

Rottnest Island Authority

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

FINAL REPORT
30 January 2009



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Executive Summary

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 421 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.

Not less than every two years, the Rottneest Island Authority is required to provide the Authority with an operational audit report and a report on the effectiveness of its asset management system. The previous audit was completed up to 30th April 2007 (report issued in September 2007).

Section 5.4 of the Authority's *Audit Guidelines: Electricity Gas and Water Licences* states that "licensees who are demonstrating less favourable levels of compliance with licence conditions may be audited more frequently than the standard period for some or all of their licence". After taking into account the number of non-compliances identified in the 2007 audit and the high level of recommendations from the previous audit that had not been actioned, the Authority decided to reduce the interval until the next audit, from 24 months to 14 months. The audit and review will cover the period 1 May 2007 to 30 June 2008, with the report to be provided to the Authority by 30 September 2008.

It was noted that the RIA has called for expressions of interest to privatise power, water and gas services on the Island. The document also identifies a number of inadequacies in the current system to cope with the expected future demand from the new hotel and accommodation upgrades, with water demands growing beyond current capacity and also the waste water plant needing upgrading in the short to medium term.

CONCLUSION

Operational Audit

The audit of RIA for compliance with their licence obligations concluded that there are adequate controls over operations and that Tungsten is doing a good job as a sub-contractor, and have put a lot of effort into resolving deficiencies from the previous audit.

Based on the evidence provided in the audit, there is a good adherence to compliance requirements with the exception of the following licence conditions not being complied with:

- Annual Drinking Plan to be prepared and submitted to ERA (Clause 1.16) *; and
- The number of sewerage blockages in excess of standard allowed (Clause 15 (a))*.

These issues were also noted in the previous audit report dated September 2007.

Two out of 12 issues from the previous audit in September 2007 have not been addressed. The RIA should provide more information to substantiate that they are aware of and in compliance with their reporting requirements by developing a compliance manual, which explicitly lists their compliance requirements and links to the appropriate system or documentation. The RIA has indicated that they will develop such a manual by December 2008.

Asset Management Review

The review of the asset management system concluded that the business processes are well-defined with the exception of:

- There is no evidence of any detailed contingency planning for water-related assets beyond evacuation plans and minimum water supplies kept on the island; and
- Although a draft Risk Management Plan has been developed and a Risk Analysis undertaken, there is no Risk Treatment plan that shows how the risks have been managed and how this links to Asset Operations and Maintenance.

From the 24 issues raised in the previous review, 11 have been completed, 6 partially completed and 7 have not yet been actioned. The RIA attributes the delay in implementing all recommendations to the time required to engage a new service provider being Tungsten, to manage the potable and wastewater services at Rottnest.

Tungsten has made good progress in establishing an asset maintenance planning framework and guidelines that overlay the planning in place. This document needs to be formally approved by the RIA with the following additions:

- Non-asset options;
- Lifecycle costs;
- Commissioning test requirements;
- Capital expenditure planning;
- Two year rolling maintenance strategy and five year rolling asset management programme;
- Asset performance, condition and effective life and GPS coordinates; and
- Contingency plans and control measures in place to deal with identified risks.

Also outstanding from the previous audit is the purchase of pumps to use in the event of sewerage overflows and the implementation of a program of mains clearing to lower the number of leaks and bursts.

The RIA has confirmed that all recommendations will be actioned.

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
30 JANUARY 2009

Post Audit Implementation Plan

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
1	Operational Audit				
1.1	<p>Preparation of an Annual Drinking Water Plan Clause 16(c)(f)</p> <p>RIA is required to submit an annual drinking water plan to the ERA; this has not been done since 2006.</p>	RIA to update and submit the Annual Drinking Water Plan annually to the ERA.	<i>In June 2008 the RIA engaged Aquaterra to review the existing drinking water quality plan. Aquaterra provided that plan on 3 December 2008.</i>	<i>FOU Manager (RIA)</i>	<i>Completed</i>
1.2	<p>Compliance with Reporting Standards 15(a), Sch 2</p> <p>The RIA has not complied with all the performance standards. For the year, the number of sewerage blockages was in excess of the standard of 40 blockages per 100 km of sewer main.</p>	RIA to investigate reason for large increase in blockages and develop an action plan to address issue and provide a report to the Authority on the outcome of this investigation.	<i>Tungsten and the RIA have investigated the cause of the blockages; which relate to sand build-up and root intrusion. The RIA and Tungsten have purchased a portable pump and implemented a program of drain and sewer maintenance initially concentrating on known problem areas.</i>	<i>FOU Manager (Tungsten) RIA/Contract Manager</i>	<i>Completed</i>
1.3	<p>Compliance Manual</p> <p>While the audit concluded that most of the licence obligations are being complied with, the audit evidence presented suggests RIA lack an overarching framework required to ensure compliance.</p>	Develop and implement a Compliance Manual for the organisation in order to manage critical compliance functions and assign responsibilities. The Compliance Manual should identify the licensee compliance requirements and briefly describe how each licence condition is being complied with, referencing documents, processes, etc. and linking to the relevant parts of the procedural manual.	<i>Tungsten has developed an electronic compliance manual. This has been approved by the RIA. Compliance is a standing item on the weekly contract management agenda.</i>	<i>FOU Manager (RIA/Contract Manager (Tungsten)</i>	<i>Completed</i>

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
2	Asset Management Review				
2.1	<p>Asset Planning</p> <p>Tungsten has developed an Asset Management Plan for RIA; it is currently in draft format.</p>	<p>RIA and Tungsten to finalise the AMP and RIA to formally approve the AMP.</p> <p>The following additions need to be made to the AMP</p> <ul style="list-style-type: none"> • Non-asset options; • Lifecycle costs; • Commissioning test requirements; • Capital expenditure planning; • Two year rolling maintenance strategy and five year rolling asset management programme; • Asset performance, condition and effective life and GPS coordinates; and • Contingency plans and control measures in place to deal with identified risks. 	<p><i>Tungsten and RIA are meeting on 8 October 2008 to progress</i></p>	<p><i>FOU Manager (RIA)</i></p>	<p><i>30 December 2008</i></p>
2.2	<p>Risk Management Plan</p> <p>The Risk Management Plan that Tungsten has developed for RIA is still to be finalised.</p>	<p>RIA finalise the Risk Management Plan. Refer section 4.3 for issues that need to be addressed.</p>	<p><i>Tungsten and RIA are meeting 8 October 2008 to progress</i></p>	<p><i>FOU Manager (RIA)</i></p>	<p><i>30 December 2008</i></p>

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
2.3	<p>Risk Management Treatment Plan</p> <p>Risk areas have been assessed in accordance with the draft Risk Management Plan, but there is no Risk Treatment Plan or a formalised monitoring process as outlined in the plan.</p>	<p>RIA to develop a Risk Treatment Plan in consultation with Tungsten and a formalised risk monitoring process. The Risk Treatment Plan should include links to Asset Operations and Maintenance.</p> <p>The Risk Management Plan requires finalising and details of Risk Treatment and Monitoring are required.</p>	<p><i>The RIA has requested Tungsten to provide a Risk Treatment Plan to supplement the Risk Management Plan</i></p>	<p><i>Contract Manager Tungsten</i></p>	<p><i>The Risk Treatment Plan and monitoring in place by 28 February 2009.</i></p>
2.4	<p>Asset Management System Reviews</p> <p>There was no evidence of any reviews of the AMS undertaken during the audit period although this review can be considered an independent review. A minor issue is that no hardcopy file is kept of reports and actions from external reviews of the Asset Management System whether by audit or other contractors.</p>	<p>RIA to develop and implement an Asset Management System review procedure/process</p> <p>RIA to maintain copies of all review reports and keep on file to show reviews occurred.</p>	<p><i>The AMS is reviewed every year as required by the Facilities Management contract with Tungsten.</i></p> <p><i>The RIA keeps electronic copies of reviews and reports on its electronic record keeping system (TRIM). The RIA maintains separate files relating to utility licences including audits, reviews and general correspondence. (Note this is not an AMSR's requirement but an additional process)</i></p>	<p><i>Tungsten Contract Manager/FOU Contract Manager RIA.</i></p>	<p><i>June 2009</i></p>
2.5	<p>Asset Register</p> <p>An asset register has been developed, however this does not include asset condition, effective life and GPS coordinates.</p>	<p>RIA to ensure the asset register is updated to include asset condition, effective life and GPS coordinates.</p>	<p><i>Tungsten to update the Asset Register to include the asset condition, effective life and GPS coordinates.</i></p>	<p><i>Contract Manager Tungsten</i></p>	<p><i>June 2009</i></p>

No.	Issue	Recommendation	Management Response	Person Responsible	Completion Date
2.6	<p>Contingency Planning</p> <p>Evacuation plan and 17 days water supply requirements in place, but no planning specific to water risks e.g., water contamination, pipeline failure, wastewater treatment plant failure.</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>The RIA has requested Tungsten to provide a Risk Treatment Plan (including contingency plans and a testing regime).</i></p>	<p><i>Contract Manager Tungsten</i></p>	<p><i>June 2009.</i></p>
2.7	<p>Maintenance Plans</p> <p>The draft AMP says there is work being done in collating and analysing maintenance records to determine the number and type of failures. The draft AMP outlines the process to attain desired levels of service and part of that process is to revise maintenance schedules where necessary. This has not yet been implemented.</p>	<p>Tungsten to complete work on collating and analysing maintenance records to enable maintenance plans to be adjusted.</p>	<p><i>Tungsten will complete.</i></p>	<p><i>Contract Manager Tungsten</i></p>	<p><i>June 2009</i></p>

1. Background

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 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.

The auditors were informed by the RIA, during the previous audit 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 the Tungsten Group, who took over from Transfield in September 2007.

2. Audit Approach

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 1st May 2007 to 30th June 2008 inclusive. The field audit visit was conducted on 11th September 2008. Additional information was subsequently obtained from the RIA's Fremantle office.

2.3 LICENSEE'S REPRESENTATIVES PARTICIPATING IN THE AUDIT

- Ken Chinnery – Manager Commercial Operations
- Rob Smithson – Acting Contract Manager FOU

2.4 KEY DOCUMENTS EXAMINED

- Rottnest Island Authority Operating Licence, dated 1st December 2004
- Report on Operational Audit and Asset Management Review for the period October 2002 to October 2004
- Performance Report to ERA for 2007/08
- Quarterly Reports to ERA for Quarters 2,3&4 2007, and Quarters 1&2 2008
- Annual Drinking Water Plan, dated 22nd 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 June 2006
- Rottnest Island Regulations 1988
- Rottnest Island Authority Strategic Business Plan, dated December 2004
- Rottnest Island Authority Annual Report to the 30th June 2007
- A sustainable future for Rottnest, Rottnest Island Taskforce Report, dated May 2004
- Records of fault advice/ complaints
- Rottnest Island Authority draft Asset Management Plan – Hydraulics, dated May 2008
- Rottnest Island Authority - Asset Register, dated Dec 2007
- Emergency shutdown customer contact procedure
- Planned Disruption Emergency Shutdown Notice
- Prices and Charges - Water Operating Licence - Proposed Price Increase for Water Supply in 2008-2009
- Risk management plan draft for Rottnest Island
- Integrated Management System for Rottnest Island
- 2007-2008 Strategic Development Plan, last updated September 2007
- 2007-2008 Statement of Corporate Intent, last updated September 2007
- Rottnest Island Community Evacuation Arrangements And Planning Guidelines
- Tungsten Services, Services Facilities Capital Works Budget 2007-2008
- RIA 021-08 (Expressions Of Interest) - Rottnest Island Utilities Tender Document.

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	10
Shane Gallagher	Senior Consultant	40
	Total	50

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
SERVICE DELIVERY										
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	Strong	✓	✓	✓	✓	✓
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	Strong	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓
CUSTOMER SERVICE										
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	✓	✓	✓		
PERFORMANCE MONITORING										
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 September 2007 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	Asset Management System Clause 6 (a)(ii) RIA to provide details to the Authority of any changes to the system.	Tungsten advised that there is a formal procedure in place for notifying the ERA. Written procedure sighted.	Yes
2	Pricing and Charges Adhere to Legislation Clause 11(a)(b) RIA to keep correspondence and other evidence that they have submitted proposals to the ERA.	Letters are kept on the RIA's TRIM system.	Yes
3	Planned Disruptions Clause 12(e) RIA to keep correspondence and other evidence that they have provided advice to customers.	Tungsten advised that there have been no planned disruptions. Sighted copy of notification form template.	Yes
4	Emergency Shutdowns Clause 12(f) RIA to keep correspondence and other evidence that they have provided advice to customers.	Tungsten advised that there have been no emergency shutdowns. Sighted copy of formal procedure and list of phone contacts kept.	Yes
5	Preparation of an Annual Drinking Water Plan Clause 16(c)(f) RIA to update and submit the Annual Drinking Water Plan annually to the ERA.	The annual drinking water plan had not been updated since 2005. The RIA further advised that subsequent to the audit, this has been completed, however the plan has not been sighted by the auditor. <i>(Refer Post Audit Implementation Plan item 1.1)</i>	No

Item No.	Recommendation	Action Taken	Closed
6	<p>Customer Complaints Clause 21(b)</p> <p>RIA amends 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).</p>	Customer complaints system in place.	Yes
7	<p>Customer Charter Clause 20(e)</p> <p>RIA includes authorisation details, review dates and version numbers on the Customer Service Charter.</p>	Authorisation details, review date and version number are all on the Customer Service Charter as well as when it was authorised by the ERA.	Yes
8	<p>Customer Charter Clause 20(g)</p> <p>RIA to prominently display the charter in all offices to which customers regularly have access on the island and on the mainland.</p>	The Charter is now prominently displayed at RIA offices on the Island.	Yes
9	<p>Incident Reporting Clause 14(c)(d)</p> <p>RIA to report all events to the ERA and to keep a log and copies of correspondence.</p>	Emails sighted that were sent to the ERA by Tungsten to advise of any incidents. These had been saved to a folder on the shared drive.	Yes
10	<p>Performance Reporting 14(a)(b)</p> <p>RIA to ensure reports are submitted on time, and records are kept showing when they were sent.</p>	Records show all submitted in time.	Yes
11	<p>Compliance with Reporting Standards Clause 15(a)</p> <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.</p>	Quarterly reports are now produced (sighted).	Yes
12	<p>Specified Information to be Provided Clause 14(a) & (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</p>	Records show all submitted in time.	Yes

Item No.	Recommendation	Action Taken	Closed
	quarter.		
13	<p>Performance of Function by the Licensee Clause 15(a)</p> <p>The Licensee shall comply with the quality and performance standards set out in Schedule 2.</p> <p>RIA maintains a record of the Schedule 2 reports for Water Services. This should be separated from the Facilities Services Contract Performance.</p>	<p>There was no evidence to suggest this has been implemented with some non-compliance with the performance standards not being reported to the Authority.</p> <p><i>(Refer Post Audit Implementation Plan item 1.2)</i></p>	No

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)	Water Services in Designated Areas 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.	Low	Confirmed with RIA staff and Tungsten staff that services are limited to the designated areas within the Island.	5
CI.12(d)	Availability of Services 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.	Medium	Discussions with RIA staff indicate that there have not been any instances of discontinued licences.	5
CI.6	Asset Management System, (a) The Licensee is to <ul style="list-style-type: none"> (i) provide for an Asset Management System in respect of the Licensee' (ii) notify details of the system and any changes to it to the Authority; and (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. (b) The Asset Management System is to set out	High	RIA has a comprehensive AMS, which is run under contract by the Tungsten Group. There is a documented process in place to ensure that the ERA is notified of any changes.	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>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>			
CI.5	<p>Adherence to Regulation</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
CI.8	<p>Adherence to Technical Standards</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
CI.9	<p>Adherence to Industry Codes</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 Tungsten to adhere to technical standards and any problems or breaches are reported to the RIA in the weekly reports from Tungsten. It is a requirement of their contract that Tungsten comply with all applicable codes. There have been no water or sewerage systems developed on the island since the previous audit.	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.			
CI.18	<p>Adherence to public authorities and other Licensees</p> <p>Wastewater treatment plants operated by the licensee shall have relevant licences from the Department of Environment and be operated in compliance with those licences.</p>	Medium	RIA is reliant on Tungsten to adhere to technical standards and any problems or breaches are reported to the RIA in the weekly reports from Tungsten. It is a requirement of their contract that Tungsten comply with all applicable codes. Tungsten maintains a register of licences and permits that they must comply with (sighted).	5
CI.10(a)	<p>Accounting Records</p> <p>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:</p> <ul style="list-style-type: none"> (i) true and fair accounts of the Licensee can be prepared from time to time; and (ii) its accounts can be conveniently and properly audited or reviewed. 	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
CI.10(b)	<p>Annual Reports</p> <p>The Directors shall, within four months of the end of the financial year:</p> <ul style="list-style-type: none"> (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 (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 	Medium	RIA produces an annual report, the last one being dated September 2007. 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)
	the financial year.			
CI.10(c)	Accounting Standards 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 2006/2007 are in the form of a general purpose financial report.	5
CI.10(d)	Audited Financial Statements 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 2006/2007 financial statements were signed off by the Auditor General on the 13 September 2007.	5
CI.11(a)	Pricing and Charges Adhere to Legislation 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 charges the residents on the island. Letter on pricing and charges from RIA to ERA dated 30 May 2008 sighted.	5
CI.11(b)	Pricing and Charges Amendments Any proposed subsequent amendment to prices and charges must also be forwarded to the ERA for approval.	Medium	Letter on pricing and charges from RIA to ERA dated 30 May 2008 sighted.	5
CI.15(b)	Emergency Telephone Service is Operational 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 by the Licensee. An emergency is an event which causes, or threatens to cause, harm to people, the environment or property.	Medium	RIA has 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 recorded and reported upon. Tungsten made up fridge magnets (sighted) with the emergency contact details that have been distributed to customers.	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)
CI.12(e)	<p>Planned Disruptions</p> <p>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.</p>	High	For planned disruptions, a request is sent before the works occur. Tungsten distributes a letter to the relevant area. They also advise the Visitors Centre who advise the customers. Sighted template of notice used. Tungsten advised there had not been any disruptions.	5
CI.12(f)	<p>Emergency Shutdowns</p> <p>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.</p>	High	Sighted procedure for emergency shutdowns. Tungsten advised that there had not been any emergency shutdowns.	5
CI.15(c)	<p>Number of Interruptions</p> <p>The Licensee shall ensure no connected property shall experience more than three interruptions which exceed 1 hour each in any one year.</p>	High	Tungsten 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
CI.15(d)	<p>Meeting Essential Demand</p> <p>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.</p>	High	Discussions with Tungsten and RIA management indicate that there has not been the need to implement any restrictions in order to meet demand. There is expected to be an increased demand for water in the future.	5
16(a)	<p>Potable Water Guidelines</p> <p>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.</p>	High	RIA relies on Tungsten to meet guidelines, Tungsten are expected to report to the RIA any non-compliances in their weekly reports.	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)
16(b)	Department of Health Amendments The Department of Health Western Australia may make modifications to the requirements of the Guidelines.	High	RIA utilises Tungsten to meet guidelines, they are expected to report to the RIA any non-compliances in their weekly reports. A register is kept of Licence and Permit requirements.	5
16(c)	Preparation of an Annual Drinking Water Plan 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. The RIA has failed to provide plans for the past 3 years. At the time of the audit, the RIA advised that AquaTerra was engaged to prepare an updated plan for the RIA. Further advice from RIA indicates that this has now been completed, although a copy has not been provided to the auditor for verification. <i>RIA to submit the Annual Drinking Water Plan annually. This should be done as soon as is completed. Refer Post Audit Implementation Plan item 1.1)</i>	2
16(d)	Annual Drinking Water Plan Requirements 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. At the time of the audit, the RIA advised that AquaTerra was engaged to prepare an updated plan for the RIA. Further advice from RIA indicates that this has now been completed, although a copy has not been provided to the auditor for verification. <i>RIA to submit the Annual Drinking Water Plan annually. This should be done as soon as is completed. Refer Post Audit Implementation Plan item 1.1)</i>	2
16(e)	Annual Drinking Water Plan Compliance The Licensee must comply with the requirements of the	High	The RIA is responsible but utilises a contractor, Tungsten for obtaining the samples and sending them for analysis and then	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)
	Annual Drinking Water Quality Plan.		<p>forwarding the results to the RIA. The results are reported on quarterly to the ERA. At the time of the audit, the RIA advised that AquaTerra was engaged to prepare an updated plan for the RIA. Further advice from RIA indicates that this has now been completed, although a copy has not been provided to the auditor for verification.</p> <p><i>RIA to submit the Annual Drinking Water Plan annually. This should be done as soon as is completed. Refer Post Audit Implementation Plan item 1.1)</i></p>	
16(f)	<p>Copies of the Annual Drinking Water Plan</p> <p>The Licensee shall provide copies of the Annual Drinking Water Quality Plan to the Authority.</p>	High	<p>There was no evidence to suggest that any reports have been sent to the ERA since the version dated 22 July 2005. At the time of the audit, the RIA advised that AquaTerra was engaged to prepare an updated plan for the RIA. Further advice from RIA indicates that this has now been completed, although a copy has not been provided to the auditor for verification.</p> <p><i>RIA to submit the Annual Drinking Water Plan annually. This should be done as soon as is completed. Refer Post Audit Implementation Plan item 1.1)</i></p>	2
17(a)	<p>Services by Agreement</p> <p>The Licensee may enter into agreements with Customers to provide Water Services.</p>	High	<p>There are three types of customers: residents – living 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. There is a standard agreement for each category.</p>	5
17(b)	<p>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.</p>	High	<p>Discussions with RIA and Tungsten management indicate that only the charter is in place as a standard agreement, RIA management confirmed there were no pro-formas in use.</p>	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)
12(a)	Contractors Maintenance of Standards The Licensee may engage persons to provide water services which are the subject of the Licence.	High	Tungsten provides all maintenance and operational services on the island. Contract sighted.	5
12(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 Tungsten to comply with the licence requirements and contract KPIs and to report to the RIA any non-compliance in the weekly reporting.	5
21(a)	Customer Complaints 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.	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 from customers listed on their system during the Audit period.	5
21(b)	To ensure the effectiveness of such a process the licensee shall, as a minimum: (i) establish a system for providing each aggrieved customer with a unique identifying complaint number; (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; (iii) establish a complaint resolution protocol	Medium	All complaints are managed through RIA's record management system TRIM, which allows each complaint to be tracked and monitored. There is a feedback coordinator who is tasked with managing and dealing with customer complaints. 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.. There is a written procedure in place which includes maximum response times, that all formal complaints will be acknowledged within 10 working days and responded to within 20 days.	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>which is designed to resolve the customer complaints or disputes within 21 days of being notified of its existence; and</p> <p>(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."</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>	
21(c)	<p>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.</p>	Medium	<p>There were no recorded complaints during the audit period.</p>	N/A
21(d)	<p>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.</p>	Medium	<p>There were no recorded complaints during the audit period.</p>	N/A
21(e)	<p>"The Office of Water Policy (OWP) may:</p> <p>(i) mediate the dispute; or</p> <p>(ii) direct the Licensee and Customer to binding arbitration, using an arbitration process set down by the Office of Water Policy."</p>	Medium	<p>There were no recorded complaints during the audit period.</p> <p>Note that this is now the Department of Water's role</p>	N/A
21(f)	<p>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</p>	Medium	<p>There were no recorded complaints during the audit period.</p> <p>Note that this is now the Department of Water's role</p>	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)
	availability of the relevant staff of the Licensee.			
21(g)	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. Note that this is now the Department of Water's role	N/A
20(a)	Customer Charter 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.	5
20(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
20(c)	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
20(d)	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
20(e)	The Licensee shall review the Customer Service Charter not less than once in every period of 36 months.	Medium	The charter includes version and review information which shows it was last reviewed by the RIA, and approved by the ERA in July 2006, and does not require a review until July 2009.	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)
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 previous issue.	N/A
20(g)	<p>The Licensee must make the Customer Service Charter available to its Customers in the following ways:</p> <ul style="list-style-type: none"> (i) by prominently displaying it in those parts of the Licensee's offices to which Customers regularly have access; (ii) by providing a copy, upon request, and at no charge, to a Customer; and (iii) by advising Customers of the availability of the Customer Service Charter on an annual basis. 	Medium	The Charter is available at the RIA's offices. RIA advised that the charter was available on request, and is prominently displayed in the information centre on the island. Copies are available on request, there is no formal advise given on the availability of the Charter, however RIA management advise that the Rottneest Island Business Community (RIBC) group that represents businesses on the island are told about it.	5
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)	<p>Customer Consultation</p> <p>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.</p> <ul style="list-style-type: none"> (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. (ii) Publishing a simple newsletter providing 	Medium	<p>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.</p> <p>For the residents there is the RI Residents committee, this meets with the CEO each month.</p> <p>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</p>	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.	
19(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
19(c)	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
19(d)	<p>Customer Survey</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
14(c)	<p>Incident Reporting</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	The annual reporting indicated there was only one sewerage overflow for the 2007/2008 year during the audit period. Emails were sighted to show that the ERA has been alerted within one day of the incident.	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)
	(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.			
14(d)	The Authority may require a detailed report on these events to be provided within 14 days of the event.	Medium	The ERA did not request any detailed reports.	N/A
14(a)	Annual Performance Reporting 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 report sighted for 2007/2008. It was due on 30 July 2008 and a letter kept on file by the RIA confirmed it was received on 25 July 2008 within the 30 day requirement.	5
14(b)	Quarterly Performance Reporting 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 two, three and four 2007, and Quarters one and two 2008. Letters kept on file by the RIA confirmed that they were received within the 30 day requirement.	5
15(a)	Compliance with Reporting Standards The Licensee shall comply with the quality and performance standards set out in Schedule 2.	Medium	Noted that the RIA did not comply with all the performance standards. For the years (shown below) the number of sewerage blockages was in excess of the standard of 40 blockages per 100 km of sewer main: <ul style="list-style-type: none"> • 2007/2008: 38 blockages for the 6km Previous years' results:	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)
			<ul style="list-style-type: none"> • 2004/2005: 5 blockages for the 6km • 2005/2006: 3 blockages for the 6km • 2006/2007: 33 blockages for the 6km <p><i>RIA to investigate reason for large increase in blockages and develop an action plan to address issues and provide the Authority with this plan by a specified date. (Refer Post Audit Implementation Plan item 1.2)</i></p>	

3.4 INTEGRITY OF PERFORMANCE REPORTING

The information is collated in Tungsten's systems and passed onto RIA to enter into spreadsheets for calculations. Performance reporting requirements appear to be being completed in a timely fashion.

The audit recommendations are noted in Section 3.3 above.

3.5 RECOMMENDED CHANGES TO THE LICENCE

Clauses 21(d)(e)(f)(g) should be amended so that the Office of Water Policy is replaced with Department of Water.

3.6 CONCLUSION

The audit of RIA for compliance with their licence obligations concluded that there are adequate controls over operations and that Tungsten is doing a good job as a sub-contractor, and have put a lot of effort into meeting deficiencies from the previous audit.

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

- Annual Drinking Plan to be prepared and submitted to ERA (Clause 1.16) *; and
- The number of sewerage blockages in excess of standard allowed (Clause 15 (a)*.

These issues also existed in the previous audit report dated September 2007.

Two out of 12 issues from the previous audit in September 2007 have not been addressed and these matters need urgent attention. The RIA should also provide more information to substantiate that they are aware of and in compliance with their reporting requirements by developing a compliance manual which explicitly lists their compliance requirements and links to the appropriate system or documentation.

4. Asset Management Review

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 September 2007 is summarised below.

Item No.	Recommendation	Action Taken	Closed
1	<p>Asset Planning</p> <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.</p>	<p>Tungsten has prepared a written AMP for the RIA. It is dated May 2008 and is currently a draft version. The RIA is proposing to finalise the AMP before 30 December 2008. <i>(Refer Post Audit Implementation Plan item 2.1)</i></p>	Partially
2	<p>Service Levels</p> <p>RIA should explicitly list the service levels in their AMP.</p>	<p>The draft AMP dated May 2008 includes a section on service levels.</p>	Yes
3	<p>Non-Asset Options</p> <p>RIA should explicitly list use of non-asset options in their AMP.</p>	<p>RIA and Tungsten have requested more information on this requirement from the auditor, which has now been provided. <i>(Refer Post Audit Implementation Plan item 2.1)</i></p>	No
4	<p>Lifecycle Costs</p> <p>RIA should explicitly list the need for assessing lifecycle costs on all new water assets commissioned.</p>	<p>RIA has requested Tungsten provide a two year rolling maintenance strategy and a five year rolling asset replacement program. <i>(Refer Post Audit Implementation Plan item 2.1)</i></p>	No
5	<p>Plan Reviews and Updates</p> <p>The RIA should explicitly list the requirements for review and updating, including frequencies and responsibilities in their AMP.</p>	<p>The review process, and responsibilities are detailed in the draft AMP dated May 2008. The process is intended to include an annual review by the RIA and Tungsten.</p>	Yes

Item No.	Recommendation	Action Taken	Closed
6	<p>Asset Creation/ Acquisitions</p> <p>The RIA should explicitly list evaluation requirements for new assets in their AMP.</p>	There is a section in the draft AMP dated May 2008 on Asset Creation/ Acquisition.	Yes
7	<p>Commissioning Tests</p> <p>The RIA should explicitly state the commissioning test requirements for new assets in their AMP.</p>	The RIA has advised that a checklist will be required for all future commissioning. <i>(Refer Post Audit Implementation Plan item 2.1)</i>	Partially
8	<p>Ongoing legal/environmental/ safety obligations</p> <p>The RIA should explicitly list the ongoing legal, environmental and safety obligations for new assets in their AMP.</p>	Register and Integrated Management System plan in place.	Yes
9	<p>Asset Disposal</p> <p>The RIA should explicitly list asset disposal requirements in their AMP.</p>	There is a section in the draft AMP dated May 2008 on a Disposal Plan.	Yes
10	<p>Asset Register</p> <p>RIA to ensure the asset register is updated to include asset condition, effective life and GPS coordinates.</p>	An asset register has been developed, however this does not include asset condition, effective life and GPS coordinates. <i>(Refer Post Audit Implementation Plan item 2.5)</i>	Partially
11	<p>Compliance with Statutory and Regulatory Requirements</p> <p>The Statutory and regulatory requirements should be documented in the AMP.</p>	Licence and Permit Register in place in the draft plan.	Yes
12	<p>Operational Policies and Procedures</p> <p>The linkage between the policies and the service levels should be documented in the AMP.</p>	Now included in the draft AMP.	Yes
13	<p>Risk Management</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</p>	Risk Analysis completed.	Yes

Item No.	Recommendation	Action Taken	Closed
	probability and consequences of asset failure. This should be reviewed regularly.		
14	Contingency Planning 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.	Evacuation plan and 17 days water supply requirements in place, but no planning specific to water risks e.g., water contamination, pipeline failure, wastewater treatment plant failure. <i>(Refer Post Audit Implementation Plan item 2.6)</i>	Partially
15	Financial Planning RIA to obtain clearance to make full financial planning available to the ERA for audits of licence compliance.	Copies were supplied for the audit.	Yes
16	Capital Expenditure Planning The AMP should be updated to include asset life and condition.	Still outstanding. <i>(Refer Post Audit Implementation Plan item 2.1)</i>	No
17	Review of AMS RIA to maintain copies of all review reports and keep on file to show reviews had occurred.	Process in place and documented in the draft AMP.	Yes
18	Environmental Analysis <ul style="list-style-type: none"> Document the asset system objectives. 	Included in the draft AMP.	Yes
19	Asset System Analysis <ul style="list-style-type: none"> Document the asset system components; Assess the asset performance and condition; Update AMP asset register and plans to system 	The asset management system includes items down to component level and is updated on an ongoing basis. The system does not include information on asset performance, or condition. RIA has requested Tungsten	Partially

Item No.	Recommendation	Action Taken	Closed
	components level; <ul style="list-style-type: none"> • Record the asset type, location, material and an assessment of assets' physical structural condition; • Instigate a system to assess asset efficiency, including performance capacity and deficiencies; and • Update asset life, predictive failure modes and maintenance requirements. 	complete this. <i>(Refer Post Audit Implementation Plan item 2.5)</i>	
20	Risk Analysis and Contingency Planning <ul style="list-style-type: none"> • Assess the probability and consequences of asset failure and review 1999 AMP assessments; • Prepare appropriate contingency plans for high risk failures; and • Identify unacceptable risks and prepare risk control measures, 	A risk analysis has been done; no control measures have been documented. No contingency plans have been prepared for specific water risks. <i>(Refer Post Audit Implementation Plan item 2.6)</i>	Partially
21	Financial Planning <ul style="list-style-type: none"> • Prepare five year capital replacement program for water services assets; and • Review operations and maintenance expenditure requirements. 	The RIA has requested from Tungsten a more detailed two year rolling maintenance strategy and a five year rolling asset management program. <i>(Refer Post Audit Implementation Plan item 2.1)</i>	No
22	Capital Expenditure Planning <ul style="list-style-type: none"> • Establish a capital expenditure plan based on asset condition and performance and document within the AMP. 	Tungsten prepares two capital expenditure plans annually for RIA. One for the next 12 months, the other for the next five years. There is a five year plan that RIA has but Audit has not been allowed access to it. <i>(Refer Post Audit Implementation Plan item 2.1)</i>	No

Item No.	Recommendation	Action Taken	Closed
23	<p>Sewerage Overflow</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>Tungsten is currently investigating suitable pumps to purchase.</p> <p><i>(Refer Post Audit Implementation Plan item 1.2)</i></p>	No
24	<p>Mains Clearing</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><i>(Refer Post Audit Implementation Plan item 1.2)</i></p>	No

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)
1	ASSET PLANNING		
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>Tungsten 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 Tungsten.</p> <p>Tungsten has created a draft Asset Management Plan for RIA, which the RIA owns and will retain.</p> <p><i>The RIA and Tungsten should finalise the AMP. (Refer Post Audit Implementation Plan item 2.1)</i></p>	2
1.2	Service levels are defined.	Levels of Service are defined in the AMP including current and desired levels of service. The Rottneest Island Facilities, Operations and Utilities Management Agreement includes a schedule with the Service Level Agreement, and Key Performance Indicators.	4
1.3	Non-asset options (e.g. demand management) are considered.	<p>Currently there are no non-asset options in the AMP. Non-asset options include demand management, leakage management, meter calibration, pressure management/reduction, system improvement and source substitution.</p> <p><i>The RIA should explicitly list use of non-asset options in their AMP. (Refer Post Audit Implementation Plan item 2.1)</i></p>	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)
1.4	Lifecycle costs of owning and operating assets are assessed.	The RIA has requested Tungsten provide greater depth in the AMP including the requirement for a two year rolling maintenance strategy and a five year rolling asset replacement program. <i>Tungsten to provide a two year rolling maintenance strategy and a five year rolling asset replacement program. (Refer Post Audit Implementation Plan item 2.1)</i>	2
1.5	Funding options are evaluated.	The RIA Strategic Development Plan includes anticipated source of funds and also alternatives to meet anticipated operating and capital costs.	3
1.6	Costs are justified and cost drivers identified.	The separate capital works budgets prepared by Tungsten include justifications for any upgrades suggested.	3
1.7	Likelihood and consequences of asset failure are predicted.	The capital works budgets prepared by Tungsten 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.	The draft AMP includes a section on reviewing the AMP. It clearly identifies what needs to be reviewed and when. It also includes sections on monitoring and improvement.	3
2	ASSET CREATION/ ACQUISITION		
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	The AMP includes a section on Asset Creation and Acquisition. The plan identifies following the current Government Procurement guidelines as the main guide for asset creation and acquisition.	3
2.2	Evaluations include all life-cycle costs.	The AMP includes a section on Asset Creation and Acquisition. The plan identifies following the current Government Procurement guidelines as the main guide for asset creation and acquisition.	3
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

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)
2.4	Commissioning tests are documented and completed.	A commissioning test checklist for new assets should be developed. The requirement for completing the checklist should be included in the AMP. <i>RIA should explicitly list commissioning test requirements for new assets in their AMP. (Refer Post Audit Implementation Plan item 2.1)</i>	1
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	All responsibility for day-to-day obligations is passed onto Tungsten. Tungsten report regularly on any issues to the RIA, and maintain a Register of Licence and Permits and an Integrated Management System plan which includes Health and Safety.	4
3	ASSET DISPOSAL		
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	The draft AMP includes a section on asset disposal as part of the life cycle management plan.	3
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Tungsten identifies any assets that require upgrading or replacement in the capital Works Budget.	3
3.3	Disposal alternatives are evaluated.	This is covered through Tungsten's AMP. Anything of a capital nature goes through RIA; big items go through external contractors. Tungsten does some smaller work, but nothing that requires big disposals.	3
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

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)
4	ENVIRONMENTAL ANALYSIS		
4.1	Opportunities and threats in the system environment are assessed.	The RIA task force's report dated May 2004 and the Rottneest 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, Tungsten 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 Tungsten to identify and comply with statutory and regulatory requirements. Any issues regarding these are reported in the weekly reporting by Transfield to the RIA. Tungsten maintain a Licence and Permit Register (sighted). <i>RIA should develop and implement a Compliance Manual. (Refer Post Audit Implementation Plan item 1.3)</i>	2
4.4	Achievement of customer service levels.	Customer service levels are outlined in the customer service charter. RIA are reliant on their complaints mechanism to identify whether they are achieving their customer service levels.	3
5	ASSET OPERATIONS		
5.1	Operational policies and procedures are documented and linked to service levels required.	The draft AMP includes a section on Levels of Service and the Maintenance Plan, with the required frequency for each task. There is also a detailed Planned Preventative Maintenance Program. There are also specific written procedures.	3
5.2	Risk management is applied to prioritise operations tasks.	The draft AMP states that the Risk Profile is used with other sections of the AMP to determine the appropriate action for managing the assets. It was not clear from the draft AMP or draft Risk Management Plan if the risk assessment is applied to prioritise operational tasks.	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>Risk Management Process to show treatment of risks including application to prioritise operation tasks. (Refer Post Audit Implementation Plan item 2.3)</i>	
5.3	Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	Currently there is just a description of the asset, along with the asset number in the draft AMP. There is no condition analysis or asset location. RIA advise that a GPS system is being considered and the effective life of the assets is to be incorporate into the AMP rather than the Asset Register. <i>RIA to ensure the asset register is updated to include asset condition, effective life and GPS coordinates. (Refer Post Audit Implementation Plan item 2.5)</i>	1
5.4	Operational costs are measured and monitored.	Tungsten has a budget for maintenance and repairs; they have a KPI for meeting the monthly approved budget as per contract requirements, although there is the provision for variations.	3
5.5	Staff receive training commensurate with their responsibilities.	Tungsten has three plumbers, two electricians, and a plumber gas fitter. They have a team leader, a contracted technician who operates the waste treatment plant. Each staff member has a training records file, and Tungsten are in the process of preparing a matrix for all staff members.	3
6	ASSET MAINTENANCE		
6.1	Maintenance policies and procedures are documented and linked to service levels required.	All maintenance procedures and policies are documented; the draft AMP describes the process how service levels are linked to the Planned Preventative Maintenance schedule.	3
6.2	Regular inspections are undertaken of asset performance and condition.	The Planned Preventative Maintenance Manual includes full details including frequency and inspection requirements.	4
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on	There are comprehensive maintenance plans kept for the island's assets. There is a process in place to manage and perform maintenance.	3

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	schedule.		
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	<p>The draft AMP says there is work being done in collating and analysing maintenance records to determine the number and type of failures. The draft AMP outlines the process to attain desired levels of service and part of that process is to revise maintenance schedules where necessary.</p> <p><i>Tungsten to complete work on collating and analysing maintenance records to enable maintenance plans to be adjusted. (Refer Post Audit Implementation Plan item 2.7)</i></p>	2
6.5	Risk management is applied to prioritise maintenance tasks.	<p>The draft AMP states that the Risk Profile is used with other sections of the AMP to determine the appropriate action for managing the assets. It was not clear from the draft AMP or draft Risk Management Plan if the risk assessment is applied to prioritise maintenance tasks.</p> <p><i>Risk Management Process to show treatment of risks including application to prioritise maintenance tasks. (Refer Post Audit Implementation Plan item 2.3)</i></p>	2
6.6	Maintenance costs are measured and monitored.	<p>All maintenance tasks are logged against each job, each area has a budget, and all costs go back to the budget. This is reported on a monthly basis to the authority. Tungsten indicated that only critical problems cause variations as the schedule gives a good indication of expected costs.</p>	4
7	ASSET MANAGEMENT INFORMATION SYSTEM		
7.1	Adequate system documentation for users and IT operators.	<p>Tungsten uses a system called Navision to track and manage maintenance. It also provides reports to Tungsten management. There is an online help system for users.</p> <p>The asset register is a separate electronic document which lists the individual assets.</p>	4
7.2	Input controls include appropriate verification and validation of data	<p>Only authorised users can make changes to schedules and maintenance, staff update work done and identify any amendments necessary.</p>	3

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	entered into the system.		
7.3	Logical security access controls appear adequate, such as passwords.	There are individual user logons, and passwords to the Navision system. Only Tungsten staff have access to the system. Depending on their role, some users only have read access to this information.	4
7.4	Physical security access controls appear adequate.	Confirmed with the Facility Services Manager that Tungsten's offices and depot building on the island are kept locked and secure out of normal operating hours.	3
7.5	Data backup procedures appear adequate.	Confirmed with the Facility Services Manager that Tungsten have a local backup server in East Perth, and their network is also connected back into the organisation's main server in Melbourne.	3
7.6	Key computations related to licensee performance reporting are materially accurate.	Tungsten 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 Tungsten staff.	4
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	There are manually prepared weekly FOU 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 Tungsten internally.	3
8	RISK MANAGEMENT		
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	Tungsten has developed a draft Risk Management Plan and Risk Analysis for Rottnest Island, this includes risks specific to water. <i>RIA and Tungsten should finalise the Risk Management Plan. (Refer Post Audit Implementation Plan item 2.2)</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)
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The Risk areas have been assessed including risks specific to water operations, but there were no formal treatment plans as identified in the draft Risk Management Plan. <i>RIA and Tungsten to formalise a treatment plan and a monitoring process as outlined in the Risk Management Plan. (Refer Post Audit Implementation Plan item 2.3)</i>	2
8.3	The probability and consequences of asset failure are regularly assessed.	The Risk Analysis includes risk of failure due to poor asset maintenance. The Risk Analysis is in the draft AMP which is required to be reviewed every year.	3
9	CONTINGENCY PLANNING		
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	There is a KPI in the contract with Tungsten that requires them to keep a minimum water supply of 17 days, and there is an evacuation plan (sighted) for the island. There was no formal planning evident for dealing with specific events such as water contamination, major pipeline failure, wastewater plant failure etc. <i>RIA to develop, in conjunction with Tungsten, 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> <i>(Refer Post Audit Implementation Plan item 2.6)</i>	1
10	FINANCIAL PLANNING		
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The RIA have a Statement of Corporate Intent and a Strategic Development Plan. These two documents include objectives, strategies, and actions to meet the objectives.	4
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The RIA Strategic Development Plan includes anticipated source of funds and also alternatives to meet anticipated operating and capital costs.	4

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10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The RIA Strategic Development Plan includes projected yearly operating statements up to June 2012. There are no projections for statements of financial position.	3
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The RIA Strategic Development Plan includes projected yearly operating statements with income up to June 2012.	4
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The RIA Strategic Development Plan includes projected yearly operating statements with income up to June 2012; this includes the Facilities Management Agreement costs, as well as projected capital works up to 2013.	4
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	RIA advised that they receive monthly, reports on expenditure from Tungsten and their contract with the RIA requires that they meet their monthly approved budget.	4
11	CAPITAL EXPENDITURE PLANNING		
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	There is a capital works budgets that Tungsten produces annually and presents to RIA that covers water and waste water. These cover the existing assets only, not new or proposed assets. The RIA also have a costing schedule for Projected Capital Works to 2012 as part of the Strategic Development Plan which includes Hydraulics.	4
11.2	The plan provide reasons for capital expenditure and timing of expenditure.	Tungsten's 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	4

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		completed.	
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 Tungsten 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. (Refer Post Audit Implementation Plan item 2.1)</i>	2
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The RIA has requested Tungsten provide more detail in the form of a two year rolling maintenance strategy and a five year rolling asset management program. <i>RIA and Tungsten to develop a two year rolling maintenance strategy and a five year rolling asset management program as part of the AMP. (Refer Post Audit Implementation Plan item 2.1)</i>	2
12	REVIEW OF AMS		
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.	The draft AMP includes the section "Asset management plan review" which outlines the process for reviewing the AMS. The current AMP is dated May 2008, is in draft format with a document dated July 2008 containing a number of improvements requested by the RIA to be implemented. The FOU contract requires Asset Management Plans including the AMS are reviewed annually.	3
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review of the AMS is performed every 3 years as part of the water licence audit for the ERA. <i>RIA to maintain copies of all review reports and keep on file to show reviews occurred. (Refer Post Audit Implementation Plan item 2.4)</i>	4

4.3 CONCLUSION

The review of the asset management system concluded that the business processes are well-defined with the exception of:

- There is no evidence of any detailed contingency planning for water-related assets beyond evacuation plans and minimum water supplies kept on the island; and
- Although a draft Risk Management Plan has been developed and a Risk Analysis undertaken, there is no Risk Treatment plan that shows how the risks have been managed and how this links to Asset Operations and Maintenance.

From the 24 issues raised in the previous review, 11 have been completed, 6 partially completed and 7 have not yet been actioned. The RIA attributes the delay in implementing all recommendations to the time required to engage a new service provider being Tungsten, to manage the potable and wastewater services at Rottnest.

Tungsten has made good progress in establishing an asset maintenance planning framework and guidelines that overlay the planning in place. This document needs to formally approved by the RIA with the following additions:

- Non-asset options;
- Lifecycle costs;
- Commissioning test requirements;
- Capital expenditure planning;
- Two year rolling maintenance strategy and five year rolling asset management programme;
- Asset performance, condition and effective life and GPS coordinates; and
- Contingency plans and control measures in place to deal with identified risks.

Also outstanding from the previous audit is the purchase of pumps to use in the event of sewerage overflows and the implementation of a program of mains clearing to lower the number of leaks and bursts.

The RIA has confirmed that all recommendations will be actioned.

END OF REPORT