



Rottnest Island Authority

**Audit Report**  
**Operational Audit and**  
**Asset Management Review**  
**- Water Supply, Sewerage and Drainage**  
**Services**

**FINAL**

**7 September 2007**

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## Executive Summary

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### INTRODUCTION

The Rottneest Island Authority (RIA) has a water services licence issued by the Economic Regulation Authority (ERA) to provide potable water supplies, sewerage services and drainage services on Rottneest Island.

The system on the island services approximately 420 residential and non-residential connections. The system includes numerous bores, two reverse osmosis desalination trains, water storage tanks and a waste treatment plant as well as a network of pipes.

This audit comprised an Operational Audit of RIA's compliance with the licence conditions and a review of the Asset Management System.

The objective of the Operational Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

The objective of the Asset Management Review was to assess the adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

The audit applied a risk-based audit 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 audit covered the period from 1st November 2004 to 30<sup>th</sup> April 2007 inclusive.

### CONCLUSION

#### Operational Audit

The audit of RIA for compliance with their licence obligations concluded that there are adequate controls over operations and that generally Transfield is doing a good job as a sub-contractor. However, there are significant deficiencies in the management systems surrounding the day-to-day operations.

Based on the evidence provided in the audit, the following licence conditions are not being complied with:

- Notification to ERA of changes to the Asset Management System (Clause 1.6)\*;
- Annual submission on pricing to ERA (Clause 11(a))\*;
- Annual Drinking Plan to be prepared and submitted to ERA (Clause 1.16) \*;
- Customer complaints to be resolved in 21 days (not 30 days) and there were no recorded complaints despite sewerage blockages and overflows occurring (Clause 1.21);
- No incident reporting to ERA despite there being four sewerage overflows each year of the audit period (Clause 1.14 ( c ) (d));
- Lack of evidence of quarterly performance reports being completed and sent to the ERA (Clause 14 (b)); and
- No reporting to ERA of sewerage blockages in excess of standard allowed (Clause 15 (a)).

\* Issue existed in previous audit report dated May 2005.

Only one out of seven issues from the previous audit in May 2005 appear to have been addressed. In addition, RIA will need to keep more information to substantiate that they are in compliance with their reporting requirements.

Given the extensive compliance requirements that RIA faces, we recommend that RIA assigns the compliance role to a single officer who can implement the recommendations in this report and monitor ongoing compliance. This would also aid in the coordination of future audits and related activities, as (the auditors experienced) difficulty in contacting staff and obtaining information from RIA staff for this audit.

### **Asset Management Review**

The review of the asset management system shows that base practices are in place with the exception of:

- There is no evidence of any contingency planning for water-related assets;

The following processes are done informally but lack evidence of being planned and tracked in respect of the water-related assets:

- Risk management;
- Financial planning (audit was not permitted to access the long-term financial plans of the RIA); and
- Review of Asset Management System – although Transfield manage the assets at a component level on the SAP system, there is a lack of a fully documented Asset Management Plan that sits above the SAP, that covers areas such as service levels, condition and location of assets, evaluation of new assets, testing requirements for new assets, legal and environmental obligations, risk management, contingency planning, and review of the plan.

Other processes are planned and tracked.

Only one out of nine issues from the previous review in May 2005 appear to have been addressed.

For future audits, clearance should be given for all relevant financial information to enable the audit to get the full picture of the planning for the island, otherwise this will delay or prevent a complete audit of the AMS.

RIA is completely reliant on Transfield to maintain operations on the Island. RIA need to establish an AMP framework and guidelines that overlay the planning in place by Transfield, to ensure that the assets are maintained in line with best practice.

### **SUMMARY OF ISSUES AND RECOMMENDATIONS**

The following table provides a summary of the issues and recommendations for the operational audit and asset management review with provision for management responses from RIA.

### **SIGN-OFF**

We confirm that the ERA Audit Guidelines have been complied with in the conduct of this audit and the preparation of the report, and that the audit findings reflect our professional opinion.

**GEOFF WHITE**  
**PARTNER**  
**7 SEPTEMBER 2007**

## Post Audit Implementation Plan

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
1	<b>Operational Audit</b>				
1.1	<p><b>Asset Management System Clause 6 (a)(ii)</b></p> <p>The Licensee is to notify details of the system and any changes to it to the Authority;</p>	RIA to provide details to the Authority of any changes to the system.	<i>The RIA has directed the Facilities Managers to provide details of the system and establish a procedure that will advise ERA of all the changes on an ongoing basis. The RIA have relocated the Operations Manager into the FM group to ensure business processes are followed.</i>	Manager Facilities Management	31/10/2007
1.2	<p><b>Pricing and Charges Adhere to Legislation Clause 11(a)(b)</b></p> <p>The audit was unable to confirm if prices and charges are submitted annually to the ERA.</p>	RIA to keep correspondence and other evidence that they have submitted proposals to the ERA.	<i>The RIA will establish processes and procedures to enable price reviews on an annual basis. The proposed price schedules and methodology will be submitted to the ERA for their consideration and approval.</i>	Director Finance Services	31/12/2007
1.3	<p><b>Planned Disruptions Clause 12(e)</b></p> <p>For planned disruptions, a request is sent before the works occur. The RIA distribute a letter to the relevant area. They also advise the Visitors Centre who advise the customers.</p>	RIA to keep correspondence and other evidence that they have provided advice to customers.	<i>The RIA has established an SMS system to contact guests. We will also continue the door to door contact where necessary</i>	Manager Facilities Management	Completed
1.4	<p><b>Emergency Shutdowns Clause 12(f)</b></p> <p>RIA staff advised that the Visitors Centre contacted customers.</p>	RIA to keep correspondence and other evidence that they have provided advice to customers.	<i>The RIA has established an SMS system to contact guests. We will also continue the door to door contact where necessary.</i>	Manager Facilities Management	Completed

1.5	<p><b>Preparation of an Annual Drinking Water Plan Clause 16(c)(f)</b></p> <p>The latest copy of the annual drinking water plan provided by the RIA was dated 22 July 2005.</p>	RIA to update and submit the Annual Drinking Water Plan annually to the ERA.	<i>The 2006 report has not been completed. The RIA has directed the facilities Managers to establish procedures that will ensure future amendments to the plan are provided in a timely fashion. . The RIA has relocated the Operations Manager into the FM group to ensure business processes are followed.</i>	Manager Facilities Manager Facilities Management	31/12/2007
1.6	<p><b>Customer Complaints Clause 21(b)</b></p> <p>It was noted on the RIA website that there is an aim to resolve complaints within 30 days, not 21 days as per the licence requirement.</p>	RIA amend their policy to resolve complaints within 21 days as per ERA requirements. Also ensure that any water-related complaints are being recorded (there have been none recorded during the audit period per complaint records).	<i>Completed</i>	Manager Facilities Management	
1.7	<p><b>Customer Charter Clause 20(e)</b></p> <p>The charter does not include any version or review information to indicate it has been reviewed since the last audit.</p>	RIA includes authorisation details, review dates and version numbers on the Customer Service Charter.	<i>The RIA will liaise with the ERA to ensure information version control.</i>	Manager Facilities Management	30/9/2007
1.8	<p><b>Customer Charter Clause 20(g)</b></p> <p>The charter was not visible in the RIA's offices. The RIA advised that the charter was available on request.</p>	RIA to prominently display the charter in all offices to which customers regularly have access on the island and on the mainland.	<i>Completed</i>	Manager Facilities Management	Completed

1.9	<p><b>Incident Reporting Clause 14(c)(d)</b></p> <p>The annual reporting indicated there were four sewerage overflows each year during the audit period. There was no evidence that the ERA had been alerted within the required timeframes.</p>	RIA to report all events to the ERA and to keep a log and copies of correspondence.	<i>The Facilities Managers will provide notice of incidents to the ERA.</i>	Manager Facilities Management	30/11/2007
1.10	<p><b>Performance Reporting 14(a)(b)</b></p> <p>It was not possible to determine if the RIA complied with the required timeframes for annual and quarterly performance reporting.</p>	RIA to ensure reports are submitted on time, and records are kept showing when they were sent.	<i>The RIA has directed the Facilities Manager to establish timeline register ensuring compliance with the licence. The relocation of the RIA Operations Manager into the FM group will ensure compliance.</i>	Manager Facilities Management	31/10/2007
1.11	<p><b>Compliance with Reporting Standards Clause 15(a)</b></p> <p>Noted that the RIA did not comply with all the performance standards.</p>	RIA to prepare monthly management reports that show their compliance/ non-compliance with the reporting standards. This should be signed off by the accountable officer.	<i>Completed</i>	Manager Facilities Management	Oct. 2007
<b>2</b>	<b>Asset Management Review</b>				
2.1	<p><b>Asset Planning</b></p> <p>The RIA are wholly reliant on Transfield and their SAP system for an AMP and do not have any asset management plans of their own. Being tied to this system may provide difficulties for the RIA in changing providers.</p>	RIA should commission a written AMP that sits above the SAP system used by Transfield. This should be inline with the information already in SAP and based on the appropriate national standard. This will provide RIA management with assurance that the assets are being managed in line with agreed best practices.	<i>The Facilities Managers in cooperation with GHD (Master Utilities Plan) will develop this plan.</i>	Manager Facilities Management	31/12/2007

2.2	<p><b>Service Levels</b></p> <p>Discussions with the RIA Acting Director of Finance and Business Services indicate these would be built into the documented tender requirements, where appropriate.</p>	<p>RIA should explicitly list the service levels in their AMP.</p>	<p><i>The RIA will ensure that the AMP includes required service levels.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.3	<p><b>Non-Asset Options</b></p> <p>Discussions with the RIA Acting Director of Finance and Business Services indicate that non-asset options such as demand management may not be appropriate for the island given the island's use as a resort location.</p>	<p>RIA should explicitly list use of non-asset options in their AMP.</p>	<p><i>Non-asset options are already considered as part of the RIA's on-going sustainability efforts, these will be formalised in the AMP.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.4	<p><b>Lifecycle Costs</b></p> <p>Discussions with the RIA Acting Director of Finance and Business Services indicate these would be built into the documented tender requirements, where appropriate.</p>	<p>RIA should explicitly list the need for assessing lifecycle costs on all new water assets commissioned.</p>	<p><i>GHD Master plan for utilities has been completed. Lifecycle costs to be included within the AMP</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.5	<p><b>Plan Reviews and Updates</b></p> <p>SAP is a dynamic system that is constantly updated. There is no formal review process in place.</p>	<p>The RIA should explicitly list the requirements for review and updating, including frequencies and responsibilities in their AMP.</p>	<p><i>The RIA has directed the Facilities Managers to establish a timeline register ensuring compliance with the licence. The relocation of the RIA Operations Manager into the FM group will ensure compliance.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.6	<p><b>Asset Creation/ Acquisitions</b></p> <p>RIA look at new projects, Transfield are not involved with. Discussions with RIA management indicate that risk analysis and capacity planning occur at the tendering stage.</p>	<p>The RIA should explicitly list evaluation requirements for new assets in their AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>



2.7	<p><b>Commissioning Tests</b></p> <p>Discussions with RIA management indicate that these would be included as part of the contract requirements for any new asset.</p>	<p>The RIA should explicitly state the commissioning test requirements for new assets in their AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.8	<p><b>Ongoing legal/environmental/safety obligations</b></p> <p>All responsibility is passed onto Transfield. Transfield report regularly on any issues top the RIA.</p>	<p>The RIA should explicitly list the ongoing legal, environmental and safety obligations for new assets in their AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.9	<p><b>Asset Disposal</b></p> <p>Requirements for identifying under utilised/ identified assets should be identified.</p>	<p>The RIA should explicitly list asset disposal requirements in their AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.10	<p><b>Asset Register</b></p> <p>Currently the Asset Register comprises a description of the asset, along with the asset number. There is no condition analysis or asset location.</p>	<p>RIA to ensure the asset register is updated to include asset condition, effective life and GPS coordinates.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.11	<p><b>Compliance with Statutory and Regulatory Requirements</b></p> <p>RIA are heavily reliant on Transfield to identify and comply with statutory and regulatory requirements. Any issues regarding these are reported in the weekly reporting by Transfield to the RIA.</p>	<p>The Statutory and regulatory requirements should be documented in the AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>

2.12	<p><b>Operational Policies and Procedures</b></p> <p>Operational policies and procedures should be documented and linked to service levels required.</p>	<p>The linkage between the policies and the service levels should be documented in the AMP.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.13	<p><b>Risk Management</b></p> <p>The RIA has a Risk Management System in place, but discussions with RIA management indicate that there is nothing specific to water.</p>	<p>RIA should work with Transfield to update the RIA Risk Register to include specific risks from water operations and the controls that they or Transfield have in place, and the probability and consequences of asset failure.</p> <p>This should be reviewed regularly.</p>	<p><i>A utilities risk audit has been completed by Transfield Services for the RIA. The RIA Risk Manager will ensure a review of the audit is undertaken including specific risks for water operations and the controls that are currently in place, including the probability and consequences of asset failure.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.14	<p><b>Contingency Planning</b></p> <p>RIA apparently have a Risk Management Plan, however there is no section on water.</p>	<p>RIA to develop in conjunction with Transfield, a detailed contingency plan and to implement a testing regime to ensure the Plan's effectiveness and currency. This plan should assess all risks and put in place the appropriate contingency plans, i.e. water contamination, major pipeline failure, wastewater treatment plant failure etc.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>

2.15	<p><b>Financial Planning</b></p> <p>The RIA has a five year forward plan, however the Acting Director of Finance &amp; Business services advised that this is a cabinet only document, and this was not made available for the audit. The content or detail of the plan could not be confirmed.</p>	<p>RIA to obtain clearance to make full financial planning available to the ERA for audits of licence compliance.</p>	<p><i>The RIA will ensure all financial information is available for the current audit.</i></p>	<p>Director Financial Services</p>	<p>31/12/2007</p>
2.16	<p><b>Capital Expenditure Planning</b></p> <p>The asset life and condition is not formalised in the AMP.</p>	<p>The AMP should be updated to include asset life and condition.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>
2.17	<p><b>Review of AMS</b></p> <p>There was no evidence of any external reviews during the audit period.</p>	<p>RIA to maintain copies of all review reports and keep on file to show reviews had occurred.</p>	<p><i>This would be included in the new Asset Management Plan.</i></p>	<p>Manager Facilities Management</p>	<p>31/12/2007</p>

## 1. Background

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The Rottnest Island Authority (RIA) has a water services licence issued by the Economic Regulation Authority (ERA) to provide potable water supplies, sewerage services and drainage services on Rottnest Island.

The system on the island services approximately 420 residential and non-residential connections. The system includes numerous bores, two reverse osmosis desalination trains, water storage tanks and a waste treatment plant as well as a network of pipes.

The island is a popular tourist destination for locals as well as interstate and international visitors. Located 19 kilometres off of the coast of Fremantle, the island is 11 kilometres long, 4.5 kilometres at its widest point, and the land area measures 1,900 hectares.

The saline water bores are the primary source of water for the island. The saline water is then pumped to the two reverse osmosis desalination trains which desalinate the water which is then pumped to the nearby fresh water tanks. The two trains receive most of their power from the nearby wind turbine and their operations are linked to operate when the turbine is producing enough electricity to run them. A third desalination train is expected to be added to increase the water supply to cope with the new resort that is planned.

The auditors were informed by the RIA that the waste treatment plant has enough capacity to cope with the increased island population that will result from the new resort. Solid waste is transported off the island.

The island was the subject of an adverse report by the Auditor General in 2003. Considerable effort has gone into the upgrade of the island's infrastructure to address the report's findings, including the establishment of the Rottnest Island Task Force who were tasked with providing the direction the island needed to ensure the long term viability of the island resort.

All the operational and maintenance work related to the water services licence is subcontracted to Transfield Holdings Pty Ltd.

## 2. Audit Approach

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### 2.1 OBJECTIVES AND SCOPE

#### 2.1.1 Operational Audit

The objective of the Operational Audit was to provide an assessment of the effectiveness of measures taken by the licensee to maintain the performance and quality standards referred to in the licence.

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

The scope of the audit covered the following:

- Risk assessment – the risks posed by non-compliance with the licence standards and development of a risk-based audit plan to focus on the higher risk areas, with less intensive coverage of medium and low risk areas;
- Process compliance - the effectiveness of systems and procedures in place throughout the audit period, including the adequacy of internal controls;
- Outcome compliance – the actual performance against standards prescribed in the licence throughout the audit period;
- Output compliance – the existence of 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 performance reporting – the completeness and accuracy of the performance reporting to the ERA; and
- Compliance with any individual licence conditions – any specific requirements imposed by the ERA or specific issues for follow-up that are advised by the ERA.

#### 2.1.2 Asset Management Review

The objective of the Asset Management Review was to assess the adequacy and effectiveness of the asset management system in place for the planning, construction, operation and maintenance of the licensee's assets.

The scope of the review covered the following:

- the adequacy of the asset management system by considering the outputs of the system such as the operations and maintenance plans, financial plans and asset registers; and
- the effectiveness of the asset management system by considering the systems established for the planning, construction, operation and maintenance of works.

The review identified areas where improvement is required and recommended corrective action as necessary.

### 2.2 AUDIT PERIOD AND TIMING

The audit covered the period 1<sup>st</sup> November 2004 to 30<sup>th</sup> April 2007 inclusive. The field audit visit was conducted on 28<sup>th</sup> June 2007. Additional information was subsequently obtained from the RIA's Fremantle office.

### 2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Ken Chinnery – Acting Director Finance & Business Services
- Louie Ranauro – Facilities and Contracts Manager

- Alison Dymond – Contracts Administrator

## 2.4 KEY DOCUMENTS EXAMINED

- Rottnest Island Authority Operating Licence, dated 1<sup>st</sup> December 2004
- Report on Operational Audit and Asset Management Review for the period October 2002 to October 2004
- Performance Reports to ERA for 2005, 2006 and 2007
- Quarterly Reports to ERA for Quarters 3&4 2005, and Quarters 2,3&4 2006
- Annual Drinking Water Plan, dated 22<sup>nd</sup> July 2005
- Auditor General, Performance Examination, Turning the Tide: The Business Sustainability of the Rottnest Island Authority, dated November 2003
- Rottnest Island Management Plan 2003-2008
- Customer Service Charter
- Rottnest Island Regulations 1988
- Rottnest Island Authority Strategic Business Plan, dated December 2004
- Rottnest Island Authority Annual Report to the 30<sup>th</sup> June 2006
- Rottnest Island Authority Annual Report to the 30<sup>th</sup> June 2005
- Rottnest Island Authority Annual Report to the 30<sup>th</sup> June 2004
- A sustainable future for Rottnest, Rottnest Island Taskforce Report, dated May 2004
- Records of fault advice/ complaints
- Transfield Services, Operations Report Week ending 15<sup>th</sup> June 2007
- Transfield Services, Services Facilities Capital Works Budget 2007-2012
- Transfield Services, Services Facilities Capital Works Budget 2007-2008
- Transfield Services, Utilities Management – Hydraulics Procedures

## 2.5 COMPLIANCE RATINGS

RIA's compliance with the licence obligations was assessed using the following compliance ratings.

NAME	RATING	DESCRIPTION
COMPLIANT	5	Compliant - no further action required
COMPLIANT	4	Compliant apart from minor issues and recommendations
COMPLIANT	3	Meets minimum requirements in most areas but improvements are required to maintain compliance
NON-COMPLIANT	2	Does not meet minimum requirements
SIGNIFICANTLY NON-COMPLIANT	1	Significant weaknesses and/or serious action required

## 2.6 EFFECTIVENESS RATINGS

The effectiveness of key processes in the asset management system was assessed using the following effectiveness ratings.

NAME	RATING	DESCRIPTION
Continuously improving	5	Continuously improving organisation capability and process effectiveness
Quantitatively controlled	4	Measurable performance goals established and monitored
Well-defined	3	Standard processes documented, performed and coordinated
Planned and tracked	2	Performance is planned, supervised, verified and tracked
Performed informally	1	Base practices are performed
Not performed	0	Not performed (indicate if not applicable)

## 2.7 AUDIT TEAM AND HOURS

CONSULTANT	POSITION	HOURS
Geoff White	Partner	8
Shane Gallagher	Senior Consultant	37
	Total	45

### 3. Operational Audit

The preliminary risk assessment included in the Audit Plan was reviewed and updated in the course of the audit and a compliance rating using the scale in section 2.5 was assigned to each obligation under the licence, as shown in Section 3.1. Section 3.2 provides details of the current status of key recommendations from the previous audit. Section 3.3 provides further details of the systems and the compliance assessment for each obligation.

#### 3.1 SUMMARY OF COMPLIANCE RATINGS

The audit assessment of the compliance ratings for each licence condition is shown below.

Operating area	Operating Licence reference (Cl.=clause, Sch.=schedule)	Consequence (1=minor, 2=moderate, 3=major)	Likelihood (A=likely, B=probable, C=unlikely)	Inherent Risk (Low, Medium, High)	Adequacy of existing controls (S=strong, M=moderate, W=weak)	Compliance Rating (1=significantly non-compliant, 2=non-compliant, 3=compliant, 4=compliant, 5=compliant)				
						1	2	3	4	5
<b>SERVICE DELIVERY</b>										
Water services in designated areas	Cl.2(b), Sch.1	1	C	Low	Strong	✓	✓	✓	✓	✓
Availability / connection of services	Cl.12(d)	2	C	Medium	Strong	✓	✓	✓	✓	✓
Asset Management System	Cl.6	3	B	High	Weak	✓				
Adherence to industry codes	Cl.9	2	C	Medium	Strong	✓	✓	✓	✓	✓
Adherence to public authorities and other Licensees	Cl.18	2	C	Medium	Strong	✓	✓	✓	✓	✓
Accounting records prepared to standard and audited	Cl.10	2	C	Medium	Strong	✓	✓	✓	✓	✓
Pricing/charges adhere to legislation	Cl.11	2	C	Medium	Weak	✓	✓			
Emergency telephone service operational	Cl.15(b)	2	C	Medium	Strong	✓	✓	✓	✓	✓
Customer service standards	Cl.12(e) (f) Cl.15(c) (d)	3	C	High	Moderate	✓	✓	✓		
Potable water – health directions and annual drinking water plan	Cl.16	3	B	High	Weak	✓	✓			
Services by agreement	Cl.17	3	C	High	Strong	✓	✓	✓	✓	✓
Contractors maintenance of standards	Cl.12(a)(b)	3	B	High	Strong	✓	✓	✓	✓	✓
<b>CUSTOMER SERVICE</b>										
Customer complaints	Cl.21	2	B	Medium	Weak	✓	✓			
Customer Charter	Cl.20	2	C	Medium	Moderate	✓	✓	✓		
Customer consultation	Cl.19(a) (b) (c) (d)	2	C	Medium	Moderate	✓	✓	✓		
<b>PERFORMANCE MONITORING</b>										
Customer survey	Cl.19(d)	N/A	N/A	N/A	N/A					
Incident reporting	Cl.14(c)(d)	2	B	Medium	Weak	✓				
Annual performance reporting	Cl.14(a), Sch.3	2	B	Medium	Moderate	✓	✓	✓		
Quarterly Performance Reporting	Cl.14(b), Sch.4	2	C	Medium	Weak	✓	✓			
Compliance with reporting standards	Cl.15(a), Sch.2	2	B	Medium	Weak	✓	✓			



### 3.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in May 2005 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p><b>Asset Management System Clause 6(a)(ii)</b></p> <p>Notify details of the system and any changes to it to the Office of Water Policy.</p> <p>Provide details of the system and advise changes as they are implemented.</p>	There was no evidence to suggest this has been implemented.	No
2	<p><b>Prices or Charges Clause 11(a)</b></p> <p>On 1 July 1999 and on an annual basis thereafter, the Licensee will provide a written submission on its proposed prices or charges and the methodology for determining prices or charges to the Authority for approval prior to implementation.</p>	There was no evidence to suggest this has been implemented.	No
3	<p><b>Specified Information to be Provided Clause 14(a) &amp; (b)</b></p> <p>The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.</p> <p>The Licensee shall report the information set out in Schedule 4. The reports are due within 30 days of the end of each quarter.</p>	It is not know if the RIA has submitted these on time.	No
4	<p><b>Performance of Function by the Licensee Clause 15(a)</b></p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p> <p>RIA maintain a record of the Schedule 2 reports for Water Services. This should be separated from the Facilities Services Contract Performance.</p>	There was no evidence to suggest this has been implemented.	No
5	<p><b>Potable Water Quality Clauses 16(c) and (f)</b></p>		

Item No.	Recommendation	Action Taken	Closed
	<p>The Licensee must be prepare, to the satisfaction of the Department of Health Western Australia, an Annual Drinking Water Quality Plan for its water supply scheme by 1 May 2004 and each subsequent year for the duration of the licence.</p> <p>The Licensee shall provide copies of the Annual Drinking Water Quality Plan to the Authority.</p>	<p>The most recent water plan is dated 22 June 2005. It is not known if there has been any further versions.</p>	<p>No</p>
<p>6</p>	<p><b>Customer Service Charter Clause 20(e)</b></p> <p>The Licensee shall review the Customer Service Charter not less than once every period of 36 months.</p> <p>Review Customer Charter and re-issue to customers and Authority.</p>	<p>There is no information in the Customer Charter to indicate when it was last reviewed.</p>	<p>No</p>
<p>7</p>	<p><b>Dispute Resolution Clause 21 (b) (i), (ii) &amp; (iii)</b></p> <p>Establish a system for providing each aggrieved customer with a unique identifying number.</p> <p>Provide an appropriate number of designated officers who are trained to deal with customer complaints who are authorised to make the necessary decisions to settle Customer Complaints or disputes; including where applicable, approving the payment of monetary compensation.</p> <p>Establish a complaint resolution protocol which is designed to resolve complaints within 21 days of being notified of their existence.</p> <p>Implement a sys tem for providing complaint numbers, complaint protocols and designated customer complaint officers.</p>	<p>RIA has a customer complaint system now in place, managed through their records management system.</p>	<p>Yes</p>

### 3.3 AUDIT RESULTS AND RECOMMENDATIONS

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
CI.2(b)	<p><b>Water Services in Designated Areas</b></p> <p>The Licence permits the provision of Water Services within the Operating Areas described in Schedule 1 of this Licence subject to compliance with the requirements of the Licence.</p>	Low	Confirmed with RIA staff and Transfield staff that services are limited to the designated areas within the Island.	5
CI.12(d)	<p><b>Availability of Services</b></p> <p>The Licensee may, with the written agreement of a customer or lessee, discontinue a service to a property where the servicing of the property is not commercially viable.</p>	Medium	Discussions with RIA staff indicate that there have not been any instances of discontinued licences.	5
CI.6	<p><b>Asset Management System,</b></p> <p>(a) The Licensee is to</p> <ul style="list-style-type: none"> <li>(i) provide for an Asset Management System in respect of the Licensee'</li> <li>(ii) notify details of the system and any changes to it to the Authority; and</li> <li>(iii) not less than once in every period of 24 months (or such longer period as the Authority allows), provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the system. The first report shall be provided by 1 January 2001.</li> </ul> <p>(b) The Asset Management System is to set out</p>	High	<p>There was no evidence to suggest that the Authority was notified of any changes to the system. See section 4 for more details.</p> <p><i>RIA to provide details to the Authority of any changes to the system.</i></p>	2

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	<p>the measures taken by the Licensee for the proper maintenance of Assets used in the provision of Water Services and for the undertaking, maintenance and operation of Water Services Works.</p> <p>(c) The Licensee is to undertake, maintain and operate its Water Services Works in accordance with the processes set out in the Asset Management System.</p> <p>(d) The Scope of the Asset Management System report under paragraph (a) (iii) will be set by the Authority.</p>			
<b>CI.5</b>	<p><b>Adherence to Regulation</b></p> <p>The Licensee shall comply with Regulations prescribing standards of service made under section 61 of the Act.</p>	Medium	No regulations had been published at the time of the audit.	N/A
<b>CI.8</b>	<p><b>Adherence to Technical Standards</b></p> <p>The Licensee is to comply with the technical standards for the provision of Water Services and the undertaking, maintenance and operation of Water Services works; published by the ERA in the Government Gazette.</p>	N/A	No standards have been published by the ERA at this stage.	N/A
<b>CI.9</b>	<p><b>Adherence to Industry Codes</b></p> <p>(a) The Licensee is to comply with the Water Reticulation Code of Australia WSA 03 1999 in the design and construction of water supply systems.</p> <p>(b) The Licensee is to comply with the Sewerage</p>	Medium	RIA is reliant on Transfield to adhere to technical standards and any problems or breaches are reported to the RIA in the weekly reports from Transfield. It is a requirement of their contract that Transfield comply with all applicable codes.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	Code of Australia WSA 02 1999 in the design and construction of sewerage systems.			
<b>CI.18</b>	<b>Adherence to public authorities and other Licensees</b> Wastewater treatment plants operated by the licensee shall have relevant licences from the Department of Environment and be operated in compliance with those licences.	Medium	RIA is reliant on Transfield to adhere to technical standards and any problems or breaches are reported to the RIA in the weekly reports from Transfield. It is a requirement of their contract that Transfield comply with all applicable codes.	5
<b>CI.10(a)</b>	<b>Accounting Records</b> The Licensee shall keep such accounting records as correctly record and explain its transactions and financial position and so keep its accounting records to ensure that: <ul style="list-style-type: none"> <li>(i) true and fair accounts of the Licensee can be prepared from time to time; and</li> <li>(ii) its accounts can be conveniently and properly audited or reviewed.</li> </ul>	Medium	As per the Financial Management Act 2006, appropriate accounting records are required to be kept. These are audited each year by the Office of the Auditor General.	5
<b>CI.10(b)</b>	<b>Annual Reports</b> The Directors shall, within four months of the end of the financial year: <ul style="list-style-type: none"> <li>(i) cause to be produced a profit and loss account that gives a true and fair view of the Licensee's profit or loss for that financial year; and</li> <li>(i) cause to be produced a balance sheet that gives a true and fair view of the Licensee's state of affairs as at the end of the financial year.</li> </ul>	Medium	RIA produces an annual report, the last one being dated September 2006. This report includes a balance sheet, profit and loss statement and accompanying notes.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
<b>CI.10(c)</b>	<b>Accounting Standards</b> The Licensee's financial statements are to be in the form of a general purpose financial report as defined in the accounting standards.	Medium	RIA's financial statements for 2005/2006 and 2004/2005 are in the form of a general purpose financial report.	5
<b>CI.10(d)</b>	<b>Audited Financial Statements</b> The Licensee shall take reasonable steps to ensure that the Licensee's financial statements are audited and submitted to the Authority within four months of the end of the financial year.	Medium	RIA's 2005/2006 financial statements were signed off by the Auditor General on the 25 September 2006. There was a qualification in this report, although the OAG had not deemed it material.	5
<b>CI.11(a)</b>	<b>Pricing and Charges Adhere to Legislation</b> On 1 July 1999 and on an annual basis thereafter the Licensee will provide a written submission on its proposed prices or charges and the methodology for determining prices or charges to the ERA for approval.	Medium	All pricing goes to an expenditure committee. RIA only charge the residents on the island. The audit was unable to confirm if prices and charges are submitted annually to the ERA.  <i>RIA to keep correspondence and other evidence that they have submitted proposals to the ERA.</i>	2
<b>CI.11(b)</b>	<b>Pricing and Charges Amendments</b> Any proposed subsequent amendment to prices and charges must also be forwarded to the ERA for approval.	Medium	The audit was unable to confirm if changes to prices and charges are submitted to the ERA.  <i>RIA to keep correspondence and other evidence that they have submitted proposals to the ERA.</i>	2
<b>CI.15(b)</b>	<b>Emergency Telephone Service is Operational</b> The Licensee shall implement an emergency telephone system so a Customer can report an emergency and receive advice within one hour of the action to be taken	Medium	RIA have a call number which goes back to the Visitor Centre for monitoring systems, to page plumbers etc. Remote alarms exist for chlorine, audible alarm plus pager. The incident response time is	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	by the Licensee. An emergency is an event which causes, or threatens to cause, harm to people, the environment or property.		recorded and reported upon.	
<b>CI.12(e)</b>	<b>Planned Disruptions</b> The Licensee shall provide all affected permanent residents and lessees at least 14 days written notice of planned disruptions to supply, outlining the reason for the disruption and the expected duration.	High	For planned disruptions, a request is sent before the works occur. The RIA distribute a letter to the relevant area. They also advise the Visitors Centre who advise the customers.  <i>RIA to keep correspondence and other evidence that they have provided advice to the customers.</i>	2
<b>CI.12(f)</b>	<b>Emergency Shutdowns</b> In the event of an emergency shutdown of supply, the Licensee shall contact affected customers within 6 hours of the shutdown and advise them of the reason for the shutdown and its expected duration and report on compliance with this requirement per Schedule 3.	High	RIA staff advised that the Visitors Centre contacted customers  <i>RIA to keep evidence, such as a log, that they have provided advice to the customers.</i>	2
<b>CI.15(c)</b>	<b>Number of Interruptions</b> The Licensee shall ensure no connected property shall experience more than three interruptions which exceed 1 hour each in any one year.	High	Transfield report on the number of interruptions to RIA who pass these on in an annual report as required by their licence. During the audit period there were no more than three interruptions in one year.	5
<b>CI.15(d)</b>	<b>Meeting Essential Demand</b> The Licensee shall ensure that during conditions that necessitate restrictions on water use, including drought, sufficient water will be available to meet essential in-house demand.	High	Discussions with Transfield and RIA management indicate that there has not been the need to implement any restrictions in order to meet demand. There will be an increased demand for water in the future	5
<b>16(a)</b>	<b>Potable Water Guidelines</b>		RIA relies on Transfield to meet guidelines, they are expected to	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	The Licensee must comply with the NHMRC and ARMCANZ 1996 Australian Drinking Water Guidelines ("the Guidelines") relating to drinking water, except where the Department of Health Western Australia has given written approval for variation from the Guidelines.	High	report to the RIA any non-compliances in their weekly reports.	
<b>16(b)</b>	<b>Department of Health Amendments</b> The Department of Health Western Australia may make modifications to the requirements of the Guidelines.	High	RIA relies on Transfield to meet guidelines, they are expected to report to the RIA any non-compliances in their weekly reports.	5
<b>16(c)</b>	<b>Preparation of an Annual Drinking Water Plan</b> The Licensee must prepare, to the satisfaction of the Department of Health Western Australia, an Annual Drinking Water Quality Plan for its water supply scheme by 1 May 2004 and each subsequent year for the duration of this licence.	High	The latest copy of the annual drinking water plan provided by the RIA was dated 22 July 2005. The licence condition requires annual plans.  <i>RIA to update and submit the Annual Drinking Water Plan annually. This should be done as soon as possible.</i>	2
<b>16(d)</b>	<b>Annual Drinking Water Plan Requirements</b> The Annual Drinking Water Quality Plan must include processes for performance monitoring, reporting and regular sampling for health related and aesthetic guideline values.	High	The version dated 22 July 2005 included processes for performance monitoring, reporting and sampling. These processes are included in an out of date plan.  <i>RIA to update and submit the Annual Drinking Water Plan annually. This should be done as soon as possible.</i>	2
<b>16(e)</b>	<b>Annual Drinking Water Plan Compliance</b> The Licensee must comply with the requirements of the Annual Drinking Water Quality Plan.	High	Transfield are responsible for obtaining the samples and sending them for analysis and then forwarding the results to the RIA. The results are reported on quarterly to the ERA.	2



Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
			<i>RIA to update and submit the Annual Drinking Water Plan annually. This should be done as soon as possible.</i>	
<b>16(f)</b>	<b>Copies of the Annual Drinking Water Plan</b> The Licensee shall provide copies of the Annual Drinking Water Quality Plan to the Authority.	High	There was no evidence to suggest that any reports have been sent to the ERA since the version dated 22 July 2005.  <i>RIA to update and submit the Annual Drinking Water Plan annually and forward a copy to the ERA. This should be done as soon as possible.</i>	2
<b>17(a)</b>	<b>Services by Agreement</b> The Licensee may enter into agreements with Customers to provide Water Services.	High	There are three types of customers. : residents – live on the island, visitors and day trippers, and businesses. Visitors through the accommodation charge, residents (Residential Tenancies Act) and businesses (lease) rates – cost per litre. Standard for each category.	5
<b>17(b)</b>	The Licensee may not enter into an agreement with a Customer that excludes, modifies or restricts the terms and conditions of the Licence without the prior written approval of the ERA.	High	Discussions with RIA management indicate that only standard agreements are in place.	5
<b>12(a)</b>	<b>Contractors Maintenance of Standards</b> The Licensee may engage persons to provide water services which are the subject of the Licence.	High	Transfield provide all maintenance and operational services on the island.	5
<b>12(b)</b>	Notwithstanding the engagement of any person or persons to provide Water Services on its behalf, the Licensee remains responsible to ensure those services comply with the terms and conditions of the Licence and with the relevant legislation.	High	The contract with RIA requires Transfield to comply with the licence requirements and report to the RIA any non-compliances in the weekly reporting.	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
21(a)	<p><b>Customer Complaints</b></p> <p>By 1 April 1999 the Licensee shall establish a system for recording, managing and resolving Complaints by Customers within 21 days regarding a provided or requested Water Service.</p>	Medium	RIA has an established system for managing complaints using their TRIM records management system. This system records and tracks all complaints received by RIA. There were no water related complaints listed on their system.	5
21(b)	<p>To ensure the effectiveness of such a process the licensee shall, as a minimum:</p> <ul style="list-style-type: none"> <li>(i) establish a system for providing each aggrieved customer with a unique identifying complaint number;</li> <li>(ii) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are authorised to, or have ready access to officers who are authorised to make the necessary decisions to settle customer complaints or disputes, including where applicable, approving the payment of monetary compensation;</li> <li>(iii) establish a complaint resolution protocol which is designed to resolve the customer complaints or disputes within 21 days of being notified of its existence; and</li> <li>(iv) provide a system for accurately monitoring and recording the number, nature and outcome of complaints in order to fulfil the requirements to provide information set out in this Licence."</li> </ul>	Medium	<p>All complaints are managed through RIA's record management system TRIM, which allows each complaint to be tracked and monitored.</p> <p>There is a feedback coordinator who is tasked with managing and dealing with customer complaints.</p> <p>It was noted on the RIA website that there is an aim to resolve complaints within 30 days, not 21 days as per the licence requirement. This is a material non-compliance as it does not comply with a time scale mandated in the licence.</p> <p>The RIA has an established system for managing complaints using their TRIM records management system. This system records and tracks all complaints received by the RIA.</p> <p>The RIA reports that they have not had any complaints during the audit period. No complaints were recorded in the Annual Reports sent to the ERA during the audit period.</p> <p><i>RIA to amend their policy to resolve complaints within 21 days as per ERA requirements. Also ensure that any water related</i></p>	2

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
			<i>complaints are recorded.</i>	
<b>21(c)</b>	Where a dispute arises between a Customer and the Licensee regarding a provided or requested Water Service, the Customer may refer the dispute to the Office of Water Policy.	Medium	There were no recorded complaints during the audit period.	N/A
<b>21(d)</b>	Where a dispute has not been resolved within 21 days the Licensee shall inform the Customer of the option of referring their Complaint to the Office of Water Policy.	Medium	There were no recorded complaints during the audit period. It was noted on the RIA's website that it says "We aim to resolve the complaint within 30 days."	N/A
<b>21(e)</b>	"The Office of Water Policy (OWP) may: (i) mediate the dispute; or (ii) direct the Licensee and Customer to binding arbitration, using an arbitration process set down by the Office of Water Policy."	Medium	There were no recorded complaints during the audit period.	N/A
<b>21(f)</b>	During the process of investigation and conciliation, the Licensee shall make every endeavour to promptly cooperate with the Office of Water Policy's (or its representative's) requests, which shall include the expeditious release of any information or documents requested by the Office of Water Policy and the availability of the relevant staff of the Licensee.	Medium	There were no recorded complaints during the audit period.	N/A
<b>21(g)</b>	The Licensee shall, on request, provide the Office of Water Policy with details of complaints made, names and addresses of customers who have made complaints, and the manner in which the complaint was managed and resolved.	Medium	There were no recorded complaints during the audit period.	N/A

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
<b>20(a)</b>	<b>Customer Charter</b> The Licensee must set out in writing the principles, terms and conditions upon which it intends to provide the Water Services to its Customers ('the Customer Service Charter').	Medium	RIA has a customer service charter. There is no evidence to support that the current charter in use is the version that has been approved by the Authority.	2
<b>20(b)</b>	The Customer Service Charter must be submitted to the ERA for approval by 1 July 1999.	Medium	Confirmed in the previous audit report.	5
<b>20(c)</b>	The Customer Service Charter: (i) should be drafted in "plain English"; and (ii) should address all of the service issues that are reasonably likely to be of concern to its Customers.	Medium	The charter is written in plain English, and contains most of the information that would be of use to customers.	5
<b>20(d)</b>	Different parts of the Customer Service Charter may be expressed to apply to different classes of Customers.	Medium	The charter identifies three classes of customers - visitors, residents and lessees. Some parts of the charter are specific to the different classes.	5
<b>20(e)</b>	The Licensee shall review the Customer Service Charter not less than once in every period of 36 months.	Medium	The charter does not include any version or review information to indicate it has been reviewed since the last audit. There is no evidence to support that the current charter in use is the version that has been approved by the Authority.  <i>RIA includes authorisation details, review dates and version numbers on the Customer Service Charter. The charter should be reviewed if it has not yet been so.</i>	2

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
20(f)	Any proposed amendment to the Customer Service Charter or replacement thereof must also be forwarded to the ERA for approval prior to implementation.	Medium	No evidence of any amendments since the original issue.	N/A
20(g)	The Licensee must make the Customer Service Charter available to its Customers in the following ways: <ul style="list-style-type: none"> <li>(i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access;</li> <li>(ii) by providing a copy, upon request, and at no charge, to a Customer; and</li> <li>(iii) by advising Customers of the availability of the Customer Service Charter on an annual basis.</li> </ul>	Medium	The charter was not visible in the RIA's offices. RIA advised that the charter was available on request.  <i>RIA to prominently display the charter in all offices to which customers regularly have access on the island and on the mainland.</i>	3
20(h)	It is a condition of the Licence that the Licensee provides services in a way that is materially consistent with its Customer Service Charter.	Medium	Discussions with staff and management on operational matters indicated that the charter is consistent with the service delivery.	5
19(a)	<b>Customer Consultation</b> The Licensee must establish ongoing Customer consultation processes which both inform Customers and proactively solicit Customer opinion on the Licensee's operations and delivery of services. Acceptable approaches to the satisfaction of this requirement are set out below. <ul style="list-style-type: none"> <li>(i) Meeting on a regular basis with customers to seek comment on issues relevant to the exercise of the Licensee's levels of service under the Licence.</li> <li>(ii) Publishing a simple newsletter providing</li> </ul>	Medium	The RIA has different methods of consultation for the different classes of customers. There is the RI business committee, this meets each month and provides a forum for the businesses on the island.  For the residents there is the RI Residents committee, this meets with the CEO each month.  The Visitors who stay overnight get customer feedback forms, and there is the website for complaints and feedback. Plus the island does market research on various aspects of the island on an	5

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	<p>basic information about the Licensee's operations.</p> <p>(iii) Establishing other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this Licence.</p>		ongoing basis.	
<b>19(b)</b>	By 1 April 1999 the Licensee shall submit for the Authority's approval a description of the consultation process to be established.	Medium	No evidence of approval of the consultation process was available for the audit.	1
<b>19(c)</b>	In addition, the Licensee may, or at the request of the ERA, shall, establish other forums for consultation, to enable community involvement in issues relevant to the exercise of the Licensee's obligations under this Licence.	Medium	ERA indicated that they had not requested any other forums for consultation.	N/A
<b>19(d)</b>	<p><b>Customer Survey</b></p> <p>Not more frequently than every 12 months the ERA may require the Licensee to commission an independent Customer survey which shall address and conform to the conditions and parameters set out in writing by the ERA.</p>	Medium	RIA indicated that the ERA has not required them to commission a customer survey.	N/A
<b>14(c)</b>	<p><b>Incident Reporting</b></p> <p>The Licensee shall inform the ERA of the following events within five days:</p> <p>(i) Non-compliance with water quality (health related) licence requirements – Authority to be informed of characteristics of non-compliance, numbers of services affected and action to be taken by the Licensee;</p>	Medium	<p>The annual reporting indicated there were four sewerage overflows each year during the audit period. There was no evidence that the ERA had been alerted within the required timeframes.</p> <p><i>RIA to report all events to the ERA and to keep a log and copies of correspondence.</i></p>	1

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
	(ii) Overflows from wastewater treatment plants / sewerage infrastructure including wastewater treatment plants, pumping stations etc. and  (iii) Other major incidents having a significant impact on the delivery of water services.			
<b>14(d)</b>	The Authority may require a detailed report on these events to be provided within 14 days of the event.	Medium	ERA did not receive any evidence reports of events, so therefore did not request any detailed reports.	N/A
<b>14(a)</b>	<b>Annual Performance Reporting</b> The Licensee shall report the information set out in Schedule 3. The reports are due within 30 days of the end of each financial year.	Medium	Annual reports sighted for 2004/2005, 2005/2006 and 2006/2007. It was not possible to determine if these were sent within the required timeframes.  <i>RIA to ensure reports are submitted on time, and records are kept showing when they were sent.</i>	3
<b>14(b)</b>	<b>Quarterly Performance Reporting</b> The Licensee shall report the information set out in Schedule 4. The reports are due within 30 days of the end of each quarter.	Medium	Quarterly reports were provided for quarters three and four 2005, and Quarters two, three and four 2006. It was not possible to determine if these were sent within the required timeframes and their were some reports missing.  <i>RIA to ensure reports are submitted on time, and records are kept showing when they were sent.</i>	2

Licence Ref.	Licence Obligation	Audit Priority (Low, Medium, High)	System Established to Comply with Licence Obligation (including any potential improvements)	Compliance Rating (out of 5)
15(a)	<p><b>Compliance with Reporting Standards</b></p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p>	Medium	<p>Noted that the RIA did not comply with all the performance standards. For all three years the number of sewerage blockages were in excess of the standard of 40 blockages per 100 km of sewer main:</p> <ul style="list-style-type: none"> <li>• 2004/2005: 5 blockages for the 6km</li> <li>• 2005/2006: 3 blockages for the 6km</li> <li>• 2006/2007: 33 blockages for the 6km</li> </ul> <p><i>RIA to prepare monthly management reports that show their compliance/ non-compliance with the reporting standards. This should be signed off by the accountable officer.</i></p>	2



### 3.4 INTEGRITY OF PERFORMANCE REPORTING

The information is collated in Transfield's systems and passed onto RIA to enter into spreadsheets for calculations. The audit was unable to determine if performance reporting requirements are being completed in a timely fashion.

The audit recommendations are noted in Section 3.3 above.

The audit evidence presented suggests RIA lacks the processes required to ensure that documentation is prepared and submitted to the relevant authorities on time. There also appears to be a significant record keeping issue.

### 3.5 RECOMMENDED CHANGES TO THE LICENCE

No changes to the licence are considered necessary.

### 3.6 CONCLUSION

The audit of RIA for compliance with their licence obligations concluded that there are adequate controls over operations and that generally Transfield is doing a good job as a sub-contractor. However, there are significant deficiencies in the management systems surrounding the day-to-day operations.

Based on the evidence provided in the audit, the following licence conditions are not being complied with:

- Notification to ERA of changes to the Asset Management System (Clause 1.6)\*;
- Annual submission on pricing to ERA (Clause 11(a))\*;
- Annual Drinking Plan to be prepared and submitted to ERA (Clause 1.16) \*;
- Customer complaints to be resolved in 21 days (not 30 days) and there were no recorded complaints despite sewerage blockages and overflows occurring (Clause 1.21);
- No incident reporting to ERA despite there being four sewerage overflows each year of the audit period (Clause 1.14 ( c ) (d));
- Lack of evidence of quarterly performance reports being completed and sent to the ERA (Clause 14 (b)); and
- No reporting to ERA of sewerage blockages in excess of standard allowed (Clause 15 (a)).

\* Issue existed in previous audit report dated May 2005.

Only one out of seven issues from the previous audit in May 2005 appear to have been addressed. In addition, RIA will need to keep more information to substantiate that they are in compliance with their reporting requirements.

Given the extensive compliance requirements that RIA faces, we recommend that RIA assigns the compliance role to a single officer who can implement the recommendations in this report and monitor ongoing compliance. This would also aid in the coordination of future audits and related activities, as (the auditors experienced) difficulty in contacting staff and obtaining information from RIA staff for this audit.



## 4. Asset Management Review

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The effectiveness of RIA's asset management system for the sewerage schemes was assessed using the AMS Effectiveness Matrix provided by the ERA in the Audit Guidelines.

The matrix provides criteria to assess the effectiveness of the following key processes:

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Risk management;
- Contingency plans;
- Asset management plan;
- Asset management information system;
- Asset register;
- Operational plans;
- Maintenance plans;
- Financial plans;
- Capital expenditure planning; and
- Review.

The review has assessed the above key processes of the asset management system and a compliance rating using the scale in section 2.6 was assigned to each process, as shown in Section 4.1.

Section 4.2 provides details of the current status of key recommendations from the previous review.

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

#### 4.1 SUMMARY OF EFFECTIVENESS RATINGS

The audit assessment of the effectiveness ratings for each key process in RIA's asset management system is shown in the table below.

ASSET MANAGEMENT SYSTEM		Not Performed	Performed Informally	Planned and tracked	Well defined	Quantitatively Controlled	Continuously Improving
Process	Effectiveness Rating	0	1	2	3	4	5
1. Asset Planning							
2. Asset creation/ acquisition							
3. Asset disposal							
4. Environmental analysis							
5. Asset operations							
6. Asset maintenance							
7. Asset Management Information System							
8. Risk Management							
9. Contingency planning							
10. Financial planning							
11. Capital expenditure planning							
12. Review of Asset Management System							

Section 4.3 provides further details of the systems and the effectiveness rating for each key process in the asset management system.

## 4.2 PREVIOUS AUDIT RECOMMENDATIONS

The status of the key recommendations in the previous audit report issued in May 2005 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p><b>Environmental Analysis</b></p> <ul style="list-style-type: none"> <li>Document the performance requirements for all assets (availability of service, capacity, continuity, and emergency response);</li> <li>Document the asset system objectives;</li> <li>Prepare opportunities and threats assessment for each system; and</li> <li>Document the regulatory obligations and statutory/regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Performance requirements have been completed – see 4.3 (4.2).</li> <li>Asset system objectives have not been documented yet – see 4.3 (1.1).</li> <li>Opportunities and threats have been assessed – see 4.3 (4.1).</li> <li>Documented regulatory obligations and statutory/regulatory requirements are still outstanding – see 4.3 (4.3).</li> </ul>	Partially
2	<p><b>Asset System Analysis</b></p> <ul style="list-style-type: none"> <li>Document the asset system components;</li> <li>Assess the asset performance and condition;</li> <li>Update AMP asset register and plans to system components level;</li> <li>Record the asset type, location, material and an assessment of assets' physical structural condition;</li> <li>Instigate a system to assess asset efficiency, including performance capacity and deficiencies; and</li> <li>Update asset life, predictive failure modes and maintenance requirements.</li> </ul>	<p>The asset management system includes items down to component level and is updated on an ongoing basis.</p> <p>The system does not include information on asset performance, condition, or location. Discussions with Transfield reveal that this is to be included as a requirement, when the contract is renewed.</p>	No

Item No.	Recommendation	Action Taken	Closed
3	<p><b>Risk Analysis and Contingency Planning</b></p> <ul style="list-style-type: none"> <li>Assess the probability and consequences of asset failure and review 1999 AMP assessments;</li> <li>Prepare appropriate contingency. plans for high risk failures; and</li> <li>Identify unacceptable risks and prepare risk control measures,</li> </ul>	No evidence that this has been completed by the RIA.	No
4	<p><b>Financial Planning</b></p> <ul style="list-style-type: none"> <li>Prepare five year capital replacement program for water services assets; and</li> <li>Review operations and maintenance expenditure requirements.</li> </ul>	Transfield prepare a five year capital replacement plan for the RIA. This identifies the urgency of the upgrade the risks and the estimated cost.	No
5	<p><b>Capital Expenditure Planning</b></p> <ul style="list-style-type: none"> <li>Establish a capital expenditure plan based on asset condition and performance and document within the AMP.</li> </ul>	<p>Transfield prepare two capital expenditure plans annually for RIA. One for the next 12 months, the other for the next five years.</p> <p>There is a five year plan that RIA have but Audit has not been allowed access to it.</p>	No
6	<p><b>Review</b></p> <ul style="list-style-type: none"> <li>Update the 1999 Asset Management Plan and include additional information as recommended by the International Infrastructure Management Manual; and</li> <li>Instigate a process for the periodic review of the AMP.</li> </ul>	No evidence that this has been completed by RIA.	No

Item No.	Recommendation	Action Taken	Closed
7	<p><b>Maintenance Plan</b></p> <p>The current practice of including all of the preventative maintenance tasks in SAP and the operator deciding which tasks can be completed within the budget and resources is counter productive. RIA should either fund all of the tasks or direct Transfield Services to remove the tasks that cannot be completed from the Maintenance Plan.</p>	<p>Discussions with Transfield staff indicated that most of the maintenance was almost up-to-date.</p>	<p>Yes</p>
8	<p><b>Sewerage Overflow</b></p> <p>There is a risk of untreated sewerage overflowing from either the gravity collection pits or the pump stations into the ocean through blockages of the downstream gravity mains, power failures or pump failure, RIA needs to purchase a mobile pump as a contingency measure.</p>	<p>No evidence that this has been completed by RIA.</p>	<p>No</p>
9	<p><b>Mains Clearing</b></p> <p>The current sewerage leaks and bursts rate exceeds the target rate. The Water Corporation has recommended that an annual program of mains clearing should be implemented.</p>	<p>No evidence that this has been completed by RIA.</p>	<p>No</p>

### 4.3 AUDIT RESULTS AND RECOMMENDATIONS

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
<b>1</b>	<b>ASSET PLANNING</b>		
1.1	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	<p>Planning occurs at various levels. The RIA taskforce was setup to address sustainability concerns over the island and its management. They have produced a report which is used as the basis for RIA's planning decisions.</p> <p>Transfield provides RIA with short and medium funding requirements with a risk based prioritisation of needs. RIA management attempt to balance spending available funds with the recommendations from the Task Force and Transfield.</p> <p>However, RIA are wholly reliant on Transfield and their SAP system and do not have any asset management plans of their own. Being tied to this system may provide difficulties for the RIA in changing providers.</p> <p><i>RIA should commission a written AMP that sits above the SAP system used by Transfield, this should be in line with the information already in SAP and based on the appropriate national standard. This will provide RIA management with assurance that the assets are being managed in line with agreed best practices.</i></p>	2
1.2	Service levels are defined.	<p>Discussions with the RIA Acting Director of Finance and Business Services indicate these would be built into the documented tender requirements, where appropriate.</p> <p><i>The RIA should explicitly list the service levels in their AMP.</i></p>	2
1.3	Non-asset options (eg demand management) are considered.	Discussions with the RIA Acting Director of Finance and Business Services indicate that non-asset options such as demand management may not be appropriate for the island given the islands use as a resort location.	2



Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<i>The RIA should explicitly list use of non-asset options in their AMP.</i>	
1.4	Lifecycle costs of owning and operating assets are assessed.	Discussions with the RIA Acting Director of Finance and Business Services indicate these would be built into the documented tender requirements, where appropriate.  <i>RIA should explicitly list the need for assessing lifecycle costs for all new water assets commissioned.</i>	2
1.5	Funding options are evaluated.	The Rottnest Island Management Plan provides some direction for sourcing funding. It was not apparent if this was being followed.	2
1.6	Costs are justified and cost drivers identified.	The capital works budgets prepared by Transfield include justifications for any upgrades suggested.	3
1.7	Likelihood and consequences of asset failure are predicted.	The capital works budgets prepared by Transfield includes the likelihood and consequences of failure of the major assets. This is used to priority and schedule major repairs and maintenance.	3
1.8	Plans are regularly reviewed and updated.	SAP is a dynamic system that is constantly updated. There is no formal review process in place.  <i>The RIA should explicitly list the requirements for review and updating, including frequencies and responsibilities in their AMP.</i>	2
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>		
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	RIA look at new projects, Transfield are not involved. Discussions with RIA management indicate that risk analysis and capacity planning occur at the tendering stage.  <i>RIA should explicitly list evaluation requirements for new assets in their AMP.</i>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
2.2	Evaluations include all life-cycle costs.	RIA management indicated that this is part of pre-planning and tender process, they also get advice from the water authority if needed.	2
2.3	Projects reflect sound engineering and business decisions.	The RIA are reliant on outside expertise for engineering advice. Business decisions are made based on recommendations from the Rottneest Island Taskforce report.	2
2.4	Commissioning tests are documented and completed.	Discussions with RIA management indicate that these would be included as part of the contract requirements for any new asset.  <i>RIA should explicitly commissioning test requirements for new assets in their AMP.</i>	2
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	All responsibility is passed onto Transfield. Transfield report regularly on any issues top the RIA.  <i>RIA should explicitly list the ongoing legal, environmental and safety obligations for new assets in their AMP.</i>	2
<b>3</b>	<b>ASSET DISPOSAL</b>		
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	Transfield has identified some bores and tanks that can't be used, this was passed onto the RIA. If an asset is decommissioned or shut then it is deactivated on SAP, this will be then no longer included for active maintenance but keep for history.  <i>RIA should explicitly list asset disposal requirements in their AMP.</i>	2
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Transfield identifies any assets that require upgrading or replacement in the capital expenditure plan.	3
3.3	Disposal alternatives are evaluated.	This is covered through Transfield's AMP. Anything of a capital nature goes through RIA, big items go through external contractors. Transfield does some smaller work, but	3

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		nothing that requires big disposals.	
3.4	There is a replacement strategy for assets.	Small items covered through ongoing maintenance budget. The Capital Works budget looks at the period within the next 12 months and also medium range.	4
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>		
4.1	Opportunities and threats in the system environment are assessed.	The RIA task force's report dated May 2004 and the Rottnest Island Management Plan 2003 – 2008, identify a number of threats and opportunities, including those for water services.	3
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	As part of their contract, Transfield collate and report on all the performance standards that RIA must comply with, except for complaints handling, which RIA handle themselves.	3
4.3	Compliance with statutory and regulatory requirements.	RIA are heavily reliant on Transfield to identify and comply with statutory and regulatory requirements. Any issues regarding these are reported in the weekly reporting by Transfield to the RIA.  <i>The Statutory and regulatory requirements should be documented in the AMP.</i>	2
4.4	Achievement of customer service levels.	Customer service levels are outlined in the customer service charter.	3
<b>5</b>	<b>ASSET OPERATIONS</b>		
5.1	Operational policies and procedures are documented and linked to service levels required.	The contract stipulates what their requirements are. Transfield has a knowledge database that covers the whole of organisation, Transfield staff are able to access and share the information.  <i>The linkage between the policies and the service levels should be documented in the</i>	2

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		<i>AMP.</i>	
5.2	Risk management is applied to prioritise operations tasks.	This is done by the maintenance planner..	3
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data.	Currently they just have a description of the asset, along with the asset number. There is no condition analysis or asset location. Transfield will be going to enter the coordinates if they get their contract extended. The new contract includes a restoration plan which will include identification and condition and a timeframe.  <i>RIA to ensure the asset register is updated to include asset condition, effective life and GPS coordinates.</i>	2
5.4	Operational costs are measured and monitored.	Transfield has a budget for maintenance and repairs, they go to RIA if there is an unexpected major failure and then present their funding case. This is reported to senior management.	3
5.5	Staff receive training commensurate with their responsibilities.	Transfield has three plumbers, three electricians, and plumber gas fitters. They have a team leader, a technician who operates the waste treatment plant and another plumber who focuses on hydraulics for waste water. They have received on-the-job training. Subcontractors for the desalination plant are provided with on-the-job training. IWES training will be done with the new contract, as they want to get certified training. This has been built into costs for the contract with the RIA.	2
<b>6</b>	<b>ASSET MAINTENANCE</b>		
6.1	Maintenance policies and procedures are documented and linked to service levels required.	All the maintenance procedures are documented in SAP, and are all time based to ensure that they actioned in a timely manner. The link to service levels comes from the initial top down process.	3
6.2	Regular inspections are undertaken of asset performance and condition.	SAP is used to manage the assets, this includes the inspection frequency of the various assets in the system.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	Maintenance plans and schedules are integral to SAP. Any work done is entered against a traceable service order number, the work order will note if any further planned work is required. Any further work required gets a reactive work order. The maintenance planner monitors this and reports on work that has been done, and work still outstanding. Major maintenance was up-to-date at the date of the audit.	4
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Transfield has a Maintenance Plan Change form – this is filled in by maintenance staff who identify any need for amendments. They then give this form to the Maintenance Planner who updates SAP accordingly.	4
6.5	Risk management is applied to prioritise maintenance tasks.	Planned maintenance tasks are risk based through the top-down maintenance planning. There is also a priority system within SAP for reactive maintenance tasks.	4
6.6	Maintenance costs are measured and monitored.	All maintenance tasks are logged against each job, each area has a budget, all costs go back to the budget. This is reported on a monthly basis to the authority. Transfield indicated that only critical problems cause variations as the schedule gives a good indication of expected costs.	4
<b>7</b>	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>		
7.1	Adequate system documentation for users and IT operators.	Transfield utilise a sophisticated AMIS called SAP. Documentation is stored electronically on the system. This includes maintenance plan details for reactive and planned maintenance.	4
7.2	Input controls include appropriate verification and validation of data entered into the system.	Only authorised users can make changes to schedules and maintenance staff update work done and identify any amendments necessary.	3
7.3	Logical security access controls appear adequate, such as passwords.	There are individual user logons, and passwords to the SAP system. Only Transfield staff have access to the system. The maintenance planner and the graduate engineer can make changes to the maintenance schedules and plans. Other users only have read	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
		access to this information.	
7.4	Physical security access controls appear adequate.	Confirmed with the Engineering Services Manager that Transfield's offices and depot building on the island are kept locked and secure out of normal operating hours.	2
7.5	Data backup procedures appear adequate.	Confirmed with the Engineering Services Manager that Transfield have a local backup server on the island, but their network is also connected back into the organisation's main server.	4
7.6	Key computations related to licensee performance reporting are materially accurate.	Transfield staff do a weekly reading, this is entered into a spreadsheet. Some of this comes from the monitoring system called Scitech, this monitors power and system operations. There are also some manual readings. Any unusual readings are followed up and investigated by Transfield staff.	4
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	There are manually prepared weekly operational reports sent to the RIA, these include any operational issues and licence compliance matters.  There are reports on ongoing and outstanding service orders reports used by Transfield internally.	3
<b>8</b>	<b>RISK MANAGEMENT</b>		
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Transfield includes a risk management system within SAP, which is applied to areas of operations.  RIA has a Risk Management System in place, but discussions with RIA management indicate that there is nothing specific to water.  <i>RIA should work with Transfield to update the RIA Risk Register to include specific risks from water operations and the controls that they or Transfield have in place.</i>	1
8.2	Risks are documented in a risk register and treatment plans are actioned and	Transfield have identified and documented risks within their own operations on the island. The RIA have not documented any water related risks in their own Risk Register.	1

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	monitored.	<i>RIA should work with Transfield to update the RIA Risk Register to include specific risks from water operations and the controls that they or Transfield have in place. This should be reviewed regularly,(eg. at least annually).</i>	
8.3	The probability and consequences of asset failure are regularly assessed.	Transfield include the probability and consequences within the SAP system. Assets that require repairs or maintenance are reported to the RIA for funding and the probability and consequences are identified in the capital expenditure plan that is presented to the RIA.  <i>RIA should work with Transfield to update the RIA Risk Register to includes the probability and consequences of asset failure. This should be reviewed regularly,(eg. at least annually).</i>	1
<b>9</b>	<b>CONTINGENCY PLANNING</b>		
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	RIA apparently have a Risk Management Plan, however there is no section on water.  The Island does keep a water supply minimum of 20 days and mobile desalination plants are available from their contractors – available within 2-3 weeks.  Under the facilities management contract, Transfield is supposed to advise of any issues and should include contingency planning for the facility.  <i>RIA to develop, in conjunction with Transfield, a detailed contingency plan and to implement a testing regime to ensure their effectiveness and currency. This plan should assess all risks and put in place the appropriate contingency plans, i.e. water contamination, major pipeline failure, wastewater treatment plant failure etc.</i>	0

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
<b>10</b>	<b>FINANCIAL PLANNING</b>	If the auditor cannot access the 5 year plan then the rating should be N/A with an explanatory note. The ERA does not see any reason why the budget items for the water operations cannot be extracted from the plan for review.	
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	RIA has a five year forward plan, however the Acting Director of Finance & Business services advised that this is a cabinet only document, and this was not made available for the audit. The content or detail of the plan could not be confirmed.  <i>RIA to obtain clearance to make full financial planning available to the ERA for audit with licence compliance for future reviews.</i>	1
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	RIA has a five year forward plan, however the Acting Director of Finance & Business services indicated that this is a cabinet only document and was not made available for the audit. The content or detail of the plan could not be confirmed.	1
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	RIA has a five year forward plan, however the Acting Director of Finance & Business services indicated that this is a cabinet only document and was not made available for the audit. The content or detail of the plan could not be confirmed.	1
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	RIA has a five year forward plan, however the Acting Director of Finance & Business services indicated that this is a cabinet only document and was not made available for the audit. The content of the plan could not be confirmed.	1
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	RIA has a five year forward plan, however the Acting Director of Finance & Business services indicated that this is a cabinet only document and was not made available for the audit. The content of the plan could not be confirmed.	1
10.6	Significant variances in actual/budget income and expenses are identified	RIA advised that they receive monthly, quarterly and annual reports on expenditure from Transfield. The CEO signs off on the reports. No reports were provided for audit review	1



Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
	and corrective action taken where necessary.	so unable to assess.	
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>		
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	There are two capital works budgets that Transfield produces annually and present to RIA that covers water and waste water. These cover the existing assets only, not new or proposed assets. One budget covers the next financial year, and the other the next five years.  New capital expenditure is considered separately by RIA. No documentation was available on this for the audit.	4
11.2	The plan provide reasons for capital expenditure and timing of expenditure.	Transfield plans include a risk assessment and commentary for all capital expenditure repairs and maintenance, to enable a prioritisation of work that will need to be completed.	4
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan prepared by Transfield comes from work order history, and local knowledge of the plant. This is based on their experience with the island's assets. The asset life and condition is not formalised in the AMP.  <i>The AMP should be updated to include asset life and condition.</i>	3
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	Transfield recommends changes/ upgrades, it is up to RIA to decide and authorise work to be done.  There is an annual review by Transfield, they look at what was done or not done and run an operations report. Components over a certain value need RIA's permission, oil and filters etc are covered as part of normal operations costing.	4

Item no.	Criteria (refer AMS Effectiveness Matrix in Audit Guidelines)	Observations and Results (including any potential improvements)	Effectiveness Rating  (1=base practices, 2=planned & tracked, 3=well-defined, 4=quantitatively controlled, 5=continuously improving)
<b>12</b>	<b>REVIEW OF AMS</b>		
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.	<p>Transfield's AMS was setup from a database, they did top-down analysis based on best practice. Since the plan was put in place, they review on an ongoing basis, checking for items to put in or take out. Schedules for all the testing and monitoring is in their system.</p> <p><i>The RIA should implement an overarching AMP, and this should be reviewed by the RIA annually and the ERA should be informed of any changes to the system.</i></p>	1
12.2	Independent reviews (eg internal audit) are performed of the asset management system.	<p>There was no evidence of any external reviews during the audit period although this review can be considered an independent review.</p> <p><i>RIA to maintain copies of all review reports and keep on file to show reviews occurred.</i></p>	3

### 4.3 CONCLUSION

The review of the asset management system shows that base practices are in place with the exception of:

- There is no evidence of any contingency planning for water-related assets;

The following processes are done informally but lack evidence of being planned and tracked in respect of the water-related assets:

- Risk management;
- Financial planning (audit was not permitted to access the long-term financial plans of the RIA); and
- Review of Asset Management System – although Transfield manage the assets at a component level on the SAP system, there is a lack of a fully documented Asset Management Plan that sits above the SAP, that covers areas such as service levels, condition and location of assets, evaluation of new assets, testing requirements for new assets, legal and environmental obligations, risk management, contingency planning, and review of the plan.

Other processes are planned and tracked.

Only one out of nine issues from the previous review in May 2005 appear to have been addressed.

For future audits, clearance should be given for all relevant financial information to enable the audit to get the full picture of the planning for the island, otherwise this will delay or prevent a complete audit of the AMS.

RIA is completely reliant on Transfield to maintain operations on the Island. RIA need to establish an AMP framework and guidelines that overlay the planning in place by Transfield, to ensure that the assets are maintained in line with best practice.

END OF REPORT