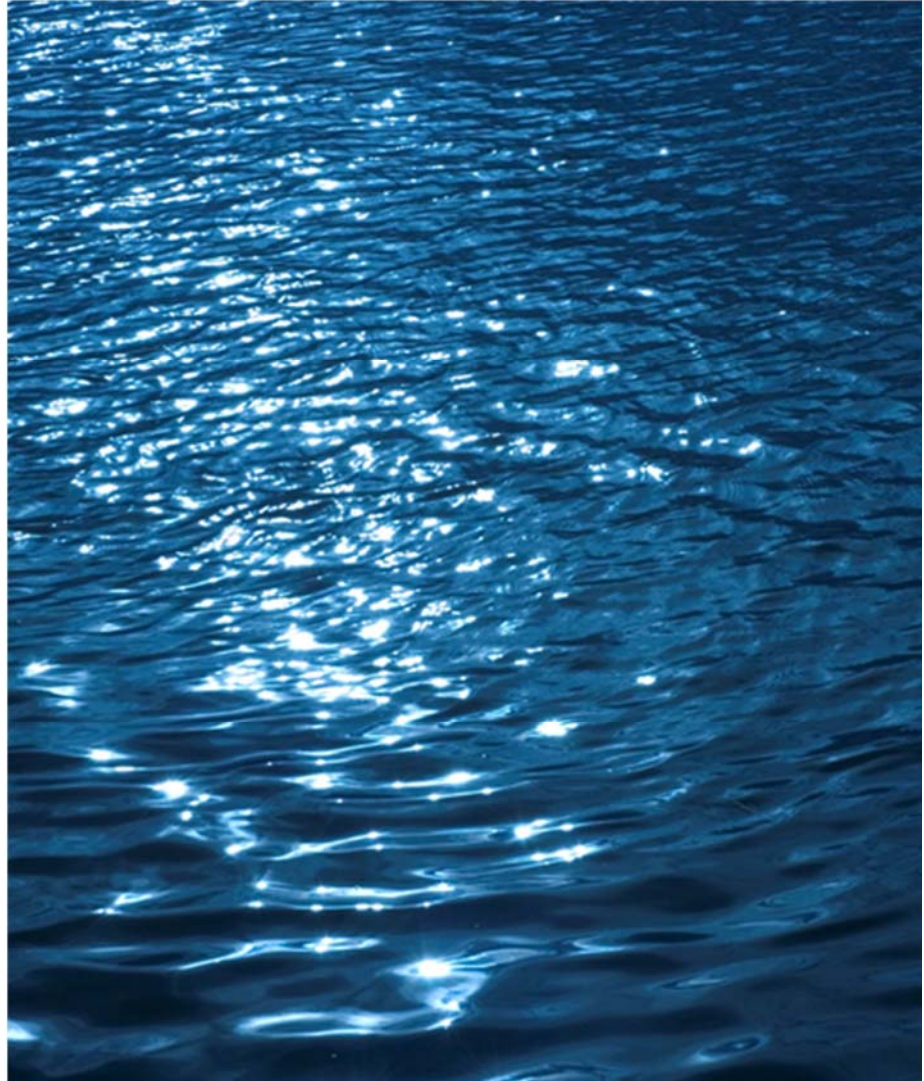




Quantum
Assurance



Rottnest Island Authority

Operational Audit and Asset Management System Review Water Licence WL10 (potable, sewerage and drainage)

Report
Economic Regulation Authority
18 October 2015

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Limitations of this Report

This report was prepared for distribution to the Economic Regulation Authority and the Rottnest Island Authority for the purpose of fulfilling RIA's operational audit and asset management system effectiveness review obligations under its Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Economic Regulation Authority and the Rottnest Island Authority, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the licence obligations of the Water Services Operating Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

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1. Executive Summary

1.1 Background

The Rottnest Island Authority (RIA) has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') under the *Water Services Act 2012*, for the provision of potable and non-potable water supply services, drainage services and sewerage services in the Rottnest Island operating area.

The Authority has engaged Quantum Management Consulting and Assurance ('Quantum') to undertake an operational audit and asset management system effectiveness review of the RIA's potable and non-potable water supply services, drainage services and sewerage services, to comply with the licensing requirements of the Authority.

Rottnest 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 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 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 as non-potable water to irrigate the sporting area during summer. Sludge from the treatment process is dewatered and transported to the mainland for disposal. In 2014/15, there were 25 customers being commercial lessees.

The RIA has overall responsibility for the water services. The services were managed, operated and maintained to July 2014 under the Rottnest Island Facilities, Operations and Utilities Management Agreement 2007 (FOU Agreement) between the RIA and the Tungsten Group Pty Limited.

From August 2014 a new contract commenced between the RIA and 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 Rottnest Island Facilities Utilities and Support Services Contract 2014 (FUSS Contract).

The results of daily checks, details of maintenance undertaken, sampling, recording and reporting are recorded in the Maximo system known as "Computerised Maintenance Management System" (Maximo). The results are signed off by appropriate PFM managers and relevant details provided to the RIA.

The RIA is required to comply with the terms and conditions of their license. There were three versions of the Water Operating License WL10 in force over the audit period: OL10 version 5 (25 August 2010 to 17 November 2013 under the previous *Water Licencing Act 1995*), WL10 version 6 (18 November 2013 to 21 June 2015 being a "substituted licence" when the *Water Services Act 2012 (WA)* commenced) and WL10 version 7 (from 22 June 2015 when the licence was amended to include the supply of non-potable water).

Not less than once in every period of 24 months, the Authority requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority.

The previous operational audit and asset management system review covered the period from 1 July 2011 to 30 June 2013.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual – April 2014) and the Audit and Review Guidelines: Water Licences - July 2014.

1.2 Operational Audit

This audit has been conducted to assess the licensee's level of compliance with the conditions of its licence.

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the RIA has:

- a) complied with 147 applicable licence obligations during the audit period from 1 July 2013 to 30 June 2015 with the exception of 5 'moderate' non-compliances and 10 'minor' non-compliances relating to the following areas (some are grouped):

Moderate

- the RIA has an asset management system including detailed procedures but there is no overall Asset Management Plan for potable water, non-potable water, irrigation and drainage services as required by the licence;
- unplanned interruptions to water supply, for example, in 2014/15 there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment;
- the fire hydrants on the Island do not meet the Department of Fire and Emergency Services (DFES) standards;

Minor

- not all of the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* is available on the RIA's website and in hardcopy; and
- the complaints procedure does not contain the further review mechanisms under the *Water Services Code of Conduct (Customer Service Standards) 2013*;

Not rated (no activity in audit period)

- the procedures do not include the requirements to notify the Authority within 10 business days of major changes to the asset management system, or providing or undertaking water service works that are major works or general works;

- b) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and the following control weakness:

- there is no potable water pressure and flow testing to confirm that the actual water pressure and flow meet the performance standards in the licence, due to the ageing infrastructure and the risk of bursts if this was to be undertaken; and

- c) maintained the data integrity of reporting to the Authority.

The audit recommended that the RIA should:

- a) develop a detailed Asset Management Plan for the potable water, non-potable water and drainage services
- b) as planned, continue remedial action to minimise the risk of interruptions to potable water supplies due to the ageing reticulation system;
- c) as planned and in conjunction with DFES, upgrade the fire hydrant system to DFES standards;
- d) provide on the website and in hardcopy upon request, a Customer Information Statement that includes the prescribed information required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- e) update the complaints procedure to include the further review mechanisms; and
- f) include in the Licence and Compliance Register the requirements to notify the Authority within 10 business days of major changes to the asset management system, or providing or undertaking water service works that are major works or general works.
- g) as planned, consider installing pressure and flow testing measuring facilities.

1.3 Asset Management System Review

This review has been conducted to assess the effectiveness of the licensee's asset management system.

The assets are as described in section 3.1 with no major changes over the review period apart from the installation of a third train in the desalination plant.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the RIA:

- a) has implemented the previous review recommendations; and
- b) has established an adequate control environment for ongoing compliance in respect of the asset management system apart from:
 - there is no overall Asset Management Plan for the water services that includes the lifecycle costs of owning and operating the assets and the funding options (although there is an overall Strategic Asset Investment Plan for the Island that could form the basis of this Plan);
 - there is no detailed condition assessment of individual assets although a project is in progress;
 - there are no 'as constructed' plans of the water infrastructure assets;
 - several opportunities to improve the maintenance of the water supply assets were identified;
 - there is no detailed financial plan or capital expenditure plan for the water services showing the lifecycle costs of the services, the capital expenditure required over the life of the assets and how these costs are to be funded.

The review recommended that the RIA implement the following improvements:

- a) an Asset Management Plan for the water services should be developed;
- b) as planned, the Asset Condition Baseline project should be completed to update the asset register and to inform the development of the Asset Management Plan;
- c) the feasibility of obtaining 'as constructed' plans of the water infrastructure assets should be assessed;
- d) several opportunities to improve the maintenance of the water supply assets were recommended;
- e) as part of developing the Asset Management Plan, there should be a detailed financial plan for the income and expenses of the water services over at least the next five years; and
- f) as part of developing the Asset Management Plan, there should be a detailed capital expenditure plan that provides for the replacement of the assets over their useful lives.

Overall, the water supply scheme and wastewater treatment system are assessed as being well established, well maintained and in reasonable working order considering the ageing infrastructure. The main issues relate to the lack of an Asset Management Plan for the water assets separate to the overall investment plan for the Island and the lack of a detailed financial plan for a financially sustainable service, and a capital expenditure plan to provide for the replacement of the assets over their useful lives.

We confirm that the Authority's Audit and Review Guidelines: Water Licences (July 2014) have been complied with in the conduct of this audit/review and the preparation of the report, and that the audit findings reflect our professional opinion.

Quantum Management Consulting & Assurance



Geoff White
Director

18 October 2015

2. Operational Audit

2.1 Introduction

The Rottneest Island Authority (RIA) has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') under the *Water Services Act 2012*, for the provision of potable and non-potable water supply services, drainage services and sewerage services in the Rottneest Island operating area.

There were three versions of the Water Operating License WL10 in force over the audit period: OL10 version 5 (25 August 2010 to 17 November 2013 under the previous *Water Licencing Act 1995*), WL10 version 6 (18 November 2013 to 21 June 2015 being a "substituted licence" when the *Water Services Act 2012 (WA)* commenced) and WL10 version 7 (from 22 June 2015 when the licence was amended to include the supply of non-potable water).

The audit approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual – April 2014) and the Audit and Review Guidelines: Water Licences - July 2014.

2.2 Objectives and Scope

The objective of the audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations referred to in the Licence.

The audit has applied a risk-based approach to focus on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The approach is set out in a detailed Audit Plan approved by the Authority that was designed to focus on the higher risk areas with less intensive coverage of medium and low risk areas. Refer audit approach in Appendix A.

The scope of the audit includes the adequacy and effectiveness of performance against the requirements of the licence by considering:

- **process compliance** - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period;
- **output compliance** – the existence of the output from systems and procedures throughout the audit period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- **compliance** with any individual licence conditions – the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

The highest priority areas based on the previous audit findings and inherent risk were:

- **Customer consultation** – under previous licence.
- **Provision of water services in accordance with the licence** – high inherent risk and Type 1 reporting obligation (obligation 1).
- **Asset Management System** – high inherent risk (obligation 6).
- **Cut off water supply** – high inherent risk and Type 1 reporting obligation (obligation 21).
- **Complaints Procedure** – the previous audit noted issues re not all complaints being recorded in the Complaints Register, the Complaints Register not providing sufficient details of the outcome of all customer complaints received, and the

requirement to document the outcomes of complaints in sufficient detail in the Complaints Register was not specifically stated in the Complaints Manual (obligations 145 to 148).

- **Reporting to the Authority** – the previous audit noted some discrepancies in annual compliance reporting as to the inclusion of data not related to the reporting period and discrepancies in performance reporting as to the accuracy and completeness of reported data; and incorrect reporting timeframes stated in the PFM's Work Method Statement (obligations 165, 166 and 167).
- **Compliance with the service and performance standards** - area of high inherent risk and the previous audit noted non-compliance with the performance standard for continuity of supply – leaks and bursts (of less than 20 leaks or bursts per 100 km of water main per reporting year in 2011/12 and 2012/13 and non-compliance with the performance standard of resolving 90% of complaints within 15 business days (obligation 190).

The audit aimed to identify any areas where improvement is required and to recommend corrective action as necessary.

The audit covered the period from 1 July 2013 to 30 June 2015.

2.3 Audit Compliance and Controls Rating Scale

The adequacy of controls and compliance with the legislative obligations was assessed using the following ratings.

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not performed – no activity in current period	NR	Not rated – no activity in current period

2.4 Status of Previous Audit Recommendations

The previous audit covered the period 1 July 2011 to 30 June 2013 and was reported in November 2013.

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Legislative Obligation ¹ / Compliance Rating/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
A. Resolved before end of previous audit				
	Nil			
B. Resolved during current audit period				
01/2013	<p>Customer Complaints, Clause 6.1, Schedule 3 <i>Non-Compliant</i></p> <ul style="list-style-type: none"> Water Compliance Manual Datasheet – Complaints for 2011 – 2012 which disclosed a 100% figure is incorrect; and RIA did not meet the performance standard for customer complaints, as included in the Operating Licence, during the 2011 - 2012 period. 	<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 parties should set up a proper procedure to ensure the capture of all complaints in the complaints register. The Complaints Manual should specifically state that the outcome of the complaints must be recorded in sufficient detail in the Complaints Register to proof the complaint was appropriately resolved. The Complaints Register should provide sufficient details of the outcome of customer complaints received irrespective of the nature of the complaint. 	February 2014	No - A new complaints procedure has been implemented.

¹ Legislative obligation/licence condition is as per the previous Audit Report.

Reference (no./year)	Legislative Obligation/ Compliance Rating/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
02/2013	<p>Customer Consultation, Clause 8.1, Schedule 3: Clause 4.2</p> <p><i>Non-Compliant</i></p> <p>The RIA must re-establish sound customer consultation processes in compliance with its licence requirements.</p> <p>The RIA proposal as agreed to by the ERA must now be implemented in practice; and</p> <p>Audit noted that a full member meeting of the RIBC is scheduled for the 6th September 2012.</p>	<p>The RIA should consult with the ERA in respect of its customer consultation processes.</p>	Closed	<p>No – Customer consultation process is no longer mandatory.</p>
03/2013	<p>Service and Performance Standards, Clause 20.1 & Schedule 4: Clause 2.1</p> <p><i>Non-Compliant</i></p> <p>The RIA's annual Water Compliance Manual Datasheet (annual performance report) 2011 – 2012 and 2012 – 2013 state that the percentage of customer complaints resolved within 15 business days was 100%.</p> <p>However, one complaint was not resolved within 15 business days during 2011 – 2012.</p> <p>Thus not all reported information was correct neither the RIA meet the performance standard of the licence (<i>to resolve 90% of customer complaints within 15 business days</i>)</p>	<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. 	July 2014	<p>No – the customer complaints information in the Performance Reports for this audit period is based on the Customer Complaints Register.</p>

Reference (no./year)	Legislative Obligation/ Compliance Rating/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
04/2013	<p>Service and Performance Standards, Clause 20.1 & Schedule 4: Clause 2.1 <i>Non-Compliant</i></p> <p>The RIA's annual Water Compliance Manual Datasheet (annual performance report) 2011 – 2012 and 2012 – 2013 state that the water supply met the required pressure and flow standards of 100% of connected properties.</p> <p>However, no testing of pressure and flow was conducted during the audit period.</p>	<p>The RIA should disclose no measurement was performed in respect of individual performance standards, instead of disclosing perfect ratings for those performance standards.</p>	July 2013	<p>No – Performance reports for this audit period state that water pressure and flow are not measured.</p>
05/2013	<p>Service and Performance Standards, Clause 20.1 & Schedule 4: Clause 2.1 <i>Non-Compliant</i></p> <p>The RIA's annual Water Compliance Manual Datasheet (annual performance report) disclose that 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 • 2012 – 2013: 35. <p>Thus, the RIA did not meet the licence performance standard for continuity of supply – leaks or bursts (of less than 20 leaks or bursts per 100 km of water main per reporting year), as included in the Operating Licence, during 2012 – 2013. The Compliance Report for 2012 - 2013 did disclose information in respect of this non-compliance with the performance standard.</p>	<p>The RIA should take appropriate steps to reduce leaks and bursts to a number below the maximum stipulated in the performance standards.</p>	August 2014	<p>No – Action has been taken to reduce the number of bursts and leaks. The RIA has undertaken localised potable reticulation repairs and improved detection of water leaks via a monitoring system for bulk meters. There is still a risk of unplanned interruptions due to the ageing infrastructure.</p> <p>Over the two years of this audit, there were 14 breaks so this has improved compared to the previous audit.</p>

Reference (no./year)	Legislative Obligation/ Compliance Rating/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
06/2013	<p>Information Requirements, Clause 21.2 <i>Process improvement</i></p> <p>The PFM's Work Method Statement states that the RIA will provide the data required for performance reporting purposes by 31 October each year.</p> <p>The RIA's annual Compliance Report for the year 2011 – 2012 includes information from the 2010 – 2011 Compliance Report.</p>	<p>The PFM document to be corrected to state the correct date (31 July each year).</p> <p>The RIA should ensure it provides information for the correct period in its annual compliance report.</p>	February 2014	No – Performance information is being provide for the correct periods.
07/2013	<p>Customer Service Charter, Schedule 6: Clause 2.3 <i>Process improvement</i></p> <p>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.</p>	The RIA Water Customer Service Charter 2010 should be amended to include a provision relating to the discontinuance of a service to a property.	Closed	No - Customer Service Charter is no longer mandatory.
C. Unresolved at end of current audit period				
	Nil			

2.5 Summary of Audit Ratings of Controls and Compliance

The audit assessment of the ratings for the adequacy of controls and compliance with the legislative obligations is shown below.

No. ²		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ³ (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
Water Licensing Services Act 1995 (repealed 17 October 2013)														
-	Customer Service Charter <i>(no longer mandatory)</i>	Previous licence	4	✓						✓				
-	Customer consultation process <i>(no longer mandatory)</i>	Previous licence	3	✓										✓
Water Services Act 2012														
1	Nature of services	Sec. 21(1)(a)	2	✓						✓				
2	Terms of service	Sec. 21(1)(b)	4					✓						✓
3	Provision of services	Sec. 21(1) (c)	4	✓						✓				
4	Operating area	Sec. 22	4					✓						✓
5	Outsourcing of services	Sec. 23	4	✓						✓				
6	Asset management system	Sec. 24(1)(a) & 24(2)	2			✓						✓		
7	Changes to asset management system	Sec. 24(1)(b)	4			✓								✓
8	Asset management system review	Sec. 24(1)(c)	4	✓						✓				
9	Operational audit	Sec. 25	4	✓						✓				
10	Code of Practice	Sec. 26(3)	4					✓						✓
11	Code of Conduct	Sec. 27	4		✓						✓			
12	Compliance generally	Sec. 29	4		✓							✓		
13	Termination of service	Sec. 36	4					✓						✓
14	Supplier of last resort	Sec. 24(1)(b)						N/A						N/A
15	Ombudsman scheme	Sec. 66	4	✓						✓				
16	Interruption of water supplies	Sec. 77(3)	4		✓							✓		
17	Notification of building works	Sec. 84(4)&(5)	4					N/A						N/A
18	Ensuring water service works are done	Sec. 84(2)	4					N/A						N/A
19	Review of decisions	Sec. 87(2)	4					N/A						N/A
20	Construction near water service works	Sec. 90(7)	4					N/A						N/A
21	Termination of water supply	Sec. 95(3)	2	✓										✓
22	Fire hydrants	Sec. 96(1)	4			✓						✓		
23	Fire hydrants – requests	Sec. 96(5)	4			✓								✓
24	Sewer connections	Sec. 98(3)	4					✓						✓
25	Compliance notice issued by	Sec. 106(2)	4					✓						✓

² The number refers to the item reference in the Water Compliance Reporting Manual, ERA April 2014

³ Refer Controls and Compliance Rating Scales in Section 2.3.

No. ²		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ³					Compliance Rating (1=Compliant 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
	licensee re not maintaining pipes													
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4					N/A						N/A
29	Review of decisions	Sec. 122(2)	4					N/A						N/A
30	Apportionment of fees between properties	Sec. 125(2)	4					✓						✓
31	Lodging memorial to secure fees owing	Sec. 128(4)	4					N/A						N/A
32	Notice to property owner - entry	Sec. 129(5)	4					✓						✓
33	Notice to property owner – removal of fence	Sec. 139(3)	4					N/A						N/A
34	Notice to roads authority	Sec. 141(1)	4					N/A						N/A
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4					✓						✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3),	4					✓						✓
46-48	Interest in land	Sec. 166(5)-(6), 170	4					N/A						N/A
49-57	Notice of entry to property and authority to enter	Sec. 174(1),(3)&(4) Sec. 175(2)&(5), 176(1),(3)&(4), 181	4					N/A						N/A
58-61	Warrant to enter property	Sec. 186, 187(1)-(3), 190(4)-(5), 210(5), 218(2)-(3).	4					N/A						N/A
62	Compliance Officer	Sec. 210(5)	4					✓						✓
63	Minimum disruption	Sec. 218(2)	4					N/A						N/A
64	Physical damage	Sec. 218(3)	4					N/A						N/A
Water Services Regulations 2012														
74-75	Work affecting roads	Reg. 60(2), 63	4					N/A						N/A
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4					N/A						N/A
Water Services Code of Conduct (Customer Service Standards) 2013														
92	Information for customers	Cl. 7	4			✓				✓				
93	Timeliness of connections	Cl. 8	4					✓						✓
94	Annual service charges	Cl. 9	4	✓						✓				
95-96	Usage bills at least 6 monthly	Cl.10(2)-(5)	4	✓						✓				
97	Estimated Bill of Usage - Regulation	Cl. 10(4)	4					N/A						N/A
98	Estimated Bill of Usage	Cl. 10(5)	4					✓						✓

No. ²		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ³ (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
99	Address for billing	Cl. 11	4	✓						✓				
103-104	Basic of billing estimate	Cl. 13(1)&(2)	4					✓						✓
105	Request for meter reading	Cl. 14(1)	4					✓						✓
106	Higher than normal charge	Cl. 15	4					✓						✓
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4					✓						✓
113	Review of bill upon request	Cl. 18(1)	4					✓						✓
114	Review of bill procedure – written procedure	Cl. 18(2)		✓						✓				
115-117	Review of bill procedure – options and timeframe	Cl. 18(3)-(6)					✓				✓			
118	At least 14 days for payment	Cl. 20	4	✓						✓				
119	Payment methods - options	Cl. 21(1)	4		✓						✓			
120	Payment methods - fees	Cl. 21(2)	4	✓						✓				
121	Payment methods- direct debit authority	Cl. 22	4		✓									✓
122	Payment in advance	Cl. 23(1)	4					✓						✓
123	Redirection of bills	Cl. 24	4					✓						✓
124	Payment plan	Cl. 25	4		✓									✓
125-129	Financial hardship policy	Cl. 26(1)-(6)	4					N/A						N/A
130-132	Financial hardship – payment variations	Cl. 27(2)-(3), 28(1)	4					N/A						N/A
133	Financial hardship – written information	Cl. 28 (4)&(5)	4					N/A						N/A
134	Debt recovery	Cl. 29	4					N/A						N/A
135-136	Restoration of drinking water supply	Cl. 30(1) & (2)	4					N/A						N/A
137-139, 142, 144	Reducing flow rates	Cl. 31, 32, 33, 34(4)&(6)	4					✓						✓
145-146	Complaints procedure - written	Cl. 35(1)-(2)	3	✓						✓				
147-148	Complaints procedure - details	Cl. 35(3), (4)	3		✓						✓			
149	Complaints procedure publicly available	Cl. 35(6)	4	✓						✓				
150, 151	No charge for information	Cl. 36(1)	4	✓										✓
152	Access to customer information	Cl. 36(2)	4	✓										✓
153	All Code of Conduct information to be publicly available in hardcopy and website	Cl. 37(1)	4		✓						✓			
Licence Conditions – Specific Clauses														
155	Fees to regulator	Cl. 4	5					✓						✓
156	Compliance with legislation	Cl. 5.1	4		✓							✓		
157	Compliance with Code of Practice	Cl. 5.2	4					N/A						N/A
158	Compliance with Code of	Cl. 5.3	4		✓						✓			

No. ²		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ³ (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
	Conduct													
159	Compliance re any breaches	Cl. 5.4	4					✓						✓
160	Compliance with Accounting Standards	Cl. 12	4	✓					✓					
161	Compliance with performance standards	Cl. 13.1	4			✓				✓				
162	Operational audit	Cl. 14.4	4	✓					✓					
163	External administration	Cl. 15.1(a)-(c)	4					✓						✓
164	Advise Authority of major or general works	Cl. 15.1(d)	4				✓							✓
165	Provision of information to the Authority	Cl. 16.1	3	✓					✓					
166	Compliance reporting to Authority	Cl. 16.1	3	✓					✓					
167	Performance reporting to Authority	Cl. 16.3	3	✓					✓					
168	Publishing information	Cl. 17.2	4					✓						✓
169	Notices in writing	Cl. 18.1	4	✓					✓					
170	Notify Authority of asset management system (AMS)	Cl. 20.1	4	✓										✓
171	Notify Authority of material change to AMS	Cl. 20.2	4				✓							✓
172	AMS review	Cl. 20.6	4	✓					✓					
173	Ombudsman scheme	Cl. 21.1	4	✓					✓					
174	Customer contract – standard terms	Cl. 22.1	4					✓						✓
175-180	Customer contract approval and amendment	Cl. 23.1-23.3, 23.6, 24.1-2 24.4.	4					✓						✓
181	Obligations of supplier of last resort	Cl. 25.1	4					N/A						N/A
182	No services outside operating area	Cl. 28.1(b)	4					N/A						N/A
183	Financial hardship policy guidelines	Cl. 30.3	4					N/A						N/A
184	MOU with Department of Health	Cl. 31.1	4	✓					✓					
185	MOU – legal and audits	Cl. 31.2	4	✓					✓					
186	MOU – compliance	Cl. 31.3	4		✓					✓				
187	MOU – publishing	Cl. 31.4	4	✓					✓					
188	MOU – publish audit report	Cl. 31.5	4					✓						✓
189	MOU – publish other reports	Cl. 31.6	4	✓					✓					
190	Service and performance standards (if applicable)	Schedule 3	1			✓				✓				

2.6 Audit Observations and Recommendations

No ⁴	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁵	Compliance Rating ⁶
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Additional Obligations under Licence WL 10 Version 5 (applicable to 17 November 2013) ⁷							
-	Customer Charter	Previous Licence	The licensee must establish a Customer Service Charter and make it available to customers.	4	The auditor confirmed with RIA's Contracts and Project Officer that the Rottneast Island Authority Customer Service Charter existed and was made available to customers up to 17 November 2013. It was removed from the website in 2014.	A	1
-	Customer consultation	Previous Licence	The licensee must establish a customer consultation process.	3	The RIA Contracts and Project Officer advised that they attempted to meet with the Rottneast Island Business Council but this was not successful up to 17 November 2013. This was reported in the previous audit. As this is no longer a requirement of the licence, no further action is required.	A	NR

⁴ Number refers to the item reference in the Water Compliance Reporting Manual, Authority April 2014

⁵ Controls Rating Scale: (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed).

⁶ Compliance Rating Scale: 1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated.

⁷ Licence WL10 Version 5 applied until the new licence Version 6 was issued on 18 November 2013.

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
Water Services Act 2012							
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with RIA's Contracts and Project Officer and the contractor, Programmed Facilities Management (PFM) that during the audit period, the licensee provided a water service in accordance with the licence to persons entitled to the service under the Act. The auditor confirmed with RIA's Contracts and Project Officer that services are available for connection on any land in the Operating Area subject to compliance with RIA's conditions.	A	1
2.		Section 21(1)(b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	4	The auditor confirmed with RIA's Contracts and Project Officer that no request for connection was made to the licensee from a person within the operating area who is not entitled to the service.	NP	NR
3.		Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	Confirmed by this audit and review.	A	1
4.	Operating area	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licence.	4	The auditor confirmed with RIA's Contracts and Project Officer, PFM and field observation that the licensee does not provide a water service outside of the operating areas set out in Plan Number: OWR-OA-189.	NP	NR

⁸ Number refers to the item reference in the Water Compliance Reporting Manual, Authority April 2014

⁹ Controls Rating Scale: (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed).

¹⁰ Compliance Rating Scale: 1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated.

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	The auditor confirmed that the water service assets are owned by the RIA. The operation and maintenance of the water facilities is outsourced to Programmed Facilities Management Pty Ltd (PFM). The contract changed from the Facilities Operations and Utilities (FOU) Contract from August 2014 to the Facilities and Support Services (FUSS) Contract. Sighted contracts and confirmed they cover the water service works.	A	1
6.	Asset management system	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	<p>This audit and review confirmed the licensee has an asset management system (AMS). However as noted in the Compliance Report for 2014/15 to the Authority, the AMS requires updating to include an overall Asset Management Plan for water assets for the next 5 year period and a detailed Asset Register. This work is expected to be completed in 2015/16.</p> <p><i><u>Recommendation 01/2015.</u></i> <i>As planned, the RIA should develop and implement an overall Asset Management Plan for potable water, non-potable water, irrigation and drainage. This should be integrated with the overall Strategic Asset Investment Plan and the supporting policies, procedures and Asset Register system.</i></p>	C	3

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	<p>The auditor confirmed with RIA's Contracts and Project Officer, PFM and field observations that no significant changes have been made to the Asset Management System (AMS) during the audit period.</p> <p>The requirement to notify the Authority of any material change to the AMS within 10 days of the change was previously included in the RIA's "Utilities Compliance Schedule". This schedule has been replaced by the "RIA Licence and Compliance Register" but the requirement to notify the Authority of changes to the AMS within 10 business days is not included.</p> <p><i>Recommendation 02/2015</i> <i>The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any material change to the Asset Management System within 10 business days of the change.</i></p>	C	NR
8.	Asset management system review	Section 24(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	4	Reviews undertaken as required by the Authority.	A	1
9.	Operational audit	Section 25	A licensee must, not less than once every 24 months, or such longer period as determined by the Authority, provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority.	4	Audits undertaken as required by the Authority.	A	1
10.	Code of Practice	Section 26(3)	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	NP	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
11.	Code of Conduct	Section 27	The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.	4	The auditor reviewed compliance with the Code of Conduct as per obligations listed in this audit report, and concluded that the licensee complies with Code of Conduct with the exception of non-compliances noted as in this audit and mainly related to certain information to customers. <i>Refer recommendations 05/2015, 06/2015 and 08/2015</i>	B	2
12.	Compliance	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	The auditor reviewed compliance with the Water Services Act 2012, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013 as per obligations listed in this audit report and concluded that the RIA complies with the obligations except for the issues noted in this report. <i>Refer recommendations 01/2015 to 08/2015.</i>	B	3
13.	Termination of service	Section 36	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	4	Confirmed with RIA's Contracts and Project Officer, PFM and field observation that the licensee didn't cease to provide a water service in the area.	NP	NR
14.	Supplier of last resort	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	Confirmed with RIA's Contracts and Project Officer that the licensee is not a supplier of last resort.	N/A	N/A
15.	Ombudsman scheme	Section 66	Licenses who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	Confirmed by review of correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman scheme.	A	1

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
16.	Interruption of water supplies	Section 77(3)	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	<p>The 2013/14 Compliance Report to the Authority notes that there were 9 water pipe breaks that affected accommodation units on the Island. These included one break that affected 150 Kingstown visitors in April 2014 with water services being restored after 30 hours. Bottled drinking water was supplied to visitors. Non-potable water was available from a tank for flushing of toilets with a warning sign displayed on the tank that the water was not suitable for drinking.</p> <p>The 2014/15 Compliance Report stated there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment.</p> <p>The RIA has undertaken localised potable reticulation repairs and improved detection of water leaks via a monitoring system for bulk meters. There is still a risk of unplanned interruptions due to the ageing infrastructure.</p> <p><i><u>Recommendation 03/2015</u></i> <i>As planned, the RIA should continue remedial action to reduce the risk of unplanned interruption of potable water supplies, including localised potable reticulation repairs, investigation of acoustic leak detection systems, improved metering and commencement of a GPS survey of higher risk pipes.</i></p>	B	3

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
17.	Notification of building works	Sections 82(4) & (5)	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	PFM advised that any building work on the Island requires approval from the RIA which is the owner of all properties. The auditor sighted the procedure for "Requests to Undertake Ground Disturbance" from a contractor which requires various approvals from RIA officers (environment, heritage, etc.) and the Contracts Manager. This is an internal procedure of RIA. There is no legislative requirement for a person to give the RIA notice of any building work as all work is contracted by the RIA as the licensee, therefore this requirement is not applicable.	N/A	N/A
18.	Additional Water Services - Ensuring water service works are done	Section 84(2)	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4	As per item 17 above.	N/A	N/A
19.	Review of decisions (Additional Water Services - Ensuring water service works are done)	Section 87(2)	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	As per item 17 above.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
20.	Construction near water service works	Section 90(7)	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	As per item 17 above.	N/A	N/A
21.	Termination of water supply	Section 95(3)	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	2	RIA's Contracts and Project Officer confirmed that, during the audit period, the licensee did not cut off the supply of water to any occupied dwelling. The policy is to not cut off the water supply and this was confirmed by the property leasing agent handling billings.	A	NR
22.	Fire hydrants	Section 96(1)	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.	4	RIA's Contracts and Project Officer confirmed that fire hydrants are installed but do not meet DFES requirements as identified in a survey in 2012. The survey advised that the system's pressure is insufficient for a major fire event and also several hydrants have been shut off. There has also been no pressure testing for at least 5 years as this may damage the water mains. The RIA has advised there is an alternative response to fire events by use of bulk fire water tankers. It is outside the scope of this audit to assess the effectiveness of alternative responses. The RIA's Fire and Emergency Manager advised that no formal requests have been received from DFES or the City of Cockburn under the Act. <i>Cont'd....</i>	C	3

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
					The RIA's approved capital expenditure plan for 2015/16 includes new hydrants and a separate fire main pipeline using non-potable water, to address the issues with mains pressure for firefighting and to deliver a compliant system. <i>Recommendation 04/015</i> <i>As planned and In conjunction with DFES, the RIA should upgrade the fire hydrant system to DFES standards.</i>		
23.		Section 96(5)	The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	As per item 22. The RIA's Fire and Emergency Manager advised that no formal requests have been received from DFES or the City of Cockburn. <i>Refer recommendation 04/2015.</i>	C	NR
24.	Minister may require connection to sewer works	Section 98(3)	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	4	RIA's Contracts and Project Officer confirmed that, during the audit period, no written notice requiring connection to RIA's sewerage works has been received from the Minister.	NP	NR
25.	Discharge of Trade Waste - Compliance notice issued by Licensee	Section 106(2)	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	4	Confirmed with RIA's Contracts and Project Officer that there is no trade waste discharged to RIA's scheme i.e. wastewater other than wastewater of the kind and volume ordinarily discharged from an ordinary dwelling used solely or primarily as the dwelling of the occupants.	NP	NR
28.	Compliance notice issued by Licensee	Section 119(2)	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	PFM confirmed that all construction is managed by RIA or contracted to PFM, so no compliance notices would be issued.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
29.	Review of decisions relating to giving compliance notices	Section 122(2)	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	As per item 28.	N/A	N/A
30.	Apportionment of fees between properties	Section 125(2)	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	Confirmed with RIA's Contracts and Project Officer and the leasing agent that no fees are apportioned between any lessees. If fees were to be apportioned, it would only be in accordance with the lease agreement.	NP	NR
31.	Lodging memorial to secure fees owing	Section 128(4)	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	The auditor confirmed with RIA's Contracts and Project Officer that as the customers are all commercial lessees, memorials are not applicable.	N/A	N/A
32.	Notice to property owner	Section 129(5)	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	The auditor confirmed with RIA's Contracts and Project Officer that, during the audit period, no routine maintenance of the water service works was undertaken that would require entry to occupied premises or likely to cause disruption to the occupants of a place.	NP	NR
33.		Section 139(3)	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	As the RIA is the owner of all properties on the Island, this section is not applicable.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
34.	Notice to roads authority	Section 141(1)	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	As the roads on the Island are managed by the RIA and there is only authorised vehicles on the Island (contractors or commercial lessees), this section is not applicable.	N/A	N/A
35.	Proposals for major works (includes water treatment plant over 10ML, WWTP with capacity over 2ML per day, dams, irrigation schemes, etc.)	Sections 142	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	4	The auditor confirmed by interview with PFM and review of the Asset Management System documentation that no additional major works have been proposed during the audit period. The auditor confirmed that any major water works would include obtaining regulatory approvals and giving notice to the community and stakeholders as part of the Rottnest Island Management Plan and the RIA's Development Policy and Guidelines.	NP	NR
36.		Sections 143 (2)	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	As per item 35.	NP	NR
37.		Sections 143 (3)	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	As per item 35.	NP	NR
38.		Sections 144(3)	The licensee must have regard to an objection or submission lodged within the relevant period.	4	As per item 35.	NP	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
39.		Section 145(2)	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 35.	NP	NR
40.		Section 147(3)	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	As per item 35.	NP	NR
41.		Section 147(4)	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	As per item 35.	NP	NR
42.	Proposals for general works (includes new water treatment plants up to 10 ML per day, WWTP with capacity up to 2ML per day, reticulation mains and trunk lines, pumping stations, etc.)	Section 151(1)	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	The auditor confirmed by interview with PFM and review of the Asset Management System documentation that no additional general works have been proposed during the audit period. The auditor confirmed that any general water works would include obtaining regulatory approvals and giving notice to the community and stakeholders as part of the Rottnest Island Management Plan and the RIA's Development Policy and Guidelines.	NP	NR
43.		Section 151(2)	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	As per item 42.	NP	NR
44.		Section 152(3)	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	As per item 42.	NP	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
45.		Section 153(3)	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 42.	NP	NR
46.	Interest in land	Section 166(5)	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	Part 7 – Powers in relation to interest in land under the Act does not apply to the licensee as all land is under the management of the RIA.	N/A	N/A
47.		Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	As per item 46.	N/A	N/A
48.		Section 170	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	As per item 46.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
49.	Notice of entry to property and authority to enter	Section 173(4)	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	The Water Services Act 2012, section 173 (4) states that: <i>"In relation to entry to a place for the purposes of doing works the following apply —</i> <i>(a) if the proposed works are likely to cause disruption to the occupants of the place — 48 hours' notice of the proposed entry is required to be given to the occupier of the place, unless the occupier agrees otherwise".</i> As the occupier has entered into a commercial lease with the RIA, entry to premises is considered to be covered by this agreement. The standard commercial lease provides that "the lessee will permit the lessor, agents or contractors to have access to the leased premises at all reasonable times." Therefore, this obligation is not applicable.	N/A	N/A
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	N/A	N/A
51.		Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	As per item 49.	N/A	N/A
52.		Section 175(2)	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	As per item 49.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
53.		Section 175(5)	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	As per item 49.	N/A	N/A
54.		Section 176(1)	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	As per item 49.	N/A	N/A
55.		Section 176(3)	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	4	As per item 49.	N/A	N/A
56.		Section 176(4)	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	As per item 49.	N/A	N/A
57.		Section 181	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	As per item 49.	N/A	N/A
58.		Section 186	If the licensee applies for a warrant, the application must contain the prescribed information.	4	As per item 49.	N/A	N/A
59.	Section 187(1) – (3)	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	As per item 49.	N/A	N/A	

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60.		Section 190(4)	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	As per item 49.	N/A	N/A
61.		Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	As per item 49.	N/A	N/A
62.		Section 210(5)	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The auditor confirmed by interview with RIA's Contracts and Project Officer that no person is currently designated as an inspector or compliance officer.	NP	NR
63.		Section 218(2)	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	As per item 49.	N/A	N/A
64.		Section 218(3)	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4	As per item 49.	N/A	N/A

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Water Services Regulations 2012							
74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	As the RIA has the responsibility for all roads on the Island, no work would be undertaken without the authority of the RIA. Road works are carried out by MainRoads under advice from the RIA. Therefore, this obligation is not applicable.	N/A	N/A
75.		Regulation 63	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	4	As per item 74.	N/A	N/A
89.	Compliance notice issued by licensee to include consequences and rights	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	The RIA's Contracts and Project Officer and PFM confirmed that no compliance notices would be issued as the RIA is responsible for all works on the Island. Any matters related to the lessees would be dealt with under the lease rather than any compliance notice.	N/A	N/A

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Water Services Code of Conduct (Customer Service Standards) 2013							
92.	Information for customers	Clause 7	The licensee must have written information for customers about the specified matters.	4	<p>RIA's Customer Service Charter for Water Services was available on the website until June 2014. The Charter included some of the information required by the Water Services Code of Conduct (Customer Service Standards) 2013 including the licensee functions, how to apply for a connection and the period, etc.</p> <p>In the absence of this Charter, the written information for customers is not being provided and therefore this is a non-compliance. There is also additional information required to be provided under the Code of Conduct as noted in this report.</p> <p><u><i>Recommendation 05/2015</i></u></p> <p>a) <i>The RIA should revise the information in the previous Customer Service Charter to cover the requirements in the Water Services Code of Conduct (Customer Service Standards) 2013 and re-issue as a Customer Information Statement.</i></p> <p>b) <i>The RIA should provide on the website and in hardcopy upon request, a Customer Information Statement that includes the prescribed information required by the Water Services Code of Conduct (Customer Service Standards) 2013.</i></p>	C	2

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93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	There were no new connections during the audit period as confirmed by PFM and the Water Licence Performance Reports for 2013/14 and 2014/15 submitted to the Authority. The previous Customer Service Charter stated that water services will be connected within 5 business days. As noted in obligation 92, the Charter should be revised and issued as Customer Service Information on the website. <i>Refer recommendation 05/2015.</i>	NP	NR
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	The auditor confirmed with the property leasing agent and by review of a sample of invoices to lessees that invoices are issued on an annual basis for the fixed service charges for water, wastewater and drainage.	A	1
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	The auditor confirmed with the property leasing agent and by review of a sample of invoices to lessees that invoices are issued on a monthly basis for the water use charges.	A	1
96.		Clause 10(3)	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4	Confirmed on a sample basis that invoices for usage are based on meter readings to ascertain the quantity of potable water supplied.	A	1
97.		Clause10(4)	If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	No applicable regulation is in place.	N/A	N/A

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98.		Clause 10(5)	If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	4	As stated in Section 2.4 Estimations of the Customer Service Charter, if a water meter is faulty, consumption charges will be estimated and based on an average of past consumption. The property leasing agent confirmed that, during the audit period, no such circumstances eventuated and no customer was issued with an estimated bill of usage. As noted in item 92, the Charter should be revised and issued as a Charter or Customer Service Manual on the website. <i>Refer recommendation 05/2015.</i>	NP	NR
99.	Address for billing	Clause 11	The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	4	The auditor confirmed on a sample basis compliance with this requirement over the audit period.	A	1
103.	Basis of billing estimate	Clause 13(1)	If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	4	As stated in Section 2.5 Review of Bill of the Customer Service Charter, a customer may request review of a bill. As noted in item 92, the Charter should be revised and issued as a Charter or Customer Service Manual on the website. <i>Refer recommendation 05/2015.</i>	NP	NR
104.		Clause 13(2)	The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.	4	As per item 103.	NP	NR

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105.	Request for meter reading	Clause 14(1)	The licensee must provide to the customer on request a meter reading and a bill in the prescribed circumstances.	4	The property leasing agent confirmed that, during the audit period, no such requests had been received from lessees. As stated in Section 4.6 Water Meters of the Customer Service Charter, a customer may request a meter to be tested and charges adjusted. <i>Refer recommendation 05/2015.</i>	NP	NR
106.	Higher than normal usage	Clause 15	The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak.	4	The property leasing agent confirmed that, during the audit period, no such requests had been received from lessees. There is no specific statement to this effect in the Customer Service Charter or other documents, in relation to granting a discount where there may have been a water leak. <i>Refer recommendation 05/2015.</i>	NP	NR
107.	Under and over charges	Clause 16(2)	The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.	4	The property leasing agent confirmed that no overcharging or undercharging occurred during the audit period. There is no specific statement to this effect in the Customer Service Charter or other documents, in relation to limitations on recovery of undercharges. <i>Refer recommendation 05/2015.</i>	NP	NR
108.		Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of	4	As per item 107.	NP	NR

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109.		Clause 16(4)	The licensee must not charge interest or late payment fees on an undercharged amount.	4	As per item 107.	NP	NR
110.		Clause 16(5)	The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	4	As per item 107.	NP	NR
111.		Clause 17(1)	If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	4	As per item 107.	NP	NR
112.		Clause 17(2)	The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	4	As per item 107.	NP	NR
113.		Review of bill	Clause 18(1)	The licensee must review a bill on the customer's request.	4	The property leasing agent confirmed that, during the audit period, no request was received from a customer for review of a bill. As stated in Section 2.5 Review of Bill of the Customer Service Charter, a customer may request review of a bill. The procedures for review of a bill are included in the Utilities Customer Complaints Procedure on the RIA's website.	NP
114.		Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	The procedures for review of a bill are included in the Utilities Customer Complaints Procedure on the RIA's website.	A	1

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115.		Clause 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	<p>The procedures for review of a bill are included in the Utilities Customer Complaints Procedure on the RIA's website. The audit reviewed RIA's Utilities Customer Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded, dispute resolution arrangements and time limits and methods for responding. There are some provisions that are not covered.</p> <p>The RIA's Utilities Customer Complaints Procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure instead of the procedures under the Act.</p> <p><i>Refer recommendation 06/2015.</i></p>	C	2
116.		Clause 18(4)	The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	4	Refer item 115 above.	C	2
117.		Clause 18(5)	The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	4	Refer item 115 above.	C	2

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118.	At least 14 days for payment	Clause 20	The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	4	Compliance with this requirement over the audit period was confirmed by reference to a sample of water bills. Payment is due 14 days after receiving the invoice.	A	1
119.	Payment methods	Clause 21(1)	The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4	Section 2.6 Payment Date and Methods of the Customer Service Charter allows a customer to pay by the means as per the Code of Conduct except for direct debit. The property leasing agent confirmed that in practice, direct debits would be accepted. As noted in item 92, the Charter should be revised (including payment by direct debit) and issued as Customer Service Information on the website. <i>Refer recommendation 05/2015.</i>	B	2
120.		Clause 21(2)	The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	4	The property leasing agent confirmed that no fees and charges are associated with any of the bill payment method options offered. Also confirmed by review of the standard lease and sample of invoices.	A	1
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	Refer item 119. <i>Refer recommendation 05/2015.</i>	B	NR
122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	The property leasing agent confirmed that no requests were received in the audit period. If requests were received, they would be accepted.	NP	NR
123.	Redirection of bills	Clause 24	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4	The property leasing agent confirmed that no requests were received in the audit period. If requests were received, they would be accepted.	NP	NR

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124.	Payment plan	Clause 25	The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	4	The property leasing agent confirmed that no requests were received in the audit period. Section 2.8 Payment Difficulties of the Customer Service Charter states that “the RIA can make special financial arrangements to assist you if you are experiencing financial hardship in the payment of your accounts”. Information may be obtained by calling the nominated contact number in the Charter. As noted in item 92, the Charter should be revised (including assistance provisions in section 25, 27, 28, 29 and 30 of the Code) and issued as Customer Service Information on the website. <i>Refer recommendation 05/2015.</i>	B	NR
125.	Financial hardship policy	Clauses 26(1) & (2)	The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	4	As the RIA does not have any residential customers (ie customers who receive water supply to their primary dwelling), this clause does not apply.	N/A	N/A
126.		Clause 26(3)	If the licensee’s licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	4	Refer item 125.	N/A	N/A
127.		Clause 26(4)	If the licensee’s licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	4	Refer item 125	N/A	N/A
128.		Clause 26(5)	The licensee’s financial hardship policy must be publicly available.	4	Refer item 125	N/A	N/A

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129.		Clause 26(6)	The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	4	Refer item 125	N/A	N/A
130.		Clause 27(2)	The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	4	Refer item 125	N/A	N/A
131.		Clause 27(3)	The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.	4	Refer item 125	N/A	N/A
132.		Clause 28(1)	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	Refer item 125	N/A	N/A
133.		Clause 28(4) & (5)	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	4	Refer item 125	N/A	N/A
134.		Debt recovery	Clause 29	The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.	4	As the RIA does not have any residential customers (ie customers who receive water supply to their primary dwelling) this clause does not apply.	N/A

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135	Restoration of drinking water supply	Clause 30(1)	If the licensee has reduced the rate of flow of drinking water to land under section 95(1)(b) of the Act, the licensee must restore the supply of water if the amount owing is paid, or if the customer enters into a payment arrangement for the amount owing that is satisfactory to the licensee.	4	As the RIA does not have any residential customers (ie customers who receive water supply to their primary dwelling), this clause does not apply.	N/A	N/A
136		Clause 30(2)	If the licensee has, under section 95(1)(a), (c), (d) or (e) of the Act, cut off or reduced the flow of drinking water, the licensee must restore the supply of water if the licensee is satisfied that the reason for the disconnection or reduction no longer applies.	4	As the RIA does not have any residential customers (ie customers who receive water supply to their primary dwelling), this clause does not apply.	N/A	N/A
137	Reducing the rate of flow of water - Preliminary Action	Clause 31	The licensee must not, under section 95(1)(b) of the Act, reduce the rate of flow of drinking water to a customer without having first used its best endeavours to inform the customer in person of its intention to do so if the amount owing is not paid.	4	The property leasing agent confirmed that, during the audit period, no such circumstances eventuated and no customer had the potable water flow reduced. Section 4.7 Disconnection of the Customer Service Charter provides that potable water may be disconnected.	NP	NR
138	No reduction of flow of water in certain cases	Clause 32	The licensee must not reduce the rate of flow of drinking water under the Act if the specified circumstances apply.	4	Refer item 137.	NP	NR
139.	Reducing flow rate	Clause 33	The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	4	Refer item 137.	NP	NR
142.	Timeframe to restore service	Clause 34(4)	The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4	As per item 137.	NP	NR

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144.		Clause 34(6)	The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	4	As per item 137.	NP	NR
145.	Complaints procedure	Clause 35(1)	The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	3	The Utilities Customer Complaints Procedure on the RIA's website was sighted. The procedure includes the information required.	A	1
146.		Clause 35(2)	The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	3	Although not specifically stated in Utilities Customer Complaints Procedure, the policy is compliant with the relevant provisions of the AS ISO 10002-2006 and the Authority's Customer Complaints Guidelines dated October 2008. <i>Also refer item 147 regarding obligations under the Code of Conduct.</i>	A	1

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147.		Clause 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	3	<p>The audit reviewed RIA's Utilities Customer Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded, dispute resolution arrangements and time limits and methods for responding. There are some provisions that are not covered.</p> <p><i>Recommendation 06/2015</i> <i>The RIA should update the Utilities Customer Complaints Procedure to:</i></p> <ul style="list-style-type: none"> <i>a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Energy and Water Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i> <i>b) in addition to an option of applying to the Energy and Water Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i> <i>c) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i> <p>Also, as part of revising the Customer Service Charter, the sections re Complaints need to be updated from the referral to the Department of Water to the new provisions for review of complaints as per the Code of Conduct.</p> <p><i>Refer recommendation 05/2015.</i></p>	B	2

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148.		Clause 35(4)	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.	3	The RIA's Utilities Customer Complaints Procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act. <i>Refer recommendation 06/2015.</i>	B	2
149.		Clause 35(6)	The licensee's complaints procedure must be publicly available.	4	The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. The RIA's Utilities Customer Complaints Procedure is available on RIA's website and in hardcopy upon request.	A	1
150, 151	No charge for information	Clause 36(1)	The licensee must provide a customer with the specified services on request and at no charge.	4	Under this Section of Code, the licensee must provide a customer with the following on request and at no charge: <ul style="list-style-type: none"> a) services for account, payment and general enquiries for use by customers with hearing or speech impaired; b) interpreter services for account, payment and general enquiries; c) a large-print version of any of the licensee's publicly available documents. The property leasing agent advised that, during the audit period, no such request has been received by the licensee.	A	NR
152.	Access to customer information	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	4	The property leasing agent confirmed that the customer's personal account information is made available to each customer upon request. During the audit period, no request was received by the leasing agent.	A	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
153.	All Code of Conduct information to be publicly available in hardcopy and website	Clause 37(1)	The licensee must make the prescribed information publicly available.	4	<p>The licensee must make the “prescribed information” publicly available. The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The auditor noted that the majority of the “prescribed information” set out in Section 37 of the Code is available to customers in the Customer Service Charter previously published on RIA’s website and available in a hardcopy upon request. Also, in the Utilities Customer Complaints Procedure.</p> <p>Also a copy of the Code of Conduct is available on the RIA’s website.</p> <p>However, as the Customer Charter is no longer available on the website, there are gaps in the specific information required by the Code of Conduct.</p> <p><i>Refer recommendation 05/2015.</i></p>	B	2
Licence Conditions – Specific Clauses							
155.	Fees to regulator	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	4	No fees were payable during the audit period. Annual fees have been introduced from 1 January 2015.	NP	NR
156.	Compliance generally	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	4	<p>The auditor reviewed compliance with the Water Services Act 2012, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013 as per obligations listed in this audit report and concluded that the RIA complies with the obligations except for the issues noted in this report.</p> <p><i>Refer recommendations 01/2015 to 08/2015.</i></p>	B	3

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
157.		Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	N/A	N/A
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	4	The auditor reviewed compliance with the Code of Conduct as per obligations listed in this audit report, and concluded that the licensee complies with Code of Conduct with the exception of non-compliances noted as in this audit and mainly related to providing certain information to customers. <i>Refer recommendations 05/2015, 06/2015 and 08/2015.</i>	B	2
159.		Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	4	Confirmed by reference to the Authority's website that no Rectification Notice has been issued to the RIA by the Authority.	NP	NR
160.	Compliance with Accounting Standards	Clause 12	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	4	The auditor reviewed RIA's Financial Reports for the audit period and confirmed compliance.	A	1

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	4	<p>The previous licence WL10 Version 5 to 17 November 2013 also included a performance standard that 90% of complaints be resolved within 15 business days. 7 out of 8 complaints in 2013/14 (87.5%) were resolved in 15 business days. One complaint in early February 2014 was resolved in March 2014. This is a minor non-compliance. Subsequently, new complaints procedures were introduced. In 2014/15, there were 2 complaints, both of which were resolved within 15 business days. No further action is considered necessary. (<i>Refer section 2.7 Item 1</i>).</p> <p>Individual performance standards regarding potable water system are set out in Schedule 3 of RIA's licence WL10 Version 7 dated 22 June 2015 and WL10 Version 6, dated 18 November 2013. The performance standards relate to the pressure and flow standards for potable water and conducting an annual desktop audit of the drainage scheme.</p> <p>As noted in the previous audit and in the Compliance Reports for 2013/14 and 2014/15 to the Authority, the RIA is unable to confirm that the potable water pressure and flow levels meet the minimum standards in the licence, as there are no pressure and flow measuring facilities. Installation of the equipment is to be considered in the 2015/16 capital works program. The RIA has advised that there have been no complaints from customers. This is a control issue rather than a non-compliance with the licence obligation.</p> <p><u><i>Recommendation 07/2015.</i></u> <i>As planned, the RIA should consider installing pressure and flow testing measuring facilities to periodically test that the minimum standards per the Water Licence performance standards are being achieved. Cont'd...</i></p>	C	2

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
					Re the performance standard for an annual drainage desktop test, the auditor sighted documentation of the annual drainage desktop test and confirmed it had been completed. For both the 2014 and 2015 test, there were a number of flooding incidents reported (5 in 2013/14 and 9 in 2014/15). It was noted that rectification work has progressed from year to year.		
162.	Operational audit	Clause 14.4	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	4	This audit/review is designed in accordance with the Audit Guidelines. The licensee has fully co-operated.	A	1
163.	External administration	Clause 15.1(a), (b), (c)	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	4	The auditor confirmed by interview and review of RIA's Financial Reports for the audit period that there is no external administration.	NP	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	4	<p>The auditor confirmed with RIA's Contracts and Project Officer and review of the Asset Management System documentation and drawings that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period.</p> <p>The requirement to notify the Authority of any material change to the asset management system within 10 business days of providing or undertaking water service works that are major works or general works is not included in the "RIA Licence and Compliance Register".</p> <p><i><u>Recommendation 08/2015.</u></i> <i>The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any major or general water service works within 10 business days of the change.</i></p>	D	NR
165.	Provision of information to Authority	Clause 16.1	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	3	<p>In accordance with the Water Compliance Reporting Manual April 2014, the RIA is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The auditor reviewed RIA's correspondence with the Authority and the Compliance and Performance Reports for 2013/14 and 2014/15 and confirmed the reports had been submitted by the due dates.</p> <p>The auditor reviewed RIA's Licence and Compliance Register and noted the requirements to submit the annual Compliance Report and Performance Report by the due date are included.</p>	A	1

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
166.	Compliance reporting to Authority	Clause 16.2	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	3	As per item 165, the auditor reviewed the licensee's correspondence with the Authority and licensee's Compliance and Performance Reports for the years' ending 30 June 2014 and 2015 and confirmed the required information had been provided. Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that the Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The auditor sighted a copy of the Compliance Register for the audit period.	A	1
167.	Performance reporting to Authority	Clause 16.3	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	3	The auditor reviewed RIA's correspondence with the Authority and RIA's Performance Reports for the years' ending 30 June 2014 and 2015 and confirmed the RIA provided the Authority with the data required for performance reporting purposes in the time and format required.	A	1
168.	Publishing information	Clause 17.2	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	4	The auditor reviewed RIA's correspondence with the Authority in the audit period and confirmed that in the audit period, the RIA was not directed by the Authority to publish any information.	NP	NR
169.	Notices in writing	Clause 18.1	Unless otherwise specified, all notices must be in writing.	4	The auditor reviewed RIA's correspondence with the Authority in the audit period and confirm compliance. All correspondence observed was in hardcopy letter or email.	A	1
170.	Notify Authority of asset management system (AMS)	Clause 20.1	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval.	A	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
171.	Notify Authority of material change to AMS	Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	4	The auditor confirmed with RIA's Contracts and Project Officer, Programmed Facilities Management and field observations that no significant changes have been made to the Asset Management System (AMS) during the audit period. The requirement to notify the Authority of any material change to the AMS within 10 days of the change was previously included in the RIA's "Utilities Compliance Schedule". This schedule has been replaced by the "RIA Licence and Compliance Register" but the requirement to notify the Authority of changes to the AMS within 10 business days is not included. <i>Refer recommendation 01/2015</i>	D	NR
172.	Asset Management System Review	Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	4	This review is being undertaken in accordance with the Audit and Review Guidelines. The licensee has fully cooperated with the review.	A	1
173.	Ombudsman scheme	Clause 21.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the Water Services Ombudsman scheme.	4	Confirmed by interview with RIA's Contracts and Project Officer and review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman Scheme.	A	1
174	Customer contract	Clause 22.1	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	4	There are no specific terms and conditions in Schedule 4 of the licence WL10 so this clause was not performed in the audit period.	NP	NR
175.		Clause 23.1	If directed by the Authority, the licensee must submit a draft customer contract for approval.	4	The RIA's Contracts and Project Officer confirmed there has been no directive from the Authority.	NP	NR

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
176.		Clause 23.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	4	As per item 174.	NP	NR
177.		Clause 23.3	The licensee may only amend the customer contract with the Authority's approval.	4	As per item 174.	NP	NR
178.		Clause 23.6	The licensee must comply with any direction by the Authority to amend the customer contract.	4	As per item 174.	NP	NR
179.		Clauses 24.1 and 24.2	Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> without the prior approval of the Authority.	4	The Property Leasing Agent provided a copy of the standard leasing contract. The auditor confirmed that there are no provisions to restrict the terms and conditions of the licence or the Code of Conduct. There are no other contracts or agreements in use.	NP	NR
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	4	As per item 179.	NP	NR
181.	Obligations of supplier of last resort	Clause 25.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act	4	The auditor confirmed with RIA's Contracts and Project Officer that the RIA was not appointed as a supplier of last resort.	N/A	N/A

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
182.	No services outside operating area	Clause 28.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	4	The auditor confirmed by interview with RIA's Contracts and Project Officer, review of Asset Management System documentation and observation that The RIA does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-189.	N/A	N/A
183.	Financial hardship Policy guidelines	Clause 30.3	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	4	As the customers are commercial businesses, the RIA is not required to have a Financial Hardship Policy.	N/A	N/A
184	MOU with the Department of Health	Clause 31.1	The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	4	The auditor sighted the Memorandum of Understanding with the Department of Health (MOU) dated 18 April 2012. The MOU was due to expire on 18 April 2015 but has been extended by the Department to 31 December 2015.	A	1
185		Clause 31.2	The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	4	The MOU is a legal document signed by both parties. An audit by the Department of Health was due in April 2015 but an extension to December 2015 was approved by the Department (correspondence sighted).	A	1
186		Clause 31.3	The licensee must comply with the terms of the Memorandum of Understanding.	4	From this audit and review of reports to the Department of Health, the audit concluded that the RIA is complying with the MOU with the exception of: <ul style="list-style-type: none"> The annual drinking water test for 2014/15 was late by 6 weeks Some water quality tests during the audit period (up to 10%) did not meet the aesthetic chemical quality but there were no reported risks to health or customer complaints. <p><i>Cont'd....</i></p>	B	2

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
					<ul style="list-style-type: none"> On 17 June 2014, a water tank lost part of its roof in a storm and was isolated from the potable water network. Subsequent water testing identified higher levels of impurities that guidelines. This was reported to the Department. <p>The RIA has confirmed, and this audit has confirmed, that appropriate action has been taken on the above exceptions or they do not pose any significant health risk. The RIA has also developed a Drinking Water Quality Risk Management Plan (May 2015) to ensure that all risks are identified and treated. No further action is considered necessary. (Refer section 2.7 Item 2).</p>		
187		Clause 31.4	The licensee must publish the Memorandum of Understanding and any amendments to the Memorandum of Understanding within one month of signing or making the amendment.	4	The auditor confirmed the MOU is published on the RIA's website.	A	1
188		Clause 31.5	The licensee must publish the audit report on compliance with its obligations under the Memorandum of Understanding on its website within one month of the completion of the audit.	4	There has not been any audit by the Department of Health during this licence audit period.	NP	NR
189		Clause 31.6	The licensee must publish any reports required by the Department of Health or set out in the Memorandum of Understanding on the licensee's website quarterly or at a reporting frequency specified by the Department of Health.	4	The auditor confirmed that the quarterly and annual drinking water quality reports have been published on the RIA's website for the audit period from 1 July 2013 to 30 June 2015.	A	1

No ⁸	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁹	Compliance Rating ¹⁰
190.	Service and performance standards (if applicable)	Clause 31.1	The licensee must comply with the service and performance standards as set out in Schedule 3.	1	<p>The previous licence WL10 Version 5 to 17 November 2013 also included a performance standard that 90% of complaints be resolved within 15 business days. 7 out of 8 complaints in 2013/14 (87.5%) were resolved in 15 business days. One complaint in early February 2014 was resolved in March 2014. This is considered a minor non-compliance. Subsequently, new complaints procedures were introduced. In 2014/15, there were 2 complaints, both of which were resolved within 15 business days. No further action is considered necessary. (Refer section 2.7 Item 1).</p> <p>Individual performance standards regarding potable water system are set out in Schedule 3 of RIA's licence WL10 Version 7 dated 22 June 2015 and WL10 Version 6, dated 18 November 2013. The performance standards relate to the pressure and flow standards for potable water and conducting an annual desktop audit of the drainage scheme.</p> <p>As noted in the previous audit and in the Compliance Reports for 2013/14 and 2014/14 to the Authority, the RIA is unable to confirm that the potable water pressure and flow levels meet the minimum standards in the licence, as there are no pressure and flow measuring facilities. Installation of the equipment is to be considered in the 2015/16 capital works program. The RIA has advised that there have been no complaints from customers. This is a control issue rather than non-compliance. <i>Refer recommendation 07/2015.</i></p> <p>The auditor sighted documentation of the annual drainage desktop audit and confirmed it had been completed.</p>	C	2

2.7 Current Audit Non-Compliances and Recommendations

Table of Current Audit Non- Compliances and Recommendations			
A. Resolved during current audit period			
Item (no.) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Date Resolved (& management action taken)	Auditor's Comments
1 (161)	<p>Performance Standard – Complaints Resolution <i>Licence obligation 13.1</i> <i>Non-compliant – Minor impact</i></p> <p>The previous licence WL10 Version 5 to 17 November 2013 also included a performance standard that 90% of complaints be resolved within 15 business days. 7 out of 8 complaints in 2013/14 (87.5%) were resolved in 15 business days. One complaint in early February 2014 was not resolved until March 2014.</p> <p>Subsequently, new complaints procedures were introduced. In 2014/15, there were 2 complaints, both of which were resolved within 15 business days. No further action is considered necessary.</p>	New Utilities Customer Complaints Procedure introduced in 2014.	Confirmed procedures were applied in remaining audit period.
2 (186)	<p>Compliance with Department of Health's Memorandum of Understanding <i>Licence obligation 31.3</i> <i>Non-compliant – Minor impact</i></p> <p>From this audit and review of reports to the Department of Health, the audit concluded that the RIA is complying with the MOU with the exception of:</p> <ul style="list-style-type: none"> The annual drinking water test for 2014/15 was late by 6 weeks <p>Some water quality tests during the audit period (up to 10%) did not meet the aesthetic chemical quality but there were no reported risks to health or customer complaints.</p> <ul style="list-style-type: none"> On 17 June 2014, a water tank lost part of its roof in a storm and was isolated from the potable water network. Subsequent water testing identified higher levels of impurities that guidelines. This was reported to the Department. <p>The RIA has confirmed, and this audit has confirmed, that appropriate action has been taken on the above exceptions or they do not pose any significant health risk.</p>	Resolved progressively during the audit period as water quality testing exceptions to guidelines have been identified. The RIA has also developed a Drinking Water Quality Risk Management Plan (May 2015) to ensure that all risks are identified and treated in future.	Confirmed that the exceptions identified have been addressed.

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
01/2015 (6)	<p>Asset Management System <i>Water Services Act 2012 Sections 24(1)(a) and 24(2)</i> <i>Non-compliant – Moderate impact</i></p> <p>The licensee must have an asset management system that provides for the operation and maintenance of the water service works.</p> <p>This audit and review confirmed the licensee has an asset management system. However as noted in the Compliance Report for 2014/15 to the Authority, the Asset Management System requires updating to include a detailed Asset Management Plan for water assets for the next 5 year period and a detailed Asset Register. This work is expected to be completed in 2015/16.</p>	As planned, the RIA should develop and implement an overall Asset Management Plan for potable water, non-potable water, irrigation and drainage. This should be integrated with the overall Strategic Asset Investment Plan and supporting policies, procedures and the Asset Register system.	Nil
02/2015 (7, 171)	<p>Changes to Asset Management System <i>Water Services Act 2012 Sections 24(1)(b)</i> <i>Licence condition clause 20.2</i> <i>Not rated</i></p> <p>The auditor confirmed with RIA's Contracts and Project Officer, Programmed Facilities Management and field observations that no significant changes have been made to the Asset Management System (AMS) during the audit period.</p> <p>The requirement to notify the Authority of any material change to the AMS within 10 days of the change was previously included in the RIA's "Utilities Compliance Schedule". This schedule has been replaced by the "RIA Licence and Compliance Register" but the requirement to notify the Authority of changes to the AMS within 10 business days is not included.</p>	The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any material change to the Asset Management System within 10 business days of the change.	Nil

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
<p>03/2015 (16)</p>	<p>Interruption of Water Supplies <i>Water Services Act 2012 Section 77(3)</i> <i>Non-compliant – Moderate impact</i></p> <p>The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.</p> <p>The 2013/14 Compliance Report to the Authority notes that there were 9 water pipe breaks that affected accommodation units on the Island. These included one break that affected 150 Kingstown visitors in April 2014 with water services being restored after 30 hours. Non-potable water and bottled drinking water was supplied to visitors.</p> <p>The 2014/15 Compliance Report stated there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment.</p> <p>The RIA has undertaken localised potable reticulation repairs and improved detection of water leaks via a monitoring system for bulk meters. There is still a risk of unplanned interruptions due to the ageing infrastructure.</p>	<p>As planned, the RIA should continue remedial action to reduce the risk of unplanned interruption of potable water supplies, including localised potable reticulation repairs, investigation of acoustic leak detection systems, improved metering and commencement of a GPS survey of higher risk pipes</p>	<p>Continuing</p>
<p>04/2015 (22)</p> <p>(23)</p>	<p>Fire Hydrants <i>Water Services Act 2012 Section 96(1)</i> <i>Non-compliant – Moderate impact</i></p> <p><i>Water Services Act 2012 Section 96(5)</i> <i>Not rated</i></p> <p>If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.</p> <p>The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.</p>	<p>As planned and in conjunction with DFES, the RIA should upgrade the fire hydrant system to DFES standards.</p>	<p>Nil</p>

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>RIA's Contracts and Project Officer confirmed that fire hydrants are installed but do not meet DFES requirements as identified in a survey in 2012. The survey advised that the system's pressure is insufficient for a major fire event and also several hydrants have been shut off. There has also been no pressure testing for at least 5 years as this may damage the water mains. The RIA has advised there is an alternative response to fire events by use of bulk fire water tankers. It is outside the scope of this audit to assess the effectiveness of alternative responses.</p> <p>The RIA's Fire and Emergency Manager advised that no formal requests have been received from DFES or the City of Cockburn under the Act.</p> <p>The RIA's approved capital expenditure plan for 2015/16 includes new hydrants and a separate fire main pipeline using non-potable water, to address the issues with mains pressure for firefighting and to deliver a compliant system.</p>		
<p>05/2015</p> <p>(92,119,153)</p> <p>(93,98,103,104,105, 106,107,108,109, 110,111,112,113, 121, 122,123,124,137, 138,139,142,144)</p>	<p>Information for Customers</p> <p><i>Water Services Act 2012 – Section 27</i></p> <p><i>Licence conditions – Clause 5.1. and 5.3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013</i> Clauses 7, 21(1), 37(1). Non-compliant – Minor impact</p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013</i> Clauses 8, 10.5, 13(1), 13(2), 14(1), 15, 16(2), 17(1), 17(2), 18(1), 22, 23(1), 24, 25, 31, 32, 33, 34(4), 34(6). Not rated (no activity in audit period)</p> <p>The licensee must have written information for customers about the specified matters.</p> <p>RIA's Customer Service Charter for Water Services was available on the website until June 2014. The Charter included some of the information required by the Water Services Code of Conduct (Customer Service Standards) 2013 including the licensee functions,</p>	<p>a) The RIA should revise the information in the previous Customer Service Charter to cover the requirements in the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i> and re-issue as a Customer Information Statement.</p>	<p>Nil</p>

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>how to apply for a connection and the period, etc.</p> <p>In the absence of this Charter, the written information for customers is not being provided and therefore this is a non-compliance. There is also additional information required to be provided to customers under the Code of Conduct as noted in this report. This includes:</p> <ul style="list-style-type: none"> • Timeliness of connections • If an accurate meter reading is not possible, bill based on estimates • Request for meter reading • Discount policy if usage high due to leakage • Procedures re overcharges and undercharges • Payment methods to include direct debit. • Provisions if unable to pay by due date. • Referral of complaints to the Energy and Water Ombudsman, etc. 	<p>b) The RIA should provide on the website and in hardcopy upon request, a Customer Information Statement that includes the prescribed information required by the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i>.</p>	
<p>06/2015</p> <p>(115-117, 147,148)</p>	<p>Complaints Procedures</p> <p><i>Water Services Act 2012 Section 27</i> <i>Licence conditions – Clause 5.1, 5.3</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(3)-(6), 35(3)-(4)</i></p> <p><i>Non-compliant – Minor impact</i></p> <p>The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</p> <p>The audit reviewed RIA's Utilities Customer Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded, dispute resolution arrangements and time limits and methods for responding. There are some provisions that are not covered.</p> <p>The RIA's Utilities Customer Complaints Procedure does not inform</p>	<p>The RIA should update the Utilities Customer Complaints Procedure to:</p> <ol style="list-style-type: none"> a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Energy and Water Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal; b) in addition to an option of applying to the Energy and Water Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and c) set out the benefits to the customer, in relation to time and costs, if the 	<p>Nil</p>

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure or instead of the procedures under the Act.	customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.	
07/2015 (161)	<p>Assessment of Performance Standards – Pressure and Flow Testing</p> <p><i>Water Services Act 2012 – Section 27</i></p> <p><i>Licence conditions – Clause 13.1 and Schedule 3</i></p> <p><i>Not rated</i></p> <p>Individual performance standards regarding potable water system are set out in Schedule 3 of RIA's licence WL10 Version 7 dated 22 June 2015 and WL10 Version 6, dated 18 November 2013. The performance standards relate to the pressure and flow standards for potable water and conducting an annual desktop audit of the drainage scheme.</p> <p>As noted in the previous audit and in the Compliance Reports for 2013/14 and 2014/14 to the Authority, the RIA is unable to confirm that the potable water pressure and flow levels meet the minimum standards in the licence, as there are no pressure and flow measuring facilities. Installation of the equipment is to be considered in the 2015/16 capital works program. The RIA has advised that there have been no complaints from customers. This is a control issue rather than a non-compliance with the licence obligation.</p>	As planned, the RIA should consider installing pressure and flow testing measuring facilities to periodically test that the minimum standards per the Water Licence performance standards are being achieved.	Nil

B. Unresolved at end of current audit period			
Recommendation (no./year) & Obligation (no.)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
<p>08/2015</p> <p>(164)</p>	<p>Advise Authority of Major or General Works</p> <p><i>Water Services Act 2012 Section 27</i></p> <p><i>Licence conditions – Clause 15.1(d)</i></p> <p><i>Not rated</i></p> <p>The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.</p> <p>The auditor confirmed with RIA's Contracts and Project Officer and review of the Asset Management System documentation and drawings that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period.</p> <p>However, the requirement to notify the Authority of any material change to the asset management system within 10 business days of providing or undertaking water service works that are major works or general works is not included in the "RIA Licence and Compliance Register".</p>	<p>The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any major or general water service works within 10 business days of the change.</p>	<p>Nil</p>

2.8 Conclusion

This audit has been conducted to assess the licensee's level of compliance with the conditions of its licence.

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the RIA has:

- a) complied with 147 applicable licence obligations during the audit period from 1 July 2013 to 30 June 2015 with the exception of 5 'moderate' non-compliances and 10 'minor' non-compliances relating to the following areas (some are grouped):

Moderate

- the RIA has an asset management system including detailed procedures but there is no overall Asset Management Plan for potable water, non-potable water, irrigation and drainage services as required by the licence;
- unplanned interruptions to water supply, for example, in 2014/15 there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment;
- the fire hydrants on the Island do not meet the Department of Fire and Emergency Services (DFES) standards;

Minor

- not all of the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* is available on the RIA's website and in hardcopy; and
- the complaints procedure does not contain the further review mechanisms under the *Water Services Code of Conduct (Customer Service Standards) 2013*;

Not rated (no activity in audit period)

- the procedures do not include the requirements to notify the Authority within 10 business days of major changes to the asset management system, or providing or undertaking water service works that are major works or general works;

- b) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above and the following control weakness:

- there is no potable water pressure and flow testing to confirm that the actual water pressure and flow meet the performance standards in the licence, due to the ageing infrastructure and the risk of bursts if this was to be undertaken; and

- c) maintained the data integrity of reporting to the Authority.

The audit recommended that the RIA should:

- a) develop a detailed Asset Management Plan for the potable water, non-potable water and drainage services
- b) as planned, continue remedial action to minimise the risk of interruptions to potable water supplies due to the ageing reticulation system;
- c) as planned and in conjunction with DFES, upgrade the fire hydrant system to DFES standards;
- d) provide on the website and in hardcopy upon request, a Customer Information Statement that includes the prescribed information required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- e) update the complaints procedure to include the further review mechanisms; and
- f) include in the Licence and Compliance Register the requirements to notify the Authority within 10 business days of major changes to the asset management system, or providing or undertaking water service works that are major works or general works.
- g) as planned, consider installing pressure and flow testing measuring facilities.

3. Asset Management System Review

3.1 Description of Infrastructure

Rottneest Island's potable water source is supplied from a mix of bore fresh water extracted from shallow lens aquifers below the island and saline water treated through a reverse osmosis process. The chlorine gas treated potable water is then reserved in a series of storage and header (pressure) tanks after being sterilised using chlorine gas and reticulated to the settlements via a network of underground pipeline infrastructure.

Wastewater generated on the Island is collected and conveyed via a piped underground gravity sewer system to a series of sewer pump stations and ultimately transferred to the wastewater treatment plant located on the Island. A high level screw fed grit removal system precedes the batch activated sludge wastewater treatment plant, where effluent is gravity fed to the equalisation with aeration and sedimentation tanks below. The majority of treated effluent is decanted and then evaporated onsite in an evaporation basin adjacent to the treatment plant. A small portion of the treated wastewater is pumped to a nearby sporting oval where it is used for irrigation purposes during summer.

Sludge is collected and stored in an earthen basin at the plant. Prior to the basin being filled, the material is excavated and then transported to the mainland for disposal in accordance with the Department of Environment requirements.

3.2 Objectives and Scope

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

The scope of the review included an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

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

The highest priority asset components based on inherent risk and the previous review were:

- **Asset Planning** - high inherent risk.
- **Environmental Analysis** – high inherent risk and the previous review noted inadequate documentation of a comprehensive overview of the various water services licences held, compliance requirements of such licences, and the opportunities and threats to the various systems.
- **Asset Operations** – the previous review noted the operating and maintenance instructions are lacking explanatory notes on the basics of the (potable water) Reverse Osmosis (RO) plant and Waste Water Treatment

Plant (WWTP) processes as well as procedures for their implementation and operation. Also, the training matrix was noted to be incomplete and out of date.

- **Asset Maintenance** – the previous review noted an issue re lack of holding critical and/or long delivery spares as well as lacking written procedures in respect of spares other than critical or long term delivery spares. The previous review also noted an apparent lack of investigation of the type and extent of the work necessary to be undertaken as part of the staged repair program.
- **Asset Management Information System** – the previous review noted the electronic documents of the asset management information system were not being filed with cross referencing for the benefit of the user and/or reviewer. It was also noted the system lacks a flow diagram detailing the interaction and tasks performed by the RIA and PFM.
- **Risk Management** – high inherent risk and the previous review noted the RIA's risk management plan is an appendix of its Asset Management Plan (AMP). Computer files of the AMP and its appendices are stored as separate documents and are difficult to locate. Appendices to reports and other documents are not dated and do not reference the main documents they support.
- **Contingency Planning** - high inherent risk and the previous review noted a detailed Water Recovery/Contingency Plan 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 Rottneest services which may need to be involved e.g. Police, ambulance and fire services. It was also noted that the table of contents of the document refers to a schedule for Recovery Plan drills, which was not included in the documents.
- **Review of the Asset Management System** – the previous review noted there is no evidence of a system for regular review of asset management related documents and most documents associated with management of the assets were noted to be undated, out of date, or having multiple dates; and some documents did not include appendices indicated in the Table of Contents.

This review covered the period from 1 July 2013 to 30 June 2015.

3.3 Asset Management Process and Performance Rating Scales

The adequacy of process policy and definition and the performance of the key processes were assessed using the scales described in the tables below. The overall effectiveness rating for each asset management process is based on a combination of the process and policy adequacy rating and the performance rating.

Asset Management Process and Policy Definition - Adequacy ratings

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

Asset Management Performance ratings

RATING	DESCRIPTION	CRITERIA
1	Performing effectively	<ul style="list-style-type: none"> The performance of the process meets or exceeds the required levels of performance. Process effectiveness is regularly assessed, and corrective action taken 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	Some 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.

3.4 Status of Previous Review Recommendations

The previous review covered the period 1 July 2011 to 30 June 2013 and was reported in November 2013.

Reference (no./year)	Effectiveness criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
A. Resolved before end of previous review period				
	Nil			
B. Resolved during current review period				
08/2013 C1	<p>Environmental Analysis</p> <p>A list of water services licences and relevant agencies are recorded in Schedule 11 of the Rottneest Island Facilities, Operations and Utilities Management Agreement between RIA and Tungsten Group Pty Ltd – September 2007. 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.</p>	<p>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.</p> <p>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.</p>	March 2014	No – The RIA Licences and Compliance Register includes details of the licences held for the provision of water and the frequency of reporting.
09/2013 B1	<p>Asset Operations – Operating Instructions and Training</p> <p>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.</p> <p>It is noted that two very experienced operators are</p>	<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 	October 2014	<p>No - A new operational manual has been developed for the RO plant.</p> <p>The training matrix has been reviewed and updated by PFM.</p> <p>The wastewater treatment plant is being replaced. Design work has commenced but completion is not expected until 2016 or 2017. A new operational manual will be provided at that time. The</p>

Reference (no./year) Compliance rating	Effectiveness criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
	<p>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.</p> <p>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. The Reviewer recognises 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. A detailed training matrix has been prepared, but it appears to be incomplete and out of date – despite being dated September 2013.</p>	contingency plans.		current operation of the WWTP indicates that staff have an adequate knowledge of the operations of the plant and there are adequate safeguards in the preventative maintenance and monitoring put in place via the Maximo system.
10/2013 B1	<p>Asset Maintenance – Critical Spares</p> <p>The 2011 Reviewer noted that one of the dual trains of the potable water treatment plant was recently closed down for some twelve months due a lack of critical spares. During this period, potable water supply was maintained by excessive pumping of the potable water bore field. Unofficial comment to Reviewer was that critical spares are too expensive to hold. 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.</p>	<ul style="list-style-type: none"> PFM should submit the prepared list of critical spares to the RIA and the RIA should review the competing aspects of risk and financial cost associated with holding critical and/or long delivery spares and resolve this issue. A written procedure, in respect of spares, should be prepared and implemented for the guidance for employees. This procedure should include the topics of maintaining inventory and the ordering of spares. 	June 2014	<p>No - The procurement of critical spares as determined from the risk identification process in 2012 was completed and the outstanding spare refurbished desalination hydraulic turbine was delivered.</p> <p>A Hydraulic Services Critical Spares Register has been developed and is kept by PFM. PFM and RIA will be reviewing the range of critical spares together with ongoing</p>

Reference (no./year) Compliance rating	Effectiveness criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
				management and budgeting costs.
11/2013 B1	Asset Maintenance – Sewer Reticulation 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 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.	-	No – CCTV inspections are undertaken on an 'as needed' basis. An Asset Condition Baseline project is being undertaken to record and assess the condition of all individual assets.
12/2013 B2	Asset Management Information System 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.	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" 30 June 2013 and that all licence related documents added subsequently be stored in annual folders rather than subject folders.	June 2014	No – PFM has established a structured set of folders for the RIA water asset management system. The responsibilities of RIA and PMF are more clearly set out in the new Facilities Utilities Support Services contract.
13/2013 B1	Risk Management 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.	Appendices to reports and other documents should be dated and reference the main document it supports. PFM will ensure that appendices to reports and other documents will be dated and reference is made to the main document it supports.	December 2014	No - A detailed "Enterprise Risk Management Plan" was developed by PFM in December 2014.

Reference (no./year) Compliance rating	Effectiveness criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
14/2013 B2	<p>Contingency Planning</p> <p>PFM has a detailed Water Recovery/ Contingency Plans document for fourteen failure scenarios associated with the water services.</p> <p>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</p> <p>The table of contents of the document refers to a schedule for Recovery Plan drills. However, the schedule was not included in the document.</p>	<p>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</p> <p>The Recovery Drill schedule referred to in the table of contents should be added to an appendix in the document.</p>	June 2014	<p>No – The Water Services Recovery and Contingency Plan has been updated with key contacts.</p> <p>The testing of the Plan is now part of an annual test of the Drinking Water Quality Risk Management Plan (latest test was in June 2014).</p>

Reference (no./year) Compliance rating	Effectiveness criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details (Including current recommendation ref. if applicable)
15/2014 C3	<p>Review of Asset Management System</p> <p>There is no evidence of a culture or system for a regular review of asset management related documents as noted by:</p> <ul style="list-style-type: none"> 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; 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. 	<p>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.</p> <p>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.</p> <p>A list of Asset Management System procedures/documents will be prepared, including a reminder schedule to ensure reviews are annually undertaken.</p> <p>PFM will be producing an Asset Management Plan at the beginning of 2014.</p> <p>The RIA Strategic Management Plan is still in early draft stage and is currently being reviewed by the Department of Finance.</p>	June 2014	No – The various documents referred to in the previous review have been updated.
C. Unresolved at end of current review period				
	Nil			

3.5 Summary of Asset Management System Effectiveness Ratings

The audit assessment of the asset management system process and policy definitions and their effectiveness, based on -the ratings scale in Section 3.3, is shown in the table below.

Section 3.6 provides further details of the rating for each process in the asset management system.

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
1. Asset planning		B					3		
1.1 Asset management plan covers key requirements.		B					3		
1.2 Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	A				1				
1.3 Service levels are defined.	A				1				
1.4 Non-asset options (e.g. demand management) are considered.	A				1				
1.5 Lifecycle costs of owning and operating assets are assessed.		B					3		
1.6 Funding options are evaluated.		B					3		
1.7 Costs are justified and cost drivers identified.	A				1				
1.8 Likelihood and consequences of asset failure are predicted.	A				1				
1.9 Plans are regularly reviewed and updated.		B					3		
2. Asset creation/ acquisition	A				1				
2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	A				1				
2.2 Evaluations include all life-cycle costs.	A				1				
2.3 Projects reflect sound engineering and business decisions.	A				1				
2.4 Commissioning tests are documented and completed.	A				1				
2.5 Ongoing legal/environmental/safety	A				1				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating			Performance rating			
obligations of the asset owner are assigned and understood.	A			1			
3. Asset disposal	A			1			
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process.	A			1			
3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	A			1			
3.3 Disposal alternatives are evaluated.	A			1			
3.4 There is a replacement strategy for assets.	A			1			
4. Environmental analysis	A				2		
4.1 Opportunities and threats in the system environment are assessed.	A			1			
4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	A				2		
4.3 Compliance with statutory and regulatory requirements.	A			1			
4.4 Achievement of customer service levels.	A			1			
5. Asset operations	A	B			2		
5.1 Operational policies and procedures are documented and linked to service levels required.	A			1			
5.2 Risk management is applied to prioritise operations tasks.	A			1			
5.3 Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	A				2		
5.4 Operational costs are measured and monitored.	A			1			
5.5 Staff resources are adequate and staff receive training commensurate with their responsibilities.	A			1			
6. Asset maintenance	A				2		
6.1 Maintenance policies and procedures are documented and linked to service levels required.	A			1			
6.2 Regular inspections are undertaken of asset performance and condition.	A				2		
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A			1			
6.4 Failures are analysed and	A			1			

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating			Performance rating			
operational/maintenance plans adjusted where necessary.	A			1			
6.5 Risk management is applied to prioritise maintenance tasks.	A			1			
6.6 Maintenance costs are measured and monitored.	A			1			
7. Asset Management Information System (MIS)	A			1			
7.1 Adequate system documentation for users and IT operators.	A			1			
7.2 Input controls include appropriate verification and validation of data entered into the system.	A			1			
7.3 Logical security access controls appear adequate, such as passwords.	A			1			
7.4 Physical security access controls appear adequate.	A			1			
7.5 Data backup procedures appear adequate and backups are tested.	A			1			
7.6 Key computations related to licensee performance reporting are materially accurate.	A			1			
7.7 Management reports appear adequate for the licensee to monitor licence obligations.	A			1			
8. Risk management	A			1			
8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	A			1			
8.2 Risks are documented in a risk register and treatment plans are actioned and monitored.	A			1			
8.3 The probability and consequences of asset failure are regularly assessed.	A			1			
9. Contingency planning	A			1			
9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	A			1			
10. Financial planning		C				4	
10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives.		C			3		
10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs.		C				4	
10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance		C				4	

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
sheets).								
10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.			C				3	
10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.			C				4	
10.6 The financial plan states the financial objectives and strategies and actions to achieve the objectives.			C				4	
11. Capital expenditure planning				D			3	
11.1 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.			C				3	
11.2 The plan provides reasons for capital expenditure and timing of expenditure.			C				3	
11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.				D			3	
11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.			C				3	
12. Review of asset management system		B					3	
12.1 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.		B					3	
12.2 Independent reviews (e.g. internal audit) are performed of the asset management system.	A				1			

3.6 Review Observations and Recommendations

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ¹¹	B	Performance Rating ¹²	3
1	ASSET PLANNING				
1.1	Asset management plan covers key requirements.	The RIA has developed the Rottneast Island Management Plan 2014-19 and the Strategic Asset Investment Plan 2014-15 to 2023-24 that include the key requirements for the potable water supply and the wastewater services. The RIA intends to develop a specific Asset Management Plan for the water assets but this has not yet occurred. <i>Refer recommendation 01/2015.</i>			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The business planning process in developing the above plans has included input from stakeholders and is integrated with the RIA's planning and budgeting processes.			
1.3	Service levels are defined.	The service levels for the potable water supply, wastewater and sewerage service and grounds maintenance (including drainage) are defined in the Rottneast Island Facilities, Utilities and Support Services (FUSS) contract between the RIA and Programmed Facility Management (PFM). Monthly reports are provided to the RIA. Performance in respect of the licence is also measured in the annual performance reports to the Authority.			
1.4	Non-asset options (e.g. demand management) are considered.	Non-asset options have been considered in the Strategic Asset Investment Plan 2014-15 to 2023-24, such as the use of renewable energy to power the wastewater treatment plant and the greater use of recycled water for irrigation to conserve potable water supplies.			
1.5	Lifecycle costs of owning and operating assets are assessed.	The lifecycle costs of the water assets have not yet been assessed and budgeted for by the RIA. The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that "the RIA lacks a long term strategy for the ongoing maintenance and renewal of its built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its assets". <i>Recommendation 09/2015</i> a) <i>The detailed Asset Management Plan for potable water and wastewater treatment assets should include the lifecycle costs of owning and operating the assets over the lifecycle of the assets.</i>			
1.6	Funding options are evaluated.	The Strategic Asset Investment Plan 2014-15 to 2023-24 recognises that funding options need to be further considered. This is planned to continue and to be developed further when the asset baseline project has been			

¹¹ Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

¹² Performance ratings: 1=performing effectively, 2=opportunity for improvement, 3=corrective action required, 4=serious action required

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>completed in 2016.</p> <p><u>Recommendation 09/2015</u></p> <p><i>b) The detailed Asset Management Plan for potable water and wastewater treatment assets should consider the funding options for the maintenance and renewal of the assets.</i></p>			
1.7	Costs are justified and cost drivers identified.	The operating and maintenance costs and capital expenditure have been justified in the Cashflow Analyses for potable/non potable water supply and wastewater supply included in the respective AMPs. The cost drivers are the sale of lots that would require further capital expenditure to accommodate the increase demand and expansion of the project to the next stages, condition of the assets and the maintenance regime which will impact the life of the assets.			
1.8	Likelihood and consequences of asset failure are predicted.	PFM has developed an Enterprise Risk Management Plan (May 2015) that includes detailed risk assessments for the potable water supply and wastewater treatment services, including the likelihood and consequences of asset failure.			
1.9	Plans are regularly reviewed and updated.	<p>The Strategic Asset Investment Plan 2014-15 to 2023-24 was reviewed and updated in October 2014. The asset investment required is reviewed annually as part of developing the capital expenditure programme each year. Review of the detailed Asset Management Plan, when developed, should be included in the Plan.</p> <p><u>Recommendation 09/2015</u></p> <p><i>c) The detailed Asset Management Plan for potable water and wastewater treatment assets should be reviewed and updated if major changes occur or at least every 5 years.</i></p>			
2	ASSET CREATION/ ACQUISITION	Process Rating	A	Performance Rating	1
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	The only significant new asset during the audit period was the addition of a third train to the desalination plant in December 2013. The additional train increased the capacity from 220kL/day to 670kL/day (244ML per year). The two original trains were commissioned in 1995. The evaluation and procurement were performed in accordance with the RIA's procurement framework and included adequate evaluation of the need for the new asset. The procurement is in accordance with the Department of Finance and State Supply Commission guidelines.			
2.2	Evaluations include all life-cycle costs.	The evaluation for the third train at the desalination plant included considering the lifecycle costs.			
2.3	Projects reflect sound engineering and business decisions.	The evaluation and procurement were performed in accordance with the RIA's procurement framework and included adequate evaluation of the need for the new asset.			
2.4	Commissioning tests are documented and completed.	There is a PFM procedure for the commissioning and handover of new assets. Commissioning tests for the third train were completed by PFM and evidenced in a handover checklist.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	The ongoing obligations of the asset owner, RIA, have been assigned to the contractor, PFM, under the Rottnest Island Facilities, Utilities and Support Services (FUSS) contract between the RIA and PFM. The reviewer sighted various documentation of environment and safety procedures for the ongoing operation of the water assets on the Island including Asset Management Process Manual, Asset Register Management procedure, Asset Change Form			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		and Asset Commissioning and Handover procedure.			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	1
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Under-utilised and under-performing assets are identified from observations of key performance indicators as set out in the FUSS contract. Under-performing assets are also being identified as part of the Asset Condition Baseline project that commenced in September 2013 and will result in a detailed register of assets and their condition. The project is due for completion in 2015.			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Any under-utilised or under-performing assets identified from regular inspections and performance monitoring are reviewed by PFM and work orders created on the Maximo system for any corrective action required (eg maintenance). Commercial disposal of assets from the Island is generally unrealistic due to the cost of relocating the asset to the mainland.			
3.3	Disposal alternatives are evaluated.	No assets were disposed during the review period and no disposals are anticipated in the near future. Any disposal of assets requires approval by the RIA and would be undertaken by PFM under the FUSS contract.			
3.4	There is a replacement strategy for assets.	The Strategic Asset Investment Plan 2014-15 to 2023-24 includes an overall short-term and long-term replacement strategy and this will be further refined by the Asset Condition Baseline project.			
4	ENVIRONMENTAL ANALYSIS	Process Rating	A	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the potable water system, non-potable water system and wastewater system are assessed in the Enterprise Risk Management Plan prepared by PFM (May 2015).			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved.	<p>The potable water quality is regularly tested and quarterly reports are provided to the Department of Health. The performance standards are being met apart from some aesthetic water quality tests not meeting the guidelines. These did not pose any health risks. Non-potable recycled water is also regularly tested and an annual report is provided to the Department of Health per the licence.</p> <p>The Annual Performance Reports to the Authority for 2013/14 and 2014/15 were sighted. Performance standards have been met apart from the lack of water pressure and flow monitoring which has not resulted in any customer complaints. <i>Refer recommendation 07/2015 (section 2.7 of this report).</i></p> <p>One continuing issue is the number of interruptions to supply due to the ageing reticulation system for potable water. The 2013/14 Compliance Report to the Authority notes that there were 9 water pipe breaks that affected accommodation units on the Island. These included one break that affected 150 Kingstown visitors in April 2014 (approximately 3% of guests) with water services being restored after 30 hours. Non-potable water and bottled drinking water was supplied to guests. The non-potable water was supplied through the use of one of RIA's emergency trucks which was parked at Kingstown throughout the situation. Guests were able to 'help themselves' to</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)				
		<p>the non-potable water and a sign was displayed that it was not safe for drinking. The water supply was intermittent throughout the event, although more often it was unavailable. Flushing toilets was possible during periods where the supply was available or by using a bucket of non-potable water from the truck.</p> <p>The 2014/15 Compliance Report stated there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment.</p> <p>The RIA has undertaken localised potable reticulation repairs and improved detection of water leaks via a monitoring system for bulk meters. There is still a risk of unplanned interruptions due to the ageing infrastructure.</p> <p><i>Refer recommendation 03/2015 (section 2.7 of this report).</i></p>				
4.3	Compliance with statutory and regulatory requirements.	<p>The RIA Licence and Compliance Register lists the statutory and regulatory licences and other compliance requirements including reporting to the regulatory authorities. The RIA's Contracts and Project Officer monitors compliance.</p> <p>Any breaches or non-compliance issues are logged in the Breaches and Non-Compliances Register. There were some minor issues logged and actioned in the audit period. For example, in March 2015, a sample test of recycled waste water had a slightly higher level of phosphorus than the standard.</p>				
4.4	Achievement of customer service levels.	<p>The Compliance Report for 2013/14 to the Authority showed that there were 8 complaints of which at least 90% were resolved in 15 business days. The Complaints Register showed there were 2 complaints in 2014/15 and both were resolved within 15 business days. As there have been relatively few complaints, it is considered that on this basis and from review of the operation of the system, that customer service levels are being achieved.</p>				
5	ASSET OPERATIONS	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 33%;">Process Rating</td> <td style="width: 10%; background-color: #008000; color: white;">A</td> <td style="width: 33%;">Performance Rating</td> <td style="width: 10%; background-color: #ffff00;">2</td> </tr> </table>	Process Rating	A	Performance Rating	2
Process Rating	A	Performance Rating	2			
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>PFM has an Asset Management Process Manual (February 2015) that is supported by detailed operating procedures and instructions for the potable water, wastewater and non-potable water systems. The reviewer confirmed by review of the procedures that they are based on the operating responsibilities and standards (service levels) set out in the FUSS contract. There are detailed operating manuals for the desalination plant, wastewater treatment plant and the use of recycled non-potable water. The operating procedures are also incorporated into the PFM Maximo system of work orders.</p>				
5.2	Risk management is applied to prioritise operations tasks.	<p>Detailed operations tasks, such as water quality sampling, are loaded into the Maximo system and assigned to staff and tracked to completion. Some of the operational tasks are based on the Enterprise Risk Management Plan developed by PFM for the contract. The tasks are allocated a priority in the Maximo system based on the risk assessment.</p> <p>There is also a SCADA (Supervisory Control and Data Acquisition) based computerised system providing real time operational performance, alarms and control over remote equipment (which also forms part of the risk assessment used to prioritise operations tasks).</p>				

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<p>Assets are documented in the Maximo system maintained by PFM on the Island. The asset register includes:</p> <ul style="list-style-type: none"> ▪ Asset Class ▪ Asset location ▪ Asset Sub-location ▪ Asset number ▪ Description. <p>The register does not include a condition assessment although this is currently being assessed and input into an Excel database by the Asset Condition Baseline project which is due for completion in 2015.</p> <p>No formal 'As Constructed' records of infrastructure exist. For instance, pipe infrastructure is comprised of a wide mix of different components and materials in varying states of age and repair. There is certain reliance upon the memory of key long term staff to recall historic details about existing infrastructure. A Geographical Information System (GIS) would assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</p> <p>This is possibly due to the infrastructure being installed by the Public Works Department (PWD) which built and operated country water and sewer schemes from roughly 1950 until 1982 when it amalgamated with the Metropolitan Water Supply, Sewer and Drainage Board to create the now Water Corporation. The operation of Rottneest Island systems was historically divested from the Water Corporation to the RIA however, 'as constructed' records of the original assets should be available and some of the sewer system is available on the Water Corporation's "ESinet" GIS interface.</p> <p>The historical cost information for the assets has not been transferred to the Asset Register but is in the financial system of the RIA.</p> <p><u><i>Recommendation 10/2015</i></u></p> <ul style="list-style-type: none"> <i>a) As planned, the RIA in conjunction with PFM should complete the asset condition assessment project and update the individual asset register in the Maximo system.</i> <i>b) The RIA in conjunction with PFM should consider the feasibility of obtaining 'as constructed' records of the water infrastructure assets and using a Geographical Information System (GIS) to assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</i>
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the RIA's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>The reviewer sighted a listing of the key personnel from PFM that operate and maintain the supply of water services and wastewater treatment facilities. PFM maintains a matrix of staff qualifications and training completed and planned. The matrix is updated as training is completed. PFM also has comprehensive Occupational Health and Safety (OHS) management systems. Specific work permits are in place for high risk activities such as confined space entry permit.</p> <p>The responsibilities and competencies of key PFM staff have also been assessed as noted in the matrix in the Drinking Water Quality Risk Management Plan</p> <p>The RIA has a Contracts and Projects Officer and Manager Major Contracts with responsibility for the management of the contract with PFM and other obligations under the licence.</p> <p>Overall, the staff resources are considered to be adequate and receive training commensurate with their responsibilities.</p>			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	2
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>Asset maintenance appears to be well managed with a systematic approach given to asset maintenance, scheduling and document control.</p> <p>PFM uses the Maximo computer database system to action and record all maintenance related activities and Work Orders. The system is able to action Work Orders according to a set maintenance schedule; make relevant staff aware of the actions required, and to escalate activities not actioned or closed out to ensure compliance. Key to this process is the Asset Register management procedure which details all relative steps for documenting activities and actions.</p> <p>The system also generates monthly Planned Preventative Maintenance (PPM) orders which are assigned to staff and signed-off on the system when completed – PPM for the potable water and wastewater systems were sighted.</p> <p>Some of the maintenance tasks are based on the Enterprise Risk Management Plan developed by PFM for the contract. The tasks are allocated a priority in the Maximo system based on the risk assessment.</p> <p>There is also a Drinking Water Quality Risk Management Plan based on the service levels in the FUSS contract and the Department of Health guidelines that also drives the maintenance activities being undertaken.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>Asset performance is monitored via the planned monthly, quarterly and annual maintenance checks by senior staff and others, who have the skill and knowledge to do so. There is also a SCADA (Supervisory Control and Data Acquisition) based computerised system providing real time operational performance, alarms and control over remote equipment (which also forms part of the risk assessment used to prioritise maintenance tasks).</p> <p>As noted in 5.3 above, the asset register does not include a condition assessment although this is currently being assessed and input into an Excel database by the Asset Condition Baseline project which is due for completion in 2015. <i>Refer recommendation 10/2015.</i></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>There were several opportunities for improvement noted as follows:</p> <ul style="list-style-type: none"> • From our field observations, the water supply holding and pressurisation tanks do not appear to have a formal system for inspecting the tank roofs and tank wall structural integrity. • There has historically been some water quality issues associated with dead end sections of water mains and the lack of scour valves and washout assemblies. • There were some concerns raised by PFM surrounding the reliability of osmosis plant pumps. <p><i>Recommendation 11/2015</i></p> <ul style="list-style-type: none"> a) <i>It is recommended that PFM complete an initial inspection and condition report in the short term to ascertain the water supply holding and pressurisation tank integrity, and develop a maintenance schedule based upon the condition of the assets.</i> b) <i>It is recommended that RIA/PFM consider the provision of funds in the capital works expenditure budget to install (cut in) scour valves in the lowest lying section of mains or to install wash out assemblies at the end of mains without existing flushing points, to improve the potable water quality.</i> c) <i>It is recommended that RIA/PFM consider the establishment of a pump management program for the osmosis plant pumps, including monitoring the operation, flows, and pump efficiency. Hence, the projected remaining life of the asset and provision of critical spares, may address these concerns.</i>
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	<p>PFM has individual maintenance procedures including work risk assessments and safety procedures. The borefield operation instruction was an example of work procedures/instructions sighted.</p> <p>Work Orders are systematically raised according to a set maintenance schedule maintained on the Maximo system. Any unplanned maintenance activities have work orders raised on Maximo and all orders are tracked to completion on the system.</p> <p>While the entire scope of schedules themselves were not reviewed, a sample of weekly maintenance checklists for the Tank 6 water chlorinator was viewed as an example of a completed series of actions. Also, viewed the planned maintenance work orders for one month.</p>
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	<p>There is a SCADA (Supervisory Control and Data Acquisition) based computerised system providing real time operational performance, alarms and control over remote equipment.</p> <p>All failures/alarms are analysed and plans adjusted as necessary.</p>
6.5	Risk management is applied to prioritise maintenance tasks.	<p>Detailed maintenance tasks, such as regular inspections, are loaded into the Maximo system and assigned to staff and tracked to completion. Some of the maintenance tasks are based on the Enterprise Risk Management Plan developed by PFM for the contract. The tasks are allocated a priority in the Maximo system based on the risk assessment.</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
6.6	Maintenance costs are measured and monitored.	The reviewer confirmed by interview with RIA's Contracts and Project Officer and review of RIA's financial statement for the utilities expenses that maintenance costs are tracked through the FMIS and monitored.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	PFM has adequate system documentation for the asset management system including the Asset Management Process Manual, Asset Register Management procedure and Maximo system documentation.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Data accuracy is controlled by edit checks of data fields in the Maximo system and checks by the Administrator when entering manually completed work order requests and updates – considered adequate.			
7.3	Logical security access controls appear adequate, such as passwords.	The Maximo system has global password rules that require complex passwords, password change every 60 days and restricted reuse of passwords. Only authorised staff are provided with access to the system. Also sighted the PFM Information Security Policy including Acceptable Usage.			
7.4	Physical security access controls appear adequate.	The PFM site office on the Island is locked and alarmed outside of office hours. The servers are at PFM's central office and not on the Island.			
7.5	Data backup procedures appear adequate and backups are tested.	The system is backed up at least daily and a copy stored offsite as part of the standard IT data backup procedure. The backups are regularly tested by recovery of data files.			
7.6	Key computations related to licensee performance reporting are materially accurate.	From review of source data for the performance reporting, the calculations are considered to be accurate.			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	Maximo reporting is largely online to responsible officers. PFM provide a monthly report to RIA on performance of the FUSS contract which is reviewed by RIA to confirm that the licence obligations are being met. Considered adequate.			
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	PFM has a risk management policy and procedure that has been applied to develop an Enterprise Risk Management Plan covering their FUSS services on the Island including the potable water supply, wastewater service and non-potable water supply. The Plan has been applied to the operations and maintenance activities as described above. There is also a Drinking Water Quality Risk Management Plan and a Summer Water Risk Management Plan that have assessed the risk for these services in more detail and been applied in the operations and maintenance activities.			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The risks are documented in a risk register as part of the Enterprise Risk Management Plan and as Critical Control Points in the Drinking Water Quality Risk Management Plan. Treatment plans are included in these Plans and actioned via the operating and maintenance procedures.			
8.3	The probability and consequences of asset failure are regularly assessed.	The probability and consequences of asset failure are included in the Enterprise Risk Management Plan. The Plan is reviewed and updated every 6 months. The latest review was in May 2015.			
9	CONTINGENCY PLANNING	Process Rating	A	Performance Rating	1
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The RIA and PFM have documented the contingency plans in the Water Services Recovery and Contingency Plan. The Plan includes key contacts for RIA and PFM including emergency contacts. The Plan includes various scenarios to cover higher risks including desalination plant failure and other scenarios for potable water; and wastewater treatment plant failure and other scenarios for wastewater services. The scenarios include detailed action plans.</p> <p>The plan was tested in a desktop scenario exercise in June 2015, and is reviewed and updated at least by June each year. The latest version is dated July 2015 and was previously June 2014.</p> <p>The Plan was also applied when the water pipes burst at Kingstown in April 2014 and were restored in 30 hours (scenarios for break of potable water pipes applied). During this time, bottled water was purchased from the general store and supplied to guests. Additional supplies were not required, but could have been transported from the mainland. Non-potable water was supplied through the use of one of RIA's emergency trucks which was parked at Kingstown throughout the situation. Guests were able to 'help themselves' to the non-potable water and a sign was displayed to this effect. The water supply was intermittent throughout the event, although more often it was unavailable. Flushing toilets was possible during periods where the supply was available or by using a bucket of non-potable water from the truck.</p> <p>The Drinking Water Quality Risk Management Plan also includes incident reporting and emergency response procedures. The Plan has been tested at least annually since 2013.</p> <p>There is also a Summer Water Risk Management Plan (November 2014) that has identified the risks, treatment and contingency plans for the higher risk seasonal period on the Island.</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	C	Performance Rating	4
10	FINANCIAL PLANNING				
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	As there is no separate Asset Management Plan for the water licence services, the financial plan is part of the overall Strategic Asset Investment Plan 2014-15 to 2023-24. The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that “the RIA lacks a long term strategy for the ongoing maintenance and renewal of its built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its assets”. <i>Refer recommendation 09/2015.</i>			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The only major capital expenditure currently planned over the next 5 years is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design. The capital funds are to come from RIA’s available funds. The operating expenditure of the new plant is expected to be consistent with the current operating costs and will be funded from the RIA’s income and recurrent funding from government. The capital expenditure budget for 2014/15 also includes \$210,000 for potable water storage and distribution improvements, and \$150,000 for fire hydrant improvements. Funding is from the RIA’s available funds.			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The RIA has developed a four year projection of income and expenses for the potable water and wastewater services on the Island. The RIA estimates there is an annual subsidy of \$236,077 per annum for potable water and \$645,071 per annum for wastewater services.			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The financial plan for the next four years show that the current level of income is insufficient to fund the operating costs of the services apart from any allowance for the capital expenditure in replacing or upgrading assets. The RIA is considering adjusting the charges for these services but this will only cover part of the shortfall.			
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The financial plan does not provide adequate funding for the operating expenses and the capital expenditure requirements of the services. <i>Recommendation 12/2015</i> <i>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year financial plan that includes the forecast income and expenses, an allowance for capital expenditure to upgrade or replace assets (based on the Asset Condition Baseline project results) and the source of funding or shortfall.</i>			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variances in actual to budget income and expenses are reported in the monthly financial statements to the RIA			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating		Performance Rating	
11	CAPITAL EXPENDITURE PLANNING		D		3
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. There is no separate capital expenditure plan for the water supply services apart from an assessment of the highest priority capital expenditure items over the next year. The only major capital expenditure currently planned is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	There is no separate capital expenditure plan for the water supply services apart from an assessment of the highest priority capital expenditure items over the next year. The capital expenditure budget for 2014/15 also includes \$210,000 for potable water storage and distribution improvements, and \$150,000 for fire hydrant improvements. Funding is from the RIA's available funds.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	There is no separate capital expenditure plan for the water supply services that is based on an assessment of the asset life and condition, to provide for the replacement of those assets over their useful lives.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	There is no separate capital expenditure plan for the water supply services or a process to ensure this plan is regularly updated. <i>Recommendation 13/2015</i> <i>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year capital expenditure plan that is based on the Asset Condition Baseline project results and provides for the replacement of the assets over their estimated useful life.</i>			
12	REVIEW OF ASSET MANAGEMENT SYSTEM		B		3
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	There is a process at PFM for review and update of the supporting plans and procedures for the water services. However, as noted in item 1, there is no detailed Asset Management Plan for the water services. <i>Refer recommendation 01/2015 (section 2.7 of this report).</i>			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 24 months as required by the licence.			

3.7 Current Review Asset System Deficiencies and Recommendations

Table of Current Review Asset System Deficiencies and Recommendations			
A. Resolved during current review period			
Ref.	Asset System Deficiency (Rating/AMS Component/Effectiveness Criteria/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		
B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
09/2015 B3	<p>Asset Planning – Asset Management Plan</p> <p><i>Asset management plan covers key requirements.</i></p> <p><i>Lifecycle costs of owning and operating assets are assessed.</i></p> <p><i>Funding options are evaluated.</i></p> <p><i>Plans are regularly reviewed and updated.</i></p> <p>The RIA has developed the Rottneast Island Management Plan 2014-19 and the Strategic Asset Investment Plan 2014-15 to 2023-24 that include the key requirements for the potable water supply and the wastewater services. The RIA intends to develop a specific Asset Management Plan for the water assets but this has not yet occurred.</p> <p>The lifecycle costs of the water assets have not yet been assessed and budgeted for. The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that “the RIA lacks a long term strategy for the ongoing maintenance and renewal of its built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its</p>	<p>As noted in recommendation 01/2015, and as planned, the RIA should develop and implement a detailed Asset Management Plan for potable water, non-potable water and drainage. This should be integrated with the overall Strategic Asset Investment Plan and supporting policies, procedures and the Asset Register system.</p> <p>a) The detailed Asset Management Plan for potable water and wastewater treatment assets (AMP) should include the lifecycle costs of owning and operating the assets over the lifecycle of the assets.</p> <p>b) The AMP should consider the funding options for the maintenance and renewal of the assets.</p> <p>c) The AMP should be reviewed and updated if major changes occur or at least every 5 years.</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>assets”.</p> <p>The Strategic Asset Investment Plan 2014-15 to 2023-24 recognises that funding options need to be further considered. This is planned to continue and to be developed further when the asset baseline project has been completed in 2016.</p> <p>The Strategic Asset Investment Plan 2014-15 to 2023-24 was reviewed and updated in October 2014. The asset investment required is reviewed annually as part of developing the capital expenditure programme each year. Review of the detailed Asset Management Plan, when developed, should be included in the Plan.</p>		
<p>10/2015</p> <p>A2</p>	<p>Asset Operations – Asset Register</p> <p><i>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets’ physical/structural condition and accounting data.</i></p> <p>Assets are documented in the Maximo system maintained by PFM on the Island. The asset register includes:</p> <ul style="list-style-type: none"> ▪ Asset Class ▪ Asset location ▪ Asset Sub-location ▪ Asset number ▪ Description. <p>The register does not include a condition assessment although this is currently being assessed and input into an Excel database by the Asset Condition Baseline project which is due for completion in 2015.</p> <p>No formal ‘As Constructed’ records of infrastructure exist. For instance, pipe infrastructure is comprised of a wide mix of different components and materials in varying states of age</p>	<p>a) As planned, the RIA in conjunction with PFM should complete the asset condition assessment project and update the individual asset register in the Maximo system.</p> <p>b) The RIA in conjunction with PFM should consider the feasibility of obtaining ‘as constructed’ records of the water infrastructure assets and using a Geographical Information System (GIS) to assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</p>	<p>Nil</p>

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>and repair. There is certain reliance upon the memory of key long term staff to recall historic details about existing infrastructure. A Geographical Information System (GIS) would assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</p> <p>This is possibly due to the infrastructure being installed by the Public Works Department (PWD) which built and operated country water and sewer schemes from roughly 1950 until 1982 when it amalgamated with the Metropolitan Water Supply, Sewer and Drainage Board to create the now Water Corporation. The operation of Rottneest Island systems was historically divested from the Water Corporation to the RIA however, 'as constructed' records of the original assets should be available and some of the sewer system is available on the Water Corporations "ESinet" GIS interface.</p> <p>The historical cost information for the assets has not been transferred to the Asset Register but is in the financial system of the RIA.</p>		
11/2015 A2	<p>Asset Maintenance – Condition Assessment <i>Regular inspections are undertaken of asset performance and condition.</i></p> <p>Asset performance is monitored via the planned monthly, quarterly and annual maintenance checks by senior staff and others, who have the skill and knowledge to do so. There is also a SCADA (Supervisory Control and Data Acquisition) based computerised system providing real time operational performance, alarms and control over remote equipment (which also forms part of the risk assessment used to prioritise maintenance tasks).</p> <p>As noted in 5.3 above, the asset register does not include a condition assessment although this is currently being</p>	<p>a) It is recommended that PFM complete an initial inspection and condition report in the short term to ascertain the water supply holding and pressurisation tank integrity, and develop a maintenance schedule based upon the condition of the assets.</p> <p>b) It is recommended that RIA/PFM consider the provision of funds in the capital works expenditure budget to install (cut in) scour valves in the lowest lying section of mains or to</p>	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>assessed and input into an Excel database by the Asset Condition Baseline project which is due for completion in 2015.</p> <p>There were several opportunities for improvement noted as follows:</p> <ul style="list-style-type: none"> From our field observations, the water supply holding and pressurisation tanks do not appear to have a formal system for inspecting the tank roofs and tank wall structural integrity. There has historically been some water quality issues associated with dead end sections of water mains and the lack of scour valves and washout assemblies. There were some concerns raised by PFM surrounding the reliability of osmosis plant pumps. 	<p>install wash out assemblies at the end of mains without existing flushing points, to improve the potable water quality.</p> <p>c) It is recommended that RIA/PFM consider the establishment of a pump management program for the osmosis plant pumps, including monitoring the operation, flows, and pump efficiency. Hence, the projected remaining life of the asset and provision of critical spares, may address these concerns.</p>	
<p>12/2015 C4</p>	<p>Financial Planning</p> <p><i>The financial plan states the financial objectives and strategies and actions to achieve the objectives.</i></p> <p><i>The financial plan identifies the source of funds for capital expenditure and recurrent costs.</i></p> <p><i>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).</i></p> <p><i>The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.</i></p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <p>As there is no separate Asset Management Plan for the water licence services, the financial plan is part of the overall Strategic Asset Investment Plan 2014-15 to 2023-24. The</p>	<p>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year financial plan that includes the forecast income and expenses, an allowance for capital expenditure to upgrade or replace assets (based on the Asset Condition Baseline project results) and the source of funding or shortfall.</p>	<p>Nil</p>

B. Unresolved at end of current review period

Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that "the RIA lacks a long term strategy for the ongoing maintenance and renewal of its built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its assets".</p> <p>The only major capital expenditure currently planned over the next 5 years is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design. The capital funds are to come from RIA's available funds. The operating expenditure of the new plant is expected to be consistent with the current operating costs and will be funded from the RIA's income and recurrent funding from government.</p> <p>The RIA has developed a four year projection of income and expenses for the potable water and wastewater services on the Island. The RIA estimates there is an annual subsidy of \$236,077 per annum for potable water and \$645,071 per annum for wastewater services.</p> <p>The financial plan for the next four years show that the current level of income is insufficient to fund the operating costs of the services apart from any allowance for the capital expenditure in replacing or upgrading assets. The RIA is considering adjusting the charges for these services but this will only cover part of the shortfall.</p> <p>The financial plan does not provide adequate funding for the operating expenses and the capital expenditure requirements of the services.</p>		

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
13/2015 D4	<p>Capital Expenditure Plan</p> <p><i>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</i></p> <p><i>The plan provides reasons for capital expenditure and timing of expenditure.</i></p> <p><i>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.</i></p> <p><i>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</i></p> <p>The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. There is no separate capital expenditure plan for the water supply services apart from an assessment of the highest priority capital expenditure items over the next year.</p> <p>The only major capital expenditure currently planned is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design. The capital funds are to come from RIA's available funds.</p> <p>There is no separate capital expenditure plan for the water supply services apart from an assessment of the highest priority capital expenditure items over the next year. For example, the capital expenditure budget for 2014/15 includes \$210,000 for potable water storage and distribution improvements, and \$150,000 for fire hydrant improvements. Funding is from the RIA's available funds.</p>	<p>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year capital expenditure plan that is based on the Asset Condition Baseline project results and provides for the replacement of the assets over their estimated useful life.</p>	<p>Nil</p>

3.8 Conclusion

This review has been conducted to assess the effectiveness of the licensee's asset management system.

The assets are as described in section 3.1 with no major changes over the review period apart from the installation of a third train in the desalination plant.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the RIA:

- a) has implemented the previous review recommendations; and
- b) has established an adequate control environment for ongoing compliance in respect of the asset management system apart from:
 - there is no overall Asset Management Plan for the water services that includes the lifecycle costs of owning and operating the assets and the funding options (although there is an overall Strategic Asset Investment Plan for the Island that could form the basis of this Plan);
 - there is no detailed condition assessment of individual assets although a project is in progress;
 - there are no 'as constructed' plans of the water infrastructure assets;
 - several opportunities to improve the maintenance of the water supply assets were identified; and
 - there is no detailed financial plan or capital expenditure plan for the water services showing the lifecycle costs of the services, the capital expenditure required over the life of the assets and how these costs are to be funded.

The review recommended that the RIA implement the following improvements:

- a) an Asset Management Plan for the water services should be developed;
- b) as planned, the Asset Condition Baseline project should be completed to update the asset register and to inform the development of the Asset Management Plan;
- c) the feasibility of obtaining 'as constructed' plans of the water infrastructure assets should be assessed;
- d) several opportunities to improve the maintenance of the water supply assets were recommended;
- e) as part of developing the Asset Management Plan, there should be a detailed financial plan for the income and expenses of the water services over at least the next five years; and
- f) as part of developing the Asset Management Plan, there should be a detailed capital expenditure plan that provides for the replacement of the assets over their useful lives.

Overall, the water supply scheme and wastewater treatment system are assessed as being well established, well maintained and in reasonable working order considering the ageing infrastructure. The main issues relate to the lack of an Asset Management Plan for the water assets separate to the overall investment plan for the Island and the lack of a detailed financial plan for a financially sustainable service, and a capital expenditure plan to provide for the replacement of the assets over their useful lives.

Appendix A - Methodology

A1. Audit and Review Approach

Our approach to meeting the requirements for the operational audit and asset management system effectiveness review is set out below.

Audit and Review Planning

- Review the status of the post-implementation action plans from the previous audit and the previous review.
- Contact RIA to gain an understanding of the business, relevant management plans, systems, and any changes that may affect the risk assessment for planning purposes.
- Complete the risk assessment to determine an audit priority for each licence compliance obligation and each asset management system component (in tabular form against each licence condition and asset management system component).
- Submit a draft Audit and Review Plan, including the risk assessment and proposed approach, to the Authority for review and approval.
- Send a Pre-Visit Checklist of information and documentation required to RIA to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

Fieldwork

- Undertake visits to the RIA's office and the water and wastewater treatment facilities and potable water supply assets on Rottnef Island. Both the auditor and our contracted Engineer will visit the Island to inspect the facilities and records kept on the Island. Conduct various meetings with stakeholders, including corporate services and works/facilities management personnel, to determine the effectiveness of systems and procedures in place and to compare actual performance against the licence standards.
- Obtain copies of the latest asset management plan, performance reporting statistics and relevant correspondence between the licensee and the Authority for the audit period.

The audit steps for the **Operational Audit** included:

- review the status of actions in the previous Post Audit Implementation Plan.
- analysis of documented procedures to assess whether they are consistent with regulatory requirements or arrangements under the licence;
- review the systems and procedures to assess whether they reflect compliance obligations and performance standards, including assessing and testing the following:
 - **control environment** – management's philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of the key staff members;

-
- **information system** – the appropriateness of the information systems to record the information needed to comply with the licence, accuracy of data, security of data and documentation describing the information system;
 - **control procedures** – the presence of systems and procedures to monitor compliance with the licence or the effectiveness of the asset management system and to detect and correct non-compliance or under-performance;
 - **compliance attitude** - the action taken by the licensee in response to the previous audit/review recommendations, and an assessment of management's attitude towards compliance; and
 - **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.
- Update the risk assessment with any new information obtained in the course of the audit testing and, in instances of significant non-compliance, assess the licensee's plan to ensure compliance and recommend any further improvements to achieve compliance.

The activities in the **Asset Management System Effectiveness Review** included:

- review the status of actions in the previous Post Review Implementation Plan.
- analyse the documented procedures and processes for the planning, construction, operation and maintenance of assets to assess whether they are consistent with regulatory requirements under the licence;
- interview key personnel to assess whether they understand and comply with the documented processes and procedures;
- physically inspect the water treatment plant, waste water treatment plant and other accessible assets; and
- assess the effectiveness of the processes and system in place.

Audit and Review Reporting

- Prior to the conclusion of the site visits, the lead auditor will discuss any observations and recommendations with the licensee's management to confirm our understanding of the issues and to discuss the action to be taken.
- Provide a draft report to the Authority for review no later than two weeks before the final report is due and make any revisions necessary.
- Provide the updated draft report to the Authority for review and feedback prior to finalising the report.
- Issue the final report to the Authority.
- The Authority will contact RIA for the Post Audit Implementation Plan after the report is finalised.

The audit report will comply with the format prescribed in section 11 of the Audit and Review Guidelines: Water Licences – July 2014.

A2. Key Documents and Information Sources

Regulatory Documents and Reports

- Audit and Review Guidelines: Water Licences – July 2014
- Water Compliance Reporting Manual – April 2014
- Rottnest Island Authority – Water Services Operating Licence WL10 – version OL10 version 5 (25 August 2010 to 17 November 2013) and WL10 version 6 (18 November 2013 onwards)
- Map of Licence Operating Area – Rottnest Island (OWR-OA-189(B))
- Audit Report – Rottnest Island Authority - Operational Audit and Asset Management System Review– November 2013
- Post Audit and Review Action Plans – current status reports
- Compliance reports to the Authority –2013/14 and 2014/15
- Performance reports to the Authority – 2013/14 and 2014/15
- Department of Health licence and any compliance reporting
- Memorandum of Understanding between the Department of Health and RIA for Drinking Water (Latest version)
- Department of Environment licence
- Correspondence between the Licensee and the Authority, Department of Environment and Department of Health (as applicable).

Scheme Information and Procedures

- RIA Water Customer Service Charter (up to 17 November 2013)
- RIA Utilities Customer Complaints Procedure (Latest version)
- RIA Water Customer Complaints Reporting Register and complaint records
- RIA Utility Customer Complaints Form
- RIA Licence and Compliance Register
- RIA Standard Customer Contract

Asset Management System

- Rottnest Island Facilities, Operations and Utilities Management Agreement between RIA and Tungsten Group Pty Ltd – September 2007 ('FOU agreement')
- Rottnest Island Facilities Utilities and Support Services contract between RIA and Programmed Facility Management Pty Ltd (PFM) - 2014 ('FUSS contracts')
- Rottnest Island Management Plan 2014-19
- RIA Strategic Asset Investment Plan 2014/15 to 2023/24
- Drinking Water Risk Management Plan (Latest version)
- Summer Water Risk Management Plan 2014-15
- Asset Inspection Reports
- Asset Register (Maximo)
- PFM – Water and Wastewater Services Operations Manuals (Latest versions)
- PFM – Computerised Procedure for Maximo Computerised Maintenance System (CMMS) (Latest version)
- PFM – Safety Management Plan (Latest version)
- PFM – Water Services Recovery and Contingency Plan (Latest version)
- PFM – Annual Drinking Water Incident/Response Plan Desktop Exercise
- PFM – Utilities Critical Spares Register (Latest Version)
- PFM – Weekly logs of bore water levels, pH, temperature, storage levels etc.
- PFM – Pro-forma sheets for recording daily, monthly etc. maintenance operation checks and output results
- PFM – Organisational Chart
- PFM – Staff Training Matrix

A3. Licensee's Representatives

The RIA's primary contacts were:

- Tracey Hornsey – Manager Major Projects
- Janett Enke – Contracts and Projects Officer
- Colin Smith – Assets Manager
- Othmar Beerli – Chief Financial Officer.

A4. Audit and Review Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	40
David Wills – Principal Consulting Engineer	5
Cleve Flottman – Senior Consulting Engineer	15
TOTAL	70

END OF REPORT