIA provided a complete copy of the MoU to the ERA on 20th April 2012; Section 17.3 entitled: “Provision of Amendments to the MoU to the Authority” of the MoU states: <ul style="list-style-type: none"> “The Licensee shall provide any amendments to this MoU to the Authority within one month of entering into any amendments to the MoU.”; The RIA’s Utilities Compliance Schedule stipulates the RIA is required to, amongst others, provide any amendments to the ERA within 1 month of amendments occurring; RIA has confirmed that no amendments were made to the MoU during the Audit Period; The Department of Health’s quality requirements for potable water are set out in “Schedule 1 – Drinking Water Quality Requirements” to the MoU. The section entitled: “Framework for Management of Drinking Water Quality” in Schedule 1 to the MoU stipulates: <ul style="list-style-type: none"> “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.”; The RIA’s “Utilities Compliance Schedule” lists the maintenance of a Drinking Water Quality Management Plan as a compliance requirement; RIA has introduced a document entitled: “Rottnest 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7		<p>Island – Drinking Water Quality Plan 2012 (Quality Plan)". The Quality Plan:</p> <ul style="list-style-type: none"> Is comprehensive and includes Table 5.1 entitled: "Summary of Guideline Drinking Water Values for Rottnest Island (ADWG, 2004)"; Provides a monitoring frequency in section 5.1.2 entitled: "Key Characteristics and Monitoring Frequency"; and Deals in section 6.3 entitled: "Incident and Emergency Response" where results show critical limits have been exceeded. <p>Clause 4.7 entitled: "Ministerial Approval to vary Standard Quality Specifications" of the Mou states: "Variations, additional requirements or exemptions that are specified under sections 4.3, 4.4 or 4.5 have no effect until approved by the Minister for Health or delegate.";</p> <ul style="list-style-type: none"> The RIA has stated no variations were made, during the Audit Period, to the quality criteria for potable water; Section 6.5 entitled: "Water Quality Monitoring Plan" of the Mou states: "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."; The RIA's "Utilities Compliance Schedule" stipulates a Water Quality Monitoring Plan must be developed, maintained and implemented in consultation with the Department of Health; The RIA has introduced a document entitled: "Rottnest Island – Drinking Water Quality Plan 2012 (Quality Plan)". Section 1.2 entitled: 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7	<p>“Commitment to drinking water quality management” in the Quality Plan states:</p> <p>“An Asset Management Plan has been provided by Programmed Facility Management to demonstrate their strategic plan to manage the life cycle of drinking water supply (hydraulic) assets within their control and responsibility at Rottnest Island. The desired level of service contained within the plan, is to reduce the number of reactive works and incidents, and ensure that all assets that require water supply are fed continuously, ultimately with:</p> <ul style="list-style-type: none"> ▪ Zero downtime; and ▪ Zero health, safety and environmental incidents.” ▪ The Quality Plan provides a monitoring frequency in section 5.1.2 entitled: “Key Characteristics and Monitoring Frequency”; ▪ The Quality Plan deals in section 6.3 entitled: “Incident and Emergency Response” where results show critical limits have been exceeded; ▪ The Quality Plan provides a monitoring frequency in section 5.1.2 entitled: “Key Characteristics and Monitoring Frequency”; ▪ The Quality Plan deals in section 6.3 entitled: “Incident and Emergency Response” where results show critical limits have been exceeded; ▪ Section 9.3 entitled: “Licensee to Report” of the MoU states: <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>		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7		<ul style="list-style-type: none"> ▪ The RIA has stated no reporting took place during the Audit Period, of information or events which may have risks for public health; ▪ Section 14.1 entitled: “Purpose of an Audit” of the MoU states: “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: · 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...”; ▪ Section 14.2 entitled: “Department may Require Audit” of the MoU states: “The Executive Director Public Health may, by written notice given to the Licensee, require the Licensee to be audited in accordance with the 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.”; ▪ Section 14.3 entitled: “Audit Timetable” of the MoU states: “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.”; ▪ Section 14.10 entitled: “Audit Report to the Authority” of the MoU states: “The Licensee shall provide a copy of the Audit Report to the Authority within one month of receiving the audit report from the Department.”; 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 – 7		<ul style="list-style-type: none"> ▪ The RIA document entitled: “Utilities Compliance Schedule” stipulates prominently an audit by the Department of Health is required on compliance by the RIA with its obligations under the MOU at least once every three years and the provision of the audit report to the ERA. The Schedule further stipulates the audit report is to be provided to the DoH and ERA one month after completion of the audit; ▪ RIA has stated no audit took place during the Audit Period, by the Department of Health on compliance by the RIA with its obligations under the MoU; ▪ The RIA document entitled: “Utilities Compliance Schedule” includes the following specific sections in respect of the MoU: <ul style="list-style-type: none"> ▪ Review of the MoU; ▪ Audit under the MoU; ▪ Water quality monitoring plan; ▪ Water coordination meetings; and ▪ Drinking water source protection plan. ▪ The RIA document entitled: “Utilities Compliance Schedule” stipulates prominently the text and schedules of the MoU including any amendments is to be published within one month of entering into the MoU or making amendments on the RIA website; ▪ The text and schedules of the MoU is currently prominently displayed on the RIA webpage entitled: “Rottnest Island Utility Reports”; ▪ RIA has confirmed that no amendments were made to the MoU during the Audit Period; ▪ The RIA document entitled: “Utilities Compliance Schedule” stipulates prominently the RIA must publish the Audit Report on its web site within one 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Memorandum of Understanding (continued)	Clause 9.1 - 7	<ul style="list-style-type: none"> month of the completion of the audit; RIA has stated no audit took place during the Audit Period, by the Department of Health on compliance by the RIA with its obligations under the MoU; The RIA's "Utilities Compliance Schedule" stipulates quarterly drinking water quality reports must be: <ul style="list-style-type: none"> Submitted to the Department of Health; and Published on the RIA website. "Quarterly Drinking Water Reports" for all eight quarters during the Audit Period are currently displayed on the RIA webpage entitled: "Rottnest Island Utility Reports"; RIA has provided proof of the submission of some "Quarterly Drinking Water Reports" to the Department of Health; and The audit concluded RIA complied, during the Audit Period, with the Operating Licence stipulations in respect of the MoU. 		
Transfer of Licence	Clause 10.1	<ul style="list-style-type: none"> RIA 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"> RIA 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"> RIA 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"> The Operating Licence was not renewed during the Audit Period; and As per Schedule 1 of the Operating Licence, the Operating Licence: <ul style="list-style-type: none"> Commenced on the 14th December 1996; and 	<ul style="list-style-type: none"> No recommendation is made. 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
		<ul style="list-style-type: none"> Expires on 14th December 2023. 		
Amendment of Licence	Clause 14.1 – 4	<ul style="list-style-type: none"> The Operating Licence was not amended during the Audit Period; and As per the section entitled: “Amendment Record Sheet” as on page 23 of the Operating Licence, the last amendment to the Operating Licence was dated 25 August 2010. 	<ul style="list-style-type: none"> No recommendation is made. 	N/A
Accounting Records	Clause 15.1	<ul style="list-style-type: none"> Paragraph 1 entitled: “Australian Accounting Standards” of the “Notes to the Financial Statements for the year ended 30 June 2012” states: “The Rottnest Island Authority’s (“the Authority”) financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term ‘Australian Accounting Standards’ includes Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).”; The Authority has adopted any applicable, new and revised Australian Accounting Standards from their operative dates.”; The RIA has stated it uses Exonet to maintain its accounting records; The Auditor General conducted an audit of the Financial Statements of the RIA for the year ended 30 June 2012; The RIA has stated presently, the audit of the financial statements of the RIA for the year ended 30 June 2013 had not been finalised; The Auditor General expressed an unqualified audit opinion in respect of the Financial Statements for the year ended 30 June 2012; and As on page 41 of the document entitled: “Rottnest 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Accounting Records (continued)	Clause 15.1		<p>Island Authority - Annual Report 2011 – 2012”, the Auditor General in his audit opinion in respect of the Financial Statements for the year ended 30 June 2012 stated:</p> <p>“In my opinion, the financial statements are based upon proper accounts and present fairly, in all material respects, the financial position of the Rottnest Island Authority at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer’s Instructions.”</p>		
Operational Audit	Clause 16.1 – 4		<ul style="list-style-type: none"> ▪ The previous Operational Audit was conducted for the period from 1 July 2009 to 30 June 2011 (as per paragraph 2.4 entitled: “Time Period Covered in Audit” of the previous Audit Report dated 11th January 2012); ▪ The current Operational Audit covers the period from 1 July 2011 to 30 June 2013 (as per paragraph 2.1 entitled: “Operational Audit” of the ‘Rottnest Island Authority – Audit Plan – Water Services Licence’ (Audit Plan), as approved by the ERA); ▪ The Audit Plan for the 2011/2013 Operational Audit was approved by the ERA, as per their letter to RIA dated 6 September 2013; ▪ The Audit Plan for 2011/2013 includes, as on pages 4, 8 – 9, 11 and 12 of the Audit Plan respectively, the following for the Operational Audit: <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). ▪ The RIA has stated no review was sought, during 	<ul style="list-style-type: none"> ▪ No recommendation is made. 	5

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Operational Audit (continued)	Clause 16.1 - 4	<p>the Audit Period, of any of the requirements of the ERA's standard audit guidelines;</p> <ul style="list-style-type: none"> The approval of the appointment of the Paxon Group to conduct the Operational Audit for the period 1 July 2011 to 30 June 2013 is included in the ERA's letter to RIA dated 3 July 2013; and The fieldwork for the 2011/2013 Operational Audit only commenced on 10 September 2013. 		
Asset Management System	Clause 17.1 – 6	<ul style="list-style-type: none"> The licence for the provision of potable water supply services, sewerage services and drainage commenced on the 14th of December 1996. As such, this licence clause falls outside the period covered by the current audit; RIA does have a document entitled: "Draft Strategic Asset Plan 2013–14 to 2022-23". The document is dated June 2013; The RIA did produce a document entitled: "2011 - 12 Asset Management Plan". The Executive Summary in the document states the plan covers the five year period 2012 to 2016; RIA has stated the Asset Management Plan was not updated for the 2012 – 2013 year; The RIA document entitled: "Utilities Compliance Schedule" states: "ERA to be notified of any material change to Asset Management System within 10 business days of such change."; The PFM document entitled: "Notification of Asset Management System Changes Review Procedure" states: "Programmed FM Compliance & Utilities Manager to notify the Rottnest Island Authority of any changes to the Asset Management System within 10 business days of the change. Rottnest Island 	<ul style="list-style-type: none"> No recommendation is made. 	5

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Asset Management System (continued)	Clause 17.1 – 6		<p>Authority to pass this information onto the Economic Regulatory Authority.”;</p> <ul style="list-style-type: none"> ▪ RIA 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 July 2009 to 30 June 2011 (as per paragraph 3.4 entitled: “Time Period Covered in Audit” of the previous Audit Report dated 11th January 2012); ▪ The current Asset Management System Review covers the period from 1 July 2011 to 30 June 2013 (as per paragraph 2.2 entitled: “Asset Management System Review” of the Audit Plan, as approved by the ERA); ▪ The Audit Plan for the 2011/2013 Asset Management System Review was approved by the ERA, as per their letter to RIA dated 6 September 2013; ▪ The Audit Plan for 2011/2013 includes, as on pages 5 - 7, 10, 11 – 12, and 12 of the Audit Plan respectively, the following for the Asset Management System Review: <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). ▪ The RIA has stated no review was sought, during the Audit Period, of any of the requirements of the ERA’s standard audit guidelines; ▪ The approval of the appointment of the Paxon Group to conduct the Asset Management System Review for the period 1 July 2011 to 30 June 2013 is included in the ERA’s letter to RIA dated 3 July 		

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Asset Management System (continued)	Clause 17.1 – 6	<p>2013; and</p> <ul style="list-style-type: none"> The fieldwork for the 2011/2013 Operational Audit only commenced on 12 September 2013. 		
Reporting	Clause 18.1	<ul style="list-style-type: none"> The RIA has stated it was not under external administration during the Audit Period; and The RIA 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 Operating 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"> The RIA has stated the ERA did not prescribe, during the Audit Period, 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"> RIA has implemented a system of Emergency Assistance; Section 1.8 entitled: "Emergency Assistance" in the Customer Charter: <ul style="list-style-type: none"> Distinguishes between visitors and lessees/residents in respect of the procedure to be followed to request emergency assistance; Provides a 24 hour contact number for both visitors and lessees/residents; and States both visitors and lessees/residents will be advised within one hour of an assistance request of the nature and timing of the action to be undertaken. Telephone numbers for emergency assistance is recorded in the Customer Charter. Different numbers are listed for visitors and 	<ul style="list-style-type: none"> No recommendation is made. 	2

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4		<p>lessees/residents;</p> <ul style="list-style-type: none"> All the emergency assistance contact numbers listed in the Customer Charter are currently disclosed as such on the RIA website; As per the documents entitled, "Water Compliance Manual Datasheet - Contact Centre", 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 RIA were as follows: <ul style="list-style-type: none"> 2011 - 2012: 100%; and 2012 - 2013: no emergency calls were received. RIA thus met the Customer Service Standard for emergency response, as included in the Operating Licence, during the Audit Period. <p>Customer Complaints</p> <ul style="list-style-type: none"> Section 3.4.2 entitled: "Complaints Procedure" in the Customer Charter states: "When you lodge a complaint, either in writing, or verbally, the RIA will address the issue in a timely and efficient manner. A representative of the RIA will acknowledge the complaint within ten (10) business days and will resolve the complaint within fifteen (15) business days."; The RIA used a register entitled: "Water Services Customer Complaints Reporting Register" (Complaints Register) during the audit period. The Complaints Register used was comprehensive in nature and specifically provided for recording separate dates to acknowledge, respond to and close complaints; RIA and PFM did compile a document entitled: "Water Services Customer Complaints Manual" 	<ul style="list-style-type: none"> The RIA should ensure that information included in their annual Performance Reports is correct; and The RIA should address customer complaints in respect of billing with the same vigour as other complaints. 	

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4		<p>(Complaints Manual) to provide employees with detail on how to process customer complaints;</p> <ul style="list-style-type: none"> As per the documents entitled: "Water Compliance Manual Datasheet - Complaints", the percentages of customer complaints resolved within 15 business days were as follows: <ul style="list-style-type: none"> 2011 – 2012: 100%; and 2012 – 2013: 100%. A billing complaint was recorded in the Complaints Register on 5th June 2012. The Complaints Register indicates the complaint was both acknowledged and responded to on 11th July 2012 and closed on 2nd August 2012. As such, the complaint was not resolved within 15 business days. Only 66.7% of complaints received during 2011 – 2012 were thus resolved within 15 business days. The Water Compliance Manual Datasheet – Complaints for 2011 – 2012 is thus incorrect; and RIA 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</p> <p>Pressure and flow</p> <ul style="list-style-type: none"> The Customer Charter does not address the issue of water pressure and flow directly; As per the documents entitled: "Water Compliance Manual Datasheet – Potable Water Providers not Subject to NWI Reporting", the percentages of connected properties that have been 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"> 2011 – 2012: 100%; and 2012 – 2013: 100%. Based upon this information, it appears as if the 	<ul style="list-style-type: none"> The RIA should disclose no measurement was performed in respect of individual performance standards, where applicable, instead of disclosing perfect ratings for those performance standards. 	

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4		<p>RIA thus met the performance standard for pressure and flow, as included in the Operating Licence, during the Audit Period; and</p> <ul style="list-style-type: none"> However, the Compliance Report for 2012 – 2013 stated that no testing was completed in respect of pressure and flow. <p>Potable Water Supply</p> <p>Continuity</p> <ul style="list-style-type: none"> Section 4.3 entitled: “Service Interruptions” in the Customer Charter states: “Rottnest Island’s water supply service is designed to be available twenty four (24) hours per day...The RIA will endeavour to limit any disruption to water supply caused by service operations and maintenance activities to less than one (1) hour.”; As per the documents entitled: “Water Compliance Manual Datasheet – Potable Water Providers not Subject to NWI Reporting”, 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"> 2011 – 2012: 99.3%; and 2012 – 2013: 97.1%. The RIA thus met the performance standard for continuity of supply, as included in the Operating Licence, during the Audit Period; As per the documents entitled: “Water Compliance Manual Datasheet - Potable Water Providers not Subject to NWI Reporting”, the number of water main breaks (per 100 km of water main) were as follows: <ul style="list-style-type: none"> 2011 – 2012: 15; and 2012 – 2013: 35. 	<ul style="list-style-type: none"> The RIA should take appropriate steps to reduce leaks and bursts to a number below the maximum stipulated in the performance standards. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority 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 RIA thus did not meet the performance standard for continuity of supply – leaks or bursts, as included in the Operating Licence, during 2012 – 2013; and The Compliance Report for 2012 -2013 did disclose information in respect of this non-compliance with the performance standard. The report stated: <ul style="list-style-type: none"> “2. Impact to all effected customers has been minimal...; 6. The main causes of pipe breaks are the age of the pipe work...; 7.Immediate action was taken to repair the breaks...; and 8.The RIA Board will be recommended to fund a staged replacement program of degraded and old potable water pipe work...” <p>Sewerage Services</p> <ul style="list-style-type: none"> Section 1.6 entitled: “Services provided” as included in the Customer Charter states: <p>“The RIA will ... collect, treat and dispose of domestic sewerage and waste water discharge from each customer’s premises or public amenities through the island’s sewer system.”;</p> As per the documents entitled: “Water Compliance Manual Datasheet – Sewerage Service Providers not Subject to NWI Reporting”, the number of sewer breaks and chokes (per 100km of sewer main) were as follows: <ul style="list-style-type: none"> 2011 – 2012: 33.3; and 2012 – 2013: 33.3. The RIA thus met the performance standard for the number of sewer blockages per 100km of sewer main, as included in the Operating Licence, during 	<ul style="list-style-type: none"> No recommendation is made. 	

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Service and Performance Standards (continued)	Clause 20.1 and Schedule 4	<p>the Audit Period;</p> <ul style="list-style-type: none"> As per the documents entitled: “Water Compliance Manual Datasheet – Sewerage Service Providers not Subject to NWI Reporting”, the percentage of connected properties not experiencing a wastewater overflow were as follows: <ul style="list-style-type: none"> 2011 – 2012: 100%; and 2012 – 2013: 100%. The RIA 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. <p>Drainage Services</p> <ul style="list-style-type: none"> Section 1.6 entitled: “Services provided” in the Customer Charter states: “The RIA will ... provide and maintain a drainage system to accommodate storm water runoff and minimize the risk of flooding, including the use of road and street drains, soak wells and open grate drainage systems. The RIA will engage experts in this field as required to continually improve drainage services.”; An Annual Drainage System Desktop Audit for 2011 – 2012 was performed; and An Annual Drainage System Desktop Audit for 2012 – 2013 was performed. 	<ul style="list-style-type: none"> No recommendation is made. 	
Provision of Information	Clause 21.1	<ul style="list-style-type: none"> RIA is required to submit an annual performance report to the ERA by 31 July for the year ending 30 June (as per paragraph 3.1 entitled: “Format and Timing of Performance Reports” of the “Water Compliance Reporting Manual – July 2012”; However, the PFM document entitled: “Information Reporting Requirements – Work Method 	<ul style="list-style-type: none"> The PFM document should be appropriately changed to state the annual performance report should be submitted to the ERA by 31 July (for the ended 30 June); and The RIA should ensure it provides information for the correct period in its annual compliance report. 	3

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Provision of Information (continued)	Clause 21.1		<p>Statement” states:</p> <p>“The RIA will provide the ERA with data required for performance monitoring purposes (as set out in the water compliance reporting manual) for the previous financial year by 31 October each year”;</p> <ul style="list-style-type: none"> ▪ RIA is required to submit an annual compliance report to the ERA by 31 August for the year ending 30 June (as per paragraph 5.2.1 entitled: “Format and Timing of Compliance Reports” of the “Water Compliance Reporting Manual – July 2012”); ▪ RIA used a document entitled: “Utilities Compliance Schedule” during the Audit Period. This document comprehensively lists reportable compliance obligations included in the Operating Licence; ▪ RIA used a document entitled: “Compliance Calendar” during 2012 and 2013 to record specific dates and allocate tasks for compliance obligations to Programmed Facility Management (PFM) and the RIA respectively; ▪ The RIA submitted its annual Compliance Reports for 2011 – 2012 and 2012 – 2013 on time; ▪ The RIA submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time; ▪ The format of the 2011 – 2012 and 2012 – 2013 compliance reports are in accordance with the stipulations contained in the “Water Compliance Reporting Manual – July 2012”; ▪ The 2011 – 2012 Compliance Report, which covers the period 1 July 2011 to 30 June 2012, states: “Schedule A to this report provides information on all obligations with which Rottnest Island Authority did not comply during 1 July 2010 to 30 June 2011 as required by the Authority’s current Water Operating License.”; and 		

Operating Area	Operating Reference	Licence	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Provision of Information (continued)	Clause 21.1		<ul style="list-style-type: none"> The Compliance Report for 2011 – 2012 listed non-compliances which occurred in respect of the 2010 – 2011 year. 		
Information Requirements (Reporting)	Cl. 21.2 and Schedule 5.2		<ul style="list-style-type: none"> Paragraphs 15, 17 and 19 of the “Water Compliance Reporting Manual – July 2012” contain specific performance reporting requirements the RIA has to comply with; The RIA’s Annual Performance Reports for the 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, has set 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; and As stated above, the RIA submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time. 	<ul style="list-style-type: none"> No recommendation is made. 	5
Publishing Information	Clause 22.1 - 4		<ul style="list-style-type: none"> RIA has stated the ERA did not direct it, during the Audit Period, 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
Notices	Clause 23.1		<ul style="list-style-type: none"> RIA 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"> RIA has stated no review was sought, during the Audit Period, of any reviewable decision by the ERA. 	<ul style="list-style-type: none"> No recommendation is made. 	N/R

Operating Area	Operating Licence Reference	Systems, Processes and Controls in Place at Rottnest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions	Schedule 6: Clause 2	<ul style="list-style-type: none"> Section 4.8 entitled: "Connection" in the Customer Charter states: "In the case of new water services, the RIA will connect water services on your request and in compliance with the terms and conditions of this Charter."; The Customer Charter is currently prominently displayed on the RIA webpage entitled: "Rottnest Island Utility Reports"; Section 4.8 entitled: "Connection" in the Customer Charter states: "Where an existing water supply service is available for connection to the premises, water services will be connected within five (5) business days of the request being received by the RIA. Where water services are not available within the reasonable vicinity of the premises the RIA will make the connection as immediately as practicable after receiving your request, taking into consideration such issues as heritage, environmental and aboriginal approvals. A fee will apply for the connection of water services."; The RIA has stated no specific application form was used, during the Audit Period, to connect to water services; Section 4.7 entitled: "Disconnection" in the Customer Charter states: "The RIA may disconnect your potable water supply services in the following circumstances: <ul style="list-style-type: none"> If you do not pay, or meet and make arrangements to pay, overdue charges for the services... If you deny access to the meter for twelve (12) 	<ul style="list-style-type: none"> RIA 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 Rottneest Island Authority to Ensure Compliance with Licence Conditions	Recommendations	Compliance Rating
Other Provisions (continued)	Schedule 6: Clause 2	<p>months, a disconnection warning will be supplied...</p> <ul style="list-style-type: none"> ▪ In the case of an emergency, the RIA will discontinue service immediately.”; ▪ RIA has stated no services to properties were discontinued during the Audit Period; and ▪ 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

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

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

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

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

Sludge from the treatment process is dewatered and transported to the mainland for disposal.

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

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

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

3.2 Objectives and Scope

The Water Services Licensing Act 1995 (Act) requires that the RIA provide for and maintain an asset management system. The system should set out the processes to be taken by the RIA to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for the monitoring of its water services.

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

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

The asset management system review therefore examined:

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

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

3.3 Key Documents Inspected During the Review

- ERA Licence No. 10 –Rottneest Island - Water Services Operating Licence, dated 25th August 2010;
- Paxon Group - 2011 Asset Management Review;
- Rottneest Island Facilities, Operations and Utilities Management Agreement – Rottneest Island Authority (RIA) and Tungston Group Pty Ltd - September 2007;
- RIA - Strategic Plan 2013 to 2018;
- RIA – Strategic Asset Management Plan including 10 year capex forecasts - (draft), 2013/14 to 2022/23;
- RIA - ERA potable water and wastewater compliance reports – 2012/2013;
- DOH - Quarterly and annual reports 2012/2013;

- PFM – Operating Procedures for Maximo Computerised Maintenance System (CMMS) – March 2011;
- PFM – Wastewater Services Operations Manual (2012) including:
 - Belt press, cricket oval irrigation, pumping station and chlorine operations;
 - Effluent sampling, sewage overflow and contaminated soil clean-up procedures; and
 - WWTP log sheets.
- PFM – Potable Water Services Operations Manual (2012) including:
 - Incident Management Plan, sampling, testing and recording action;
 - Emergency shutdown procedure;
 - Desalination plant and bore field operations; and
 - Water sampling, chemical, physical and microbiological sampling procedures.
- PFM – Pro-forma sheets for recording daily, monthly etc. maintenance operation checks and output results;
- Monthly bore production records;
- Office of Water - RI Water Reserve Drinking Water Source Protection Plan (draft);
- PFM – 2011 /2012 annual Asset Management Plan;
- PFM – Electronic Asset Register - (incomplete draft);
- PFM – Asset Risk Mitigation Plan – (undated);
- PFM - Capex Register (undated);
- PFM - Training Matrix (undated);
- PFM – Equipment Modification and Registration forms for CMMS;
- PFM - Staff Organization Chart;
- PFM – Water Services Recovery – Contingency Plans (undated);
- PFM – Critical Spares List (undated);
- PFM - Asset Track List of Assets Residual Life (undated);
- PFM – Weekly logs of bore water levels, pH, temperature, storage levels etc.;
- PFM – Monthly bore production results;
- PFM – Staff Training Matrix; and
- PFM – Daily & weekly log sheets - RO plant.

3.4 Time Period Covered in Review

This Asset Management System Review covers the period from the 1st July 2011 to 30th June 2013.

3.5 Time Period of Review

The Asset Management System Review was undertaken during visits to the RIA's and Programmed Facilities Management's (PFM) offices at Rottnest Island on 12th and 13th September 2013 and to the RIA's Fremantle office on 23rd September 2013.

3.6 Licensee's Representatives

The RIA's primary contacts were as follows:

Staff Member	Position
Tracey Hornsey	Manager, Major Contracts
Othmar Beerli	Chief Financial Officer
Janett Enke	Contracts Project Officer
Patrick van Esch	Senior Contract Manager (PFM)
Justin Franklin	Compliance and Utilities Manager (PFM)
Megan Gripton	CMMS & Admin. Manager (PFM)

3.7 Post Review Implementation Plan

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

3.8 Licensee's Response to Previous Review Recommendations

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Operations	<ul style="list-style-type: none"> Separate procedural documents with adequate levels of detail should be compiled for the potable water and wastewater treatment plants; The new training program should include specific training commensurate with individual responsibilities; and be developed and implemented as a priority issue; and In particular, preparation of operating instructions training in the operation of both the water treatment systems should be implemented ASAP for at least two field operators – to avoid a lack of process operation expertise if one operator is unavailable to address operational problems. Training should also include knowledge of the contents and availability of the Health & Safety Plan. <p>Further Action Required - as per Audit Report dated 22nd August 2012</p> <ul style="list-style-type: none"> PFM has prepared Operations Manuals for both the potable water and waste water facilities. Both are considered competent and appropriate, however the following additions are required: <ul style="list-style-type: none"> a) The manuals are comprehensive in terms of the associated tasks of recording, sampling, measuring water quality, chlorine handling, polymer mixing etc. However, neither manual explains the purpose and sequence of the individual 	<ul style="list-style-type: none"> PFM has prepared Operations Manuals for both potable water and wastewater facilities. Both manuals are considered adequate and as such are acceptable; A detailed training matrix has been prepared, but it appears to be incomplete and out of date – despite being dated September 2013; and PFM currently employs two experienced field operators capable of operating both the potable water and waste water treatment facilities. 	<ul style="list-style-type: none"> The training matrix should be comprehensively updated. 	Unresolved

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Operations (continued)	<p>processes of the treatment plants, or how they are operated.</p> <p>Whilst it is appreciated that the field operators understand the processes, and their sequence of operation, the purpose, sequence and procedures for their implementation should nevertheless be described in the manuals.</p> <p>Reference should be made to the original <i>“Operation & Maintenance Manuals”</i> discussed in c) below, if available;</p> <p>b) Irrespective of the availability of the original <i>“Operation & Maintenance Manuals”</i>, in order to implement the requirement of (a) above, both the new operating manuals should contain at least a schematic flow diagram indicating the treatment processes occurring, the major items of equipment and the specific valves, switchgear, etc. relevant to each process operation; and</p> <p>c) Reviewer recalls sighting contractor supplied <i>“Operation & Maintenance (O&M) Manuals”</i> for both the waste water and the first train of the potable water treatment plants some years ago. These manuals do not appear to be held by PFM. They could be in the possession of RIA.</p> <p>As contracts for the waste water treatment plant - and possibly the first train of the potable water treatment plant, were called by Water Corporation – it is possible (but unlikely), that the Corporation retained both manuals.</p> <p>RIA called tenders for the second train of the potable water treatment plant and should have a copy of the <i>“O&M Manual”</i></p>			

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Operations (continued)	<p>for the second train. PFM has electronic copies of only line diagrams from the second train “O&M Manual”.</p> <p>The above original manuals should be located if possible and their location and availability noted in the new Operations Manuals prepared by PFM.</p> <p>It is considered that obtaining the original contractor manuals referred to in item c) above would allow the corrections in items a) and b) to be readily implemented.</p>			
Asset Maintenance	<ul style="list-style-type: none"> PFM has only a limited number of drawings – mainly locality plans of pipelines, pumping stations, tanks etc. There appears no general arrangement or “as constructed” drawings of treatment facilities, pumping stations, tanks or bores – all of which are considered essential for training, operations design of extensions and fault assessment. Reviewer understands that RIA has both hard and electronic copies of all drawings in addition to some supplier manuals. A relevant selection of these drawings should be copied to PFM; Only a small number of spare parts are kept – as most spares are generally available at short notice from the mainland. There is no spare parts register, or procedure for ordering/maintaining a stock of spares; Reviewer noted that one of the dual trains of the potable water treatment plant was recently closed down for some twelve months due a lack of critical spares. During this period, potable water supply was maintained by excessive pumping of the potable water bore field. Unofficial comment to Reviewer 	<ul style="list-style-type: none"> Available relevant drawings have been transferred to PFM; There is no evidence that the issue of holding critical or long term delivery spares has been considered or resolved by the RIA. PFM has since prepared a list of critical spares. However there is no indication that this list has been issued to or has been considered by the RIA; and Apart from those considered “critical”, an extensive holding of spares is not essential due to the relative short delivery from the mainland. “Spares” are replenished by a member of PFM’s clerical staff who orders in spares in response to requests from other staff and/or from observation of stock levels. This procedure appears to function satisfactorily. 	<ul style="list-style-type: none"> PFM should submit the list of critical spares to the RIA. The RIA should review the competing aspects of risk and financial cost associated with holding critical and / or long delivery spares and resolve the issue; and A brief written procedure, in respect of spares other than critical or long term delivery spares, should be prepared and implemented for the guidance of employees. This procedure should include the topics of maintaining inventory and the ordering of spares. 	Unresolved

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Maintenance (continued)	<p>was that critical spares are too expensive to hold;</p> <ul style="list-style-type: none"> RIA reviews the competing aspects of risk and financial cost associated with holding critical and/or long delivery spares for potable and waste water systems; A spare part register should be implemented which discloses at least a description, quantity and location of spare parts. This register should be updated on a perpetual basis; and Procedures for ordering and maintaining of sufficient stock of spare parts should be compiled. <p>Further Action Required - as per Audit Report dated 22nd August 2012</p> <ul style="list-style-type: none"> A significant number of drawings have now been transferred from RIA to PFM's electronic system. However, a lack of general arrangement and detail drawings of treatment plants, pumping stations and bores was noted. <p>RIA representative advised that RIA data is contained in the TRIM record system used by several WA government bodies. Therefore it could be difficult to locate and transfer some information to PFM. It was suggested that PFM's Senior Contracts Manager and its Utilities and Compliance Manager could receive some training and access to the RIA system in order to identify drawings or other material for information or additional transfer.</p> <p>Further follow up be undertaken to finalise this matter one way or the other;</p> <ul style="list-style-type: none"> PFM has prepared a list of "critical spares" for the potable water treatment plant. A similar 			

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Asset Maintenance (continued)	<p>list for the waste water treatment plant should be completed by the end of the third week in August 2012.</p> <p>Spares are classified as “critical” if they cannot be sourced within a critical period – being the seventeen days’ supply capacity for the potable water storage system and some one and one half days flow capacity of the storage for the waste water treatment plant.</p> <p>The lists and associated cost estimates will be included in the 2012 /2013 Asset Management Plan for submission to RIA at the end of September 2012. Determination of spares to be purchased and the allocation of funds in RIA overall budget, should be completed by the end of October 2012;</p> <ul style="list-style-type: none"> ▪ Spares delivered into store will be included on the Asset Register of PFM's computer based asset management system (MAXIMO). As spares are used MAXIMO will highlight the need to re-order; and ▪ It should be noted that purchase and timing of some or all of the critical spares to be listed in the 2012 /2013 Asset Management Plan will be dependent on RIA overall budget planning. Although in process at this time this matter is not finalised. 			
Review of AMS	<ul style="list-style-type: none"> ▪ Each set of procedures, policy documents making up the Asset Management System should be reviewed for currency and accuracy on a regular basis – not exceeding say two years. Each document should record the latest review date and any amendments made and are signed off by the reviewer. 	<ul style="list-style-type: none"> ▪ Some of the relevant documents reviewed contained a panel titled “Document History” which listed the author, and date of the document from its origin and successors through to the latest version. Most recent versions were dated between 2011 and 2013. An anomaly however was that most documents - although containing the document history panel indicating the date of 	<ul style="list-style-type: none"> ▪ Headers and footers on procedures and policy documents, making up the Asset Management System, should either be deleted or corrected to agree with the latest date recorded in the document history panel included in those documents. 	Unresolved

Key Process	Recommendation	Action Taken	Further Action Required	Resolved / Unresolved
Review of AMS (continued)		the most recent document, also contained a header or footer indicating the date of the original document.		

3.9 Summary of Issues and Recommendations

Detailed Asset Management System Review observations and recommendations are included in Section 3.11.

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
Environmental Analyses	<ul style="list-style-type: none"> A list of water services licences and relevant agencies are recorded in Schedule 11 of the FOU agreement– Key Performance Indicators are listed in the Schedule. However, none of the documents reviewed included a comprehensive overview of the various water services licences held, the compliance requirements of such licences, or the opportunities and threats to the various systems. 	<ul style="list-style-type: none"> A written analysis of the system environment should be prepared and included in RIA's Strategic Asset Plan 2013- 2023 and PFM's annual AMPs on resumption. The analysis should include details of the licences held for the provision of water services, the performance requirements stipulated in those licences and the frequency of reporting to the various licensing authorities. 	<ul style="list-style-type: none"> An environmental analysis that examines the asset system environment and assesses all external factors affecting the asset system will be included in the RIA Strategic Asset Management Plan currently under preparation and thereafter, in the subsequent annual Asset Management Plans when resumed; and PFM will produce the next Asset Management Plan at the beginning of 2014, regardless of whether the RIA's Strategic Asset Management Plan has been finalised. 	<p>RIA 30/06/2015</p> <p>PFM 31/01/2014</p>
Asset Operations	<ul style="list-style-type: none"> PFM has prepared operating and maintenance instructions and intervals for both water and wastewater facilities. Whilst detailed instruction on the operation of peripheral equipment used for the potable water RO plant and the WWTP are included, details of the operation of the main processes are not included. Although an operating manual for the RO plant is referred to, there is no indication as to its location or availability; It is noted that two very experienced operators are employed to operate the RO plant and the WWTP. Each operator is capable of operating either plant and one or the other is always on duty or standby. However, the Reviewer considers that documentation should be 	<ul style="list-style-type: none"> Existing operating and maintenance instructions should be broadened to include explanatory notes on the basics of the RO plant and WWTP processes, together with procedures for their implementation and operation; and The existing training matrix should be reviewed and updated. The training matrix should include instruction on the content of the safety management system and (for appropriate staff) training on the water services contingency plans. 	<ul style="list-style-type: none"> PFM operating and maintenance instructions will be extended to include explanatory notes on the basics of the RO plant and WWTP processes, together with procedures for their implementation and operation; and PFM training matrix will be reviewed and updated to include instruction on the content of the safety management system and (for appropriate staff) training on the water services contingency plans. 	<p>PFM 30/06/2014</p> <p>PFM 30/06/2014</p>

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
Asset Operations (continued)	<p>prepared on the basic processes of each plant and their operation;</p> <ul style="list-style-type: none"> PFM has compiled a twenty six page safety management system which is stated to be communicated to all employees. Whilst the document is considered relevant and thorough, there is no evidence of its communication or availability to all employees. Reviewer recognizes this aspect may be addressed by employee training. The document is undated but apparently has not been reviewed for some time – as reference is made to action to be taken prior to June 2011. Also the names of management staff are out of date; and A detailed training matrix has been prepared, but it appears to be incomplete and out of date – despite being dated September 2013. 			
Asset Maintenance	<ul style="list-style-type: none"> Although there is a proposal to undertake unspecified maintenance/replacement works on sewer reticulation during forthcoming years, it appears an investigation of the type and extent of the work necessary has not been undertaken. 	<ul style="list-style-type: none"> The RIA should consider a staged program of cctv inspections to determine the condition of gravity sewers servicing the various settlements – particularly the older sewers of the Thompson Bay settlement. 	<ul style="list-style-type: none"> The recommendation of CCTV inspections of the gravity sewers in the settlement areas will be raised with the RIA General Manager, Projects & Contract Services. 	RIA 31/03/2014
Asset Management Information System	<ul style="list-style-type: none"> The Asset Management System contains detailed information regarding operations, maintenance, risk analysis, contingency planning etc. Much of this information is in diverse folders of electronic documentation spanning a period of many years. The material is not readily available or recognisable to employees other than those with a detailed knowledge of the folder system. The system lacks a flow diagram detailing the interaction 	<ul style="list-style-type: none"> The electronic documents of the asset management system should be filed in a more orderly fashion - with appropriate cross referencing for the benefit of the user and/or reviewer. It is suggested that a "line be ruled" after currently stored documentation to 30th June 2013 and that all licence related documents added subsequently be stored in annual folders rather than subject folders. 	<ul style="list-style-type: none"> PFM and the RIA will continuously look for ways to refine the existing electronic document management system. 	PFM / RIA 30/06/2014

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
Asset Management Information System (continued)	and tasks performed by the RIA and PFM. These matters were raised in the previous review and some progress was made initially. However, further improvement is considered necessary.			
Risk Management	<ul style="list-style-type: none"> Computer files of the annual AMP and appendices are stored as separate documents and were difficult to locate. In each case, the appendices had only a title but no other information or date. The Reviewer was obliged to make a judgement of the relevance of each of the appendices to the particular annual AMP or other report. 	<ul style="list-style-type: none"> Appendices to reports and other documents should be dated and reference the main document it supports. 	<ul style="list-style-type: none"> PFM will ensure that appendices to reports and other documents will be dated and reference is made to the main document it supports. 	PFM (with RIA support) 31/03/2014
Contingency Planning	<ul style="list-style-type: none"> PFM has a detailed Water Recovery/Contingency Plans document for fourteen failure scenarios associated with the water services; The plan however, does not include details of PFM or RIA staff contacts who should be informed – either to assume responsibility for, or provide support to the recovery process, or other Rottnest services which may need to be involved e.g. Police, ambulance and fire services; and The table of contents of the document refers to a schedule for Recovery Plan drills. However, the schedule was not included in the document. 	<ul style="list-style-type: none"> The Water Recovery/Contingency Plan should include the names and contact details of relevant PFM and RIA officers, together with other Rottnest island services (Police, ambulance and fire services) who should be contacted in the event of particular recovery operations; and The Recovery Drill schedule referred to in the table of contents be added in an appendix to the document. 	<ul style="list-style-type: none"> Review and update Water Recovery/Contingency Plan to include relevant PFM and RIA officers and other Rottnest Island emergency services and their contact details (no detailed names will be recorded); The Recovery Drill (annual Drinking Water Incident / Response Plan Desktop Exercise) was first undertaken in June 2013 and will continue for approx. 5 years as per recommendation by the Department of Health. The meeting schedule (June each year) will be included in the Water Recovery/Contingency Plans; and The annual Drinking Water Incident / Response Plan Desktop Exercise are recorded in the utilities compliance spread sheet. 	PFM 31/05/2014 PFM 31/05/2014

Key Process	Issue	Recommendations	Post Review Implementation Plan	Person Responsible / Date of Implementation
Review of Asset Management System	<ul style="list-style-type: none"> There is no evidence of a culture or system for a regular review of asset management related documents; As PFM's annual Asset Management Plan has not been produced since 2011, by implication the Risk Management Mitigation Plan and Water services Recovery/Contingency plans have not been reviewed during this period either; Most documents associated with management of the assets were noted to be undated, out of date, or having multiple dates: <ul style="list-style-type: none"> The Contingency Plan was prepared in August 2011; The Safety Management Plan is un-dated; The Risk Management Mitigation Plan is un-dated – appears to be 2012; and Water and Wastewater Manuals are dated February 2013 and March 2013 respectively. However, sub-documents are dated between July 2008 and June 2009 despite document history list being dated August 2011. The RIA Strategic Management Plan (draft), dated June 2013, does not include the Appendices indicated in the Table of Contents. 	<ul style="list-style-type: none"> A list of asset management system related procedures/documents should be prepared together with a reminder schedule to ensure reviews of all such documents are undertaken as planned; and Each set of procedures and policy documents included in the Asset Management System should be reviewed for currency and accuracy on a regular basis – not exceeding say two years. Each document should record the latest review date; summary details of any amendments made and should be signed off by the reviewer. 	<ul style="list-style-type: none"> A list of Asset Management System procedures/documents will be prepared, including a reminder schedule to ensure reviews are annually undertaken; Review date; details of any amendments made and signing off by the reviewer will be included; PFM will be producing an Asset Management Plan at the beginning of 2014; and The RIA Strategic Management Plan is still in early draft stage and is currently being reviewed by the Department of Finance. 	<p>PFM (with RIA support) 31/01/2014</p> <p>PFM 31/01/2014 RIA (Chief Finance Officer) Finishing date to be advised</p>

3.10 Ratings

The effectiveness ratings assigned to each of the key processes examined during the Asset Management System Review, as disclosed in paragraph 3.10.1, are based on the criteria set out in the following two Tables - taken from the ERA'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	C	1
Asset Operations	B	1
Asset Maintenance	B	1
Asset Management Information System	B	2
Risk Management	B	1
Contingency Planning	B	2
Financial Planning	A	1
Capital Expenditure Planning	A	1
Review of AMS	C	3

3.11 Observations and Recommendations

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning	<ul style="list-style-type: none"> Detailed Asset Planning for water services commenced in 2007 with the preparation of the "Report for Master Plan Utility Services –Part A – Water Supply and Wastewater Service" which considered existing and future demands, existing water services infrastructure and the general nature and timing of future replacements/upgrades; The "Rottnest Island Management Plan (RIMP) 2009 – 2014" was gazetted in 2009. The RIMP summarised the policies, major initiatives and operations for the management of Rottnest Island for the period 2009 to 2014. The RIMP has been superseded by the current "Strategic Plan 2013 to 2018"; The "Rottnest Island Strategic Asset Plan 2013 - 2023" (SAP) which is currently being finalised, replaces the "Strategic Development Plan 2011-2016". The SAP addresses the corporate and asset management strategies appropriate to achieving the intent of the "Strategic Plan 2013 – 2018" – including operational planning, demand management and projections, risk, service life, life cycle costs, asset disposal, capex approval processes and 10 year capex estimates by asset class; The recent "Strategic Asset Management Plan 2013/14 to 2022/23" sets out the 10 year capital expenditure forecast for each asset class; In 2007, the "Facility Operation and Utility Management Agreement" (FOU) was made between RIA and Tungston Group (since acquired by Programmed Facility Management (PFM)) for an 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning (continued)	<p>alliance type management and maintenance of specific RIA's assets including water services. The agreement sets a range of responsibilities and service levels and a basis for determining Key Performance Indicators, as a measure of performance and remuneration levels;</p> <ul style="list-style-type: none"> ▪ In accordance with its obligations under the FOU agreement, PFM produced annual "Asset Management Plans" (AMPs) for 2009, 2010 and 2011. The AMPs were updated and submitted to the RIA annually by PFM. - and in effect, were preliminary operational/business plans for the forthcoming year; ▪ The documents outlined PFM's advice and cost estimates for asset replacement over the forthcoming 5 year period. The documents also considered asset risk, risk mitigation, asset maintenance, acquisition and disposal and life cycle replacement of assets. Separate appendices detailed asset lists, risk assessment mitigation plans and consequent risk, life cycle cost summary and a training matrix; ▪ Following the RIA's decision to prepare and implement the "Rottnest Island Strategic Asset Plan 2013 - 2023" (SAP), PFM was directed not to prepare the annual AMPs for 2012 and 2013. It is expected that preparation of the annual AMPs will be resumed following the completion and implementation of the SAP; ▪ The annual AMPs, together with advice from consultants and other RIA groups, were used by RIA Works & Contract Services group to assess the merits of capital, upgrading and non-asset works - for prioritising and submission to the RIA,s Financial group for financial prioritisation and budget 			

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Planning (continued)	<p>preparation;</p> <ul style="list-style-type: none"> It is understood that in the absence of annual AMPs for 2012 and 2013, the RIA has used five year rolling capex forecasts from the 2011 annual AMP capex forecasts and individual item advice from PFM as input to its 2012/13 and 2013/14 budget preparation; Non asset options associated with capital replacement recommendations from PFM are similarly considered by RIA's Project Group in prioritising budget items for immediate and life cycle proposals; Likelihood and consequences of failures are thoroughly analysed; and Reviewer noted the RIA is in the early stages of design and documentation for construction of a new WWTP and the installation of a third train extension of the potable water reverse osmosis (RO) plant. 			
Asset Creation and Acquisition	<ul style="list-style-type: none"> RIA has written policies and procedures in its "Rottnest Island Strategic Asset Plan 2013 - 2023" (SAP) for Development Planning and Works (asset creation and acquisition); Acquisition proposals including justification, cost estimates are received from PFM and/or outside consultants. RIA Works & Contracts group reviews proposals, operational and cost options and initiates a business case for financial consideration and subsequent RIA board presentation an approval; Procurement guidelines of the WA Department of Finance and the Supply Commission are followed - including contract type, number of tenders and tender period appropriate to project cost; and 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Creation and Acquisition (continued)	<ul style="list-style-type: none"> Commissioning tests specific to each contract are included in tender/contract documentation and their implementation is monitored as part of normal contract management. 			
Asset Disposal	<ul style="list-style-type: none"> Under-utilised, underperforming or obsolete assets are identified from observations of test results and key performance indicators (KPI's) set out in the FOU agreement, field staff reports, and failure reports emanating from PFM, RIA staff, or consultants; PFM specialists and/or outside consultants assess and recommend a strategy of asset repair, replacement or process amendment. RIA Works & Contracts group further investigates possible options of process/asset options including cost minimisation via sale of redundant assets. Given the obvious inconvenience and cost of removal and relocating such assets from the island to a point of sale on the mainland, commercial disposal of assets is frequently unrealistic. Asset disposal therefore hinges more on retirement of assets and retention of service levels at minimum cost; The "Rottnest Island Strategic Asset Plan 2013 – 2023" has a documented strategy for short term and long term asset replacement; and Asset disposal is undertaken in accordance with State Government guidelines and is subject to strict RIA sign off procedures for approval of asset creation /disposal strategies. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1
Environmental Analysis	<ul style="list-style-type: none"> A list of water services licences and relevant agencies are recorded in Schedule 11 of the FOU agreement– Key Performance Indicators are listed in the Schedule. However, none of the documents reviewed included a comprehensive overview of the various 	<ul style="list-style-type: none"> A written analysis of the system environment should be prepared and included in RIA's Strategic Asset Plan 2013- 2023 and PFM's annual AMPs on resumption. The analysis should include details of the licences held for the provision of water services, the 	C	1

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Environmental Analysis (continued)	<p>water services licences held, the compliance requirements of such licences, or the opportunities and threats to the various systems;</p> <ul style="list-style-type: none"> Notwithstanding the above, the results of compliance tests for the various water services indicated a knowledge (and achievement) of the relevant performance levels. Similarly, associated risk assessments and contingency plans indicated an awareness of threats to the systems; Asset performance against KPI's of the FOU agreement is reported to the RIA at six monthly intervals; Reports of tests required under the Water Services and other licences are provided to the RIA at three monthly intervals - for formal advice to the ERA, the Department of Health and the Department of the Environment; Verbal and written reports are provided (by PFM to RIA) at monthly FOU management meetings and otherwise as appropriate; and Improved performance of the WWTP during 2012/13 was noted. 	<p>performance requirements stipulated in those licences and the frequency of reporting to the various licensing authorities.</p>		
Asset Operations	<ul style="list-style-type: none"> PFM has prepared operating and maintenance instructions and intervals for both water and wastewater facilities. Specific log sheets for recording performance, maintenance tasks etc. are included together with details of regulations that must be complied with for each task and information regarding protective clothing etc. as appropriate. The instructions are supported by photographs and/or sketches of the relevant equipment; Whilst detailed instruction on the operation of peripheral equipment used for the potable water RO 	<ul style="list-style-type: none"> Existing operating and maintenance instructions should be broadened to include explanatory notes on the basics of the RO plant and WWTP processes, together with procedures for their implementation and operation; and The existing training matrix should be reviewed and updated. The training matrix should include instruction on the content of the safety management system and (for appropriate staff) training on the water services contingency plans. 	B	1

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Operations (continued)	<p>plant and the WWTP are included, details of the operation of the main processes are not included. Although an operating manual for the RO plant is referred to, there is no indication as to its location or availability;</p> <ul style="list-style-type: none"> It is noted that two very experienced operators are employed to operate the RO plant and the WWTP. Each operator is capable of operating both plants and one or the other is always on duty or standby. However, the Reviewer considers that documentation should be prepared on the basic processes of each plant and their operation; Licence performance sampling and testing is carried out based on written schedules and results are checked against performance standards by PFM's Compliance and Utilities Manager. Results are collated on spread sheets and submitted to the RIA. Corrective action is undertaken if required; PFM has compiled a twenty six page safety management system which is stated to be communicated to all employees. Whilst the document is considered relevant and thorough, there is no evidence of its communication or availability to all employees. Reviewer recognizes this aspect may be addressed by employee training. The document is undated but apparently has not been reviewed for some time – as reference is made to action to be taken prior to June 2011. Also the names of management staff are out of date; and A detailed training matrix has been prepared, but it appears to be incomplete and out of date – despite being dated September 2013. 			

Asset Management System	Systems, Processes and Controls in Place at Rottneest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Maintenance	<ul style="list-style-type: none"> Preventive maintenance requirements for all assets are documented using the "Maximo" CMMS software. This system generates monthly Planned Preventive Maintenance (PPM) orders, which are printed as hard copy work orders for field staff - who then carries out the work. The task is signed off by the field staff and given to the administrator who enters it into Maximo. Any item of planned maintenance not carried out within a specified time period is highlighted by Maximo; Unplanned maintenance resulting from asset failure or maintenance additional to a PPM order is similarly entered into Maximo to maintain the record for each asset; Maintenance plans are based on preventive maintenance procedures resulting from risk analysis, manufacturer's recommendations and, as appropriate, prior experience of low asset performance; Although there is a proposal to undertake unspecified maintenance/replacement works on sewer reticulation during forthcoming years, it appears an investigation of the type and extent of the work necessary has not been undertaken. The Reviewer suggests RIA considers undertaking a cctv inspection of sewers to better determine the condition of sewers and the extent and priority of works required; Maintenance costs are assessed from time sheets (signed off by the relevant manager) and supplier invoices. Costs not covered by the FOU agreement are charged to the RIA; Apart from those considered "critical", an extensive holding of spares is not essential due to the relative short delivery period from the mainland. "Spares" are 	<ul style="list-style-type: none"> PFM should submit the list of critical spares to the RIA. The RIA should review the competing aspects of risk and financial cost associated with holding critical and / or long delivery spares and resolve the issue; A brief written procedure, in respect of spares other than critical or long term delivery spares, should be prepared and implemented for the guidance of employees. This procedure should include the topics of maintaining inventory and the ordering of spares; and The RIA should consider a staged program of cctv inspections to determine the condition of gravity sewers servicing the various settlements - particularly the older sewers of the Thompson Bay settlement. 	B	1

Asset Management System	Systems, Processes and Controls in Place at Rottneest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Maintenance (continued)	<p>replenished by a member of PFM's clerical staff who orders spares in response to requests from other staff and/or from observation of stock levels. This procedure appears to function satisfactorily. However, a brief written procedure for maintaining the inventory and re-ordering should be prepared and implemented for the guidance of all staff; and</p> <ul style="list-style-type: none"> PFM has prepared a list of spares considered "critical" in terms of their function and/or delivery period. The list includes the estimated delivery period and cost of each item. There is no indication as to whether or not the list has been provided for the RIA's consideration. A similar recommendation from the 2011 AM Review suggested: "RIA review the competing aspects of risk and financial cost associated with holding critical and/or long delivery spares for potable and waste water systems". It is not known whether or not this recommendation was considered by the RIA. 			
Asset Management Information System	<ul style="list-style-type: none"> The asset management system is based on the Maximo asset management software which includes the asset register and maintenance scheduling and recording software; The Maximo software is supported by hard copy pro forma documents for recording equipment performance and output, together with computer based spread sheets and Word files detailing the results of sampling and analysis of processes related to the requirements of licences issued by the ERA, DOH and DEC. Some of these spread sheets have automatic colour based indicators of compliance (green) and non-compliance (red) with the licence performance requirements; System outputs include licence test results, 	<ul style="list-style-type: none"> The electronic documents of the asset management system should be filed in a more orderly fashion - with appropriate cross referencing for the benefit of the user and/or reviewer. It is suggested that a "line be ruled" after currently stored documentation to 30th June 2013 and that all licence related documents added subsequently be stored in annual folders rather than subject folders. 	B	2

Asset Management System	Systems, Processes and Controls in Place at Rottneest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Asset Management Information System (continued)	<p>maintenance summaries, reporting notices for licence and FOU requirements;</p> <ul style="list-style-type: none"> ▪ The PFM's Compliance and Utilities Manager prepares management reports which are copied to the RIA's FPU Contract Officer, for record and advice to licencing authorities; ▪ Compliance test results, operational and other relevant matters are discussed at monthly management meetings between the RIA and PFM. Minutes of two recent meeting were sighted; ▪ PFM Input and output controls as well as verification procedures are sound; ▪ Access to the computer systems is limited to specific managers each of whom has individual password entry. Data is backed-up daily via PFM's main computer on the mainland. The premises housing the computers are locked outside business hours; and ▪ The Asset Management System contains detailed information regarding operations, maintenance, risk analysis, contingency planning etc. Much of this information is in diverse folders of electronic documentation spanning a period of many years. The material is not readily available or recognisable to employees other than those with a detailed knowledge of the folder system. The system lacks a flow diagram detailing the interaction and tasks performed by the RIA and PFM. These matters were raised in the previous review and some progress was made initially. However, further improvement is considered necessary as set out in the following recommendation. 			
Risk Management	<ul style="list-style-type: none"> ▪ The PFM's Risk Management Plan 2012/13 and its last produced annual AMP (2011/12) contain a well-documented discussion of the PFM's approach to risk 	<ul style="list-style-type: none"> ▪ Appendices to reports and other documents should be dated and reference the main document it 	B	1

Asset Management System	Systems, Processes and Controls in Place at Rottneest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Risk Management (continued)	<p>assessment;</p> <ul style="list-style-type: none"> Appendices of the annual AMP contain a fishbone diagram of "Risk Contributors" and an "Asset Risk Mitigation Plan 2012/16". The latter appendix considers the initial profile of each identified risk, identifies risk reduction strategies necessary/in place, and subsequently the reduced risk profile; Risk reduction strategies are based generally on preventive maintenance, condition assessment and replacement; The consequence and risk of asset failure and mitigation strategies have been reviewed annually as part of the annual Asset Management Plan preparation. However, this has not occurred during the last two years during which the annual AMP has not been produced; and Computer files of the annual AMP and appendices are stored as separate documents and were difficult to locate. In each case, the appendices had only a title but no other information or date. The Reviewer was obliged to make a judgement of the relevance of each of the appendices to the particular annual AMP or other report. 	<p>supports.</p>		
Contingency Planning	<ul style="list-style-type: none"> PFM has a detailed "Water Recovery/Contingency Plans" document for fourteen failure scenarios associated with the water services; The plans provide a list of specialist contractors, their contact details and areas of specialty, together with sequential procedures for failure assessment and action – including maximum recovery periods in each case; The plan however, does not include details of PFM or RIA staff contacts who should be informed – either to 	<ul style="list-style-type: none"> The Water Recovery/Contingency Plan should include the names and contact details of relevant PFM and RIA officers, together with other Rottneest island services (Police, ambulance and fire services) who should be contacted in the event of particular recovery operations; and The Recovery Drill schedule referred to in the table of contents be added in an appendix to the document. 	B	2

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Contingency Planning (continued)	<p>assume responsibility for, or provide support to the recovery process, or other Rottnest services which may need to be involved eg. Police, ambulance and fire services;</p> <ul style="list-style-type: none"> Asset register details are also provided in addition to manufacturer information; and The table of contents of the document refers to a schedule for Recovery Plan drills. However, the schedule was not included in the document. 			
Financial Planning	<ul style="list-style-type: none"> The Reviewer discussed the financial planning process with the RIA's Chief Financial Officer and viewed internal submissions associated with the steps of the process; Prioritised proposals and cost estimates from Works and Contracts and other RIA groups are submitted for financial approval and inclusion/continuation in the budgeted works list over a rolling five year period; Further prioritisation of all expenditure proposed by all group occurs in order to adjust expenditure to income - consistent with internal orders of priority e.g., public safety expenditure will normally take priority over say, landscaping/aesthetics; Financial planning includes all overall income and costs estimated to be incurred by RIA. Guidelines of WA Department and State Supply Commission are followed throughout the process; and Apart from input to the annual budget, financial planning involves ongoing monthly monitoring of expenditure and - as appropriate, adjustment of priorities, removal and/or delay of expenditure on projects. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1

Asset Management System	Systems, Processes and Controls in Place at Rottnest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Capital Expenditure Planning	<ul style="list-style-type: none"> The process involves annual preparation of a capital works (capex) plan on a forward rolling five year basis, including scope of work, and the justification and estimates of costs. PFM prepares a capex proposal as above for the water and other services it operates under the FOU agreement; Based on the above proposals by PFM, consultants and various RIA groups, RIA - through its Works & Contracts group, collates and prioritises the proposals - including those already in hand. Business plans are then prepared for the preferred projects - and submitted to RIA Finance Group for assessment and financial approval; Approved projects are submitted to internal committees for comment and possible amendment before submission to the Rottnest Island Board for final approval; State government guidelines are followed to determine the timing, necessary approvals, contract options, tenderer numbers, etc.; Completed planning for each project is submitted for CEO or relevant manager approval before tendering/ evaluation and award processes are completed; and Reviewer sighted PFM's current capex register for water services. 	<ul style="list-style-type: none"> No recommendation is made. 	A	1
Review of AMS	<ul style="list-style-type: none"> There is no evidence of a culture or system for a regular review of asset management related documents; As PFM's annual Asset Management Plan has not been produced since 2011, by implication the Risk Management Mitigation Plan and Water services Recovery/Contingency plans have not been reviewed during this period either; 	<ul style="list-style-type: none"> A list of asset management system related procedures/documents should be prepared together with a reminder schedule to ensure reviews of all such documents are undertaken as planned; Each set of procedures and policy documents included in the Asset Management System should be reviewed for currency and accuracy on a regular basis - not exceeding say two years. Each document 	C	3

Asset Management System	Systems, Processes and Controls in Place at Rottneest Island Authority for Asset Management	Recommendations	Asset Management Process and Policy Definition Adequacy Rating	Asset Management Performance Rating
Review of AMS (continued)	<ul style="list-style-type: none"> However, ongoing input to the Maximo CMMS automatically updates the maintenance plan and asset register; Most documents associated with management of the assets were noted to be undated, out of date, or having multiple dates: <ul style="list-style-type: none"> The Contingency Plan was prepared in August 2011; The Safety Management Plan is un-dated; The Risk Management Mitigation Plan is un-dated – appears to be 2012; and Water and Wastewater Manuals are dated February 2013 and March 2013 respectively. However, sub-documents are dated between July 2008 and June 2009 despite document history list being dated August 2011. The RIA Strategic Management Plan (draft), dated June 2013, does not include the Appendices indicated in the Table of Contents; and Some of the relevant documents reviewed contained a panel titled “Document History” which listed the author, and date of the document from its origin and successors through to the latest version. Most recent versions were dated between 2011 and 2013. An anomaly however was that most documents - although containing the document history panel indicating the date of the most recent document, also contained a header or footer indicating the date of the original document. 	<ul style="list-style-type: none"> should record the latest review date, summary details of any amendments made and should be signed off by the reviewer; and Headers and footers on procedures and policy documents, making up the Asset Management System, should either be deleted or corrected to agree with the latest date recorded in the document history panel included in those documents. 		

3.12 Conclusions

The Asset Management System Review concluded the Rottnest Island Authority manages its water services assets professionally, methodically and efficiently – and in accordance with the requirements of its Water Services Operating Licence.

The RIA's and PFM's knowledge of the requirements of the Water Services Operating Licence is sound.

The Asset Management Information System contains relevant detail regarding operations, maintenance, risk analysis, contingency planning etc. Much of this information is in diverse folders of electronic documentation. The material is not readily available to employees other than those with a detailed knowledge of the folder system. A further complication is that much of the documentation is undated, out of date or multi-dated – making it difficult to assess whether it is drafts, current or otherwise and - in the case of appendices, which main document it relates to.

Reviewer has noted a relatively recent change of two RIA staff associated with the water services and two staff of PFM also associated with the water services. From discussion with these officers, Reviewer expects that the recommendations of this review and its predecessor will be implemented during the coming months.

4

Auditor Information

4.1 Audit/Review Team Members and Hours Utilised

Staff	Hours
Cameron Palassis - Director	10
Anton Prinsloo – Senior Audit Consultant	50
Barry Robbins – Barry Robbins Engineering & Project Management	50
TOTAL	110

5

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

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

Date: 5th November 2013