



"BUNBURY WATER BOARD"
AQWEST
1906-2006 Centenary Anniversary

Our Ref: NE:

Your Ref:

Enquiries: Geoff Oddy
☎ (08) 9780 9507

10 May 2006

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
GPO Box 8469
PERTH BUSINESS CENTRE WA 6849

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Economic Regulation Authority	
FILE No:	<u>WD/A/123/05-02</u>
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<input checked="" type="checkbox"/> Adam Phillips	<input type="checkbox"/>
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17 MAY 2006	
A:	Adam

Dear Sir,

Please find enclosed a Submission on the Proposed Audit Guidelines for Electricity Gas and Water Licences on behalf of Aqwest – Bunbury Water Board.

The opportunity to provide comment is greatly appreciated.

Yours faithfully

Geoff Oddy
CHIEF EXECUTIVE OFFICER

AQWEST

SUBMISSION

ERA – PROPOSED AUDIT GUIDELINES FOR ELECTRICITY GAS & WATER LICENCEES

Aqwest would like to thank the ERA for the opportunity to provide comment on the proposed guidelines and provide its full support for the proposal to have a flexible audit cycle period and a specific audit template for smaller organisations.

As a general comment it is suggested that in addition to the compliance aspect of the audit process the ERA may wish to emphasise the benefits of the audits being used as business tools. Aqwest treats all audits as a business development process which is a part of its process of continuous improvement.

It is understood that the ERA are involved in the development of a Benchmarking Program and the question arises as to whether there could be a level of linkage between the Audit and Benchmarking programs.

In terms of specific issues comment is provided as follows:

- Aqwest has always had a concern over the tendering/contractual issues related to who employs the Auditor and how the ERA's requirements are met. It is suggested that it needs to be more clearly stated up front that should the Audit fail to meet the ERA's requirements the Licensees will be required to carry it out again.
- On page 6 of the Small Organisations document the scope details a number of dot point. It is considered that reference to the Licensees response to the findings of previous audits should be included in this list and that its importance should be more prominent throughout the document.
- The preliminary Risk Assessment should be prepared and then compared to previous assessments not prepared as review and update.
- It is considered that there needs to be greater emphasis on analysis of the adequacy of controls rather than just compliance. As an example an item of risk may not in the period in question have resulted in a non compliance but the controls may well be inadequate it was just by chance that non compliance did not occur.
- On page 9 under the heading Field Work, the third and fourth dot points should be an indented dash as they are relevant to the second dot point.
- On page 12 the adequacy of existing contracts is mentioned but as previously stated there is not sufficient priority given to this issue.
- On page 13 it is suggested the Executive Summary should include a comment on actions regarding previous recommendations.

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- On page 7 of the Guidelines there is a section 2.1 on Selection Criteria. It is Aqwest practice to advise Tenderers what the rating and weighting system is that will be used to assess their tenders. It is also considered the selection criteria could be more specific.
 - Section 3.4.3 needs more detail regarding the internal controls and may be sufficient if combined with the Smaller Organisations document. Preference would be for more specific comment in the Smaller Organisations document.
 - Section 3.6.1 as previously stated should contain a section on Actions on Previous Recommendations in the Executive Summary.
 - Page 19 paragraph 1 has a word licences which should be licensees.

Should you require any clarification or wish to discuss the above comment please contact the Aqwest Chief Executive Officer, Mr Geoff Oddy by phone 9780 9507.