



Operating Licence Audit and Asset Management Review

Job Number N11004

Prepared for Busselton Water



August 2011



Cardno Pty Ltd

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Document Control

Version	Date	Author		Reviewer	
1	1 June 2011	K Swain	KS	S Walker	SW
2	13 July 2011	K Swain	KS	S Walker	SW
3	2 August	K Swain		S Walker	

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Executive Summary

General

Busselton Water holds an Operating Licence which permits Busselton Water to provide water services and undertake, maintain, and operate any water services works to the township of Busselton. The operating licence was granted by the Economic Regulation Authority on 1 October 1996 and subsequently amended on 21 August 2009.

Cardno was commissioned by Busselton Water to undertake an audit of Busselton Water in accordance with Sections 16 and 17 of its Operating Licence, in March 2011. The purpose of the audit was to:

1. Assess Busselton Water's level of compliance against the conditions of its licence (Operational / Licence Audit); and
2. Assess the effectiveness of measures implemented by Busselton Water for the proper management of assets used in the provision and operation of its services (Asset Management System Review).

This audit report outlines the findings of an audit of Busselton Water to fulfil the above objectives, conducted on 25 and 26 May 2011. The audit covers the operating period of 1 April 2009 to 31 March 2011.

The audit was carried out in accordance with the *Audit Guidelines: Electricity, Gas and Water Licences*, as published by the Economic Regulation Authority in August 2010.

Operational / Performance Audit

Findings of the Operational Audit

The audit reviewed the recommendations of the previous operational audit and identified that of the nine recommendations suggested by SMEC (previous auditors), four have been resolved and closed out. Five recommendations are still outstanding and these are detailed below:

Recommendation from Previous Operational Audit (2009)	Status	Observations
To review the risk register to identify any environmental opportunities.	In Progress	Busselton Water is currently reviewing the risk register to assess business continuity and full organisational risk.
Continue to liaise with the Department of Health (DoH) to reach approval of the Memorandum of Understanding (MoU).	In progress	Busselton Water and the Department of Health are currently in negotiations to finalise the MoU.
Continue to advise the ERA of the current status of the MoU following discussions with the DoH	In progress	Busselton Water and the Department of Health are currently in negotiations to finalise the MoU.
It is recommended that a sentence is added to Section 17 that identifies a review period of 3 years.	In progress	Busselton Water and the Department of Health are currently in negotiations to finalise the MoU.
It is recommended that the MoU is uploaded to the Busselton Water website following approval from the DoH.	In progress	Busselton Water and the Department of Health are currently in negotiations to finalise the MoU.

The audit assessed Busselton Water's compliance against the licence conditions. Licence conditions are rated based on a 7-point rating scale as prescribed in the ERA Guidelines.

The audit found that Busselton Water complied with their licence obligations, with the exception of Clause 9, execution of the Memorandum of Understanding with the Department of Health. All other licence conditions were assessed and were given a rating of 4 (compliant apart from minor or immaterial recommendations) or 5 (compliant with no further action required). Clause 9 was allocated a rating of 2 (does not meet minimum requirements).

Summarised in the table below are a list of suggested improvements for conditions allocated a compliance rating of 4, as well as details of the non-compliance.

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Licence Condition	Description of Licence	Key Issue	Recommendations
Recommendations for Improvement			
5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	<ul style="list-style-type: none"> › Busselton Water has identified legislation and regulations applicable to the operation of the organisation and provision of its services. These are listed in the Total Asset Management System (TAMS) Volume 1. › Busselton Water advised that it has not received any notification of any breaches or non-compliance against any applicable legislation. › The Auditor has no reason to believe that Busselton Water has not complied with the required legislative requirements. 	<ul style="list-style-type: none"> › It is recommended that Busselton Water nominate an officer to be responsible for identifying applicable legislation, any revisions or exemptions to this legislation, and keeping staff informed of these changes.
7 Sch 3, Cl 2.6	The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority.	<ul style="list-style-type: none"> › The next review of the Customer Service Charter is due in 2011. › The Customer Service Charter review will need to consider the requirements as outlined in the ERA's March 2011 Customer Service Charter Guidelines. 	<ul style="list-style-type: none"> › Busselton Water should review the existing Customer Service Charter and compare with the revised ERA Customer Service Charter Guidelines and amend as appropriate. › Busselton Water should update the Customer Service Charter summary document. › Busselton Water should forward the amended Customer Service Charter and summary document to ERA for approval. › Busselton Water should distribute the approved Customer Service Charter (summary document) to customers and make available the revised Customer Service Charter on the internet and in the administration office.
20 Sch 4, Cl 2.1	Pressure and Flow Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their	<ul style="list-style-type: none"> › During the audit period (1 April 2009 to 31 March 2011), a total of 49 complaints regarding flow and pressure were received regarding poor pressure. 	<ul style="list-style-type: none"> › Busselton Water to continue developing and running hydraulic models of new subdivision areas to determine how the current system can cater for expected growth and demands.

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Licence Condition	Description of Licence	Key Issue	Recommendations
	<p>property, water pressure and flow: Min static pressure: 15 metres; Max static pressure: 100 metres; Min flow: 20 L/min Target: Over each 12 month period, at least 99.7% of connected customers has, at the outlet of the water meter to their property, water pressure and flow as listed above.</p>	<ul style="list-style-type: none"> › Performance standards for pressure and flow were met however during the audit period (1 April 2009 to 31 March 2011), a total of 49 complaints regarding flow and pressure were received regarding poor pressure. 	<ul style="list-style-type: none"> › Issues reported were identified to be caused by debris build up in the mains, requiring flushing and/or faulty meters. › It is suggested that Busselton Water carry out an inspection of the network to determine causes of low pressure in the system (e.g. pipe size, valves, demand profiles). This can be undertaken by running a model of the entire network system and simulating the operation of the network during peak periods (to account for max headloss) and develop a maintenance / replacement program to minimise issues relating to low pressure / flow (e.g. pipe scouring, valve maintenance programs, etc).
Area of Non-Compliance			
9.1	Where the licensee is, or intends to, provide potable water, the licensee must enter into a MoU with the Department of Health as soon as practicable after the commencement date.	<ul style="list-style-type: none"> › Busselton Water has not yet entered into a Memorandum of Understanding with the Department of Health. 	<ul style="list-style-type: none"> › It is recommended that Busselton Water continue to pursue the Department of Health to finalise and execute the Memorandum of Understanding.
9.2	<p>The MoU must include provisions:</p> <ul style="list-style-type: none"> (a) Specifying that the MoU is a legally binding document between the licensee and the Department of Health; (b) Defining and identifying specific sections in the MoU (text, schedules, binding protocols, water quality management processes and procedures); (c) Requiring the licensee and the Department of Health to review and renew the MoU at least once every 3 years; (d) Requiring the licensee to provide a complete copy of the MoU to the Authority within one month of entering into the MoU; (e) Requiring the licensee to provide any 	<ul style="list-style-type: none"> › It was observed that the draft MoU does not include a provision for Busselton Water and the Department of Health to undertake a review and renew the MoU every three (3) years. › The Water Quality Requirements for Drinking Water does not provide a concise description of the requirements / obligations of Busselton Water. There is a notation listed in the Schedule for redrafting. 	<ul style="list-style-type: none"> › It is recommended that Busselton Water advise the Department of Health that a clause to review and renew the MoU every three (3) years must be included in the MoU in accordance with the Operating Licence conditions. › It is also recommended that Busselton Water liaise with the Department of Health to redraft and/or amend the Water Quality Requirements for Drinking Water (Schedule 1) and make the provisions of this Schedule clearer.

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Licence Condition	Description of Licence	Key Issue	Recommendations
	<p>amendments to the MoU to the Authority within one month of entering into any amendments to the MoU;</p> <p>(f) Specifying quality requirements for drinking water and specifying how these requirements will be achieved;</p> <p>(g) Requiring any variations to the quality criteria for drinking water be approved by the Minister of Health;</p> <p>(h) Specifying a water quality monitoring plan to ensure that drinking water quality requirements are met;</p> <p>(i) Specifying a notification procedure for the reporting by the licensee of information or events which may have risks for public health;</p> <p>(j) Requiring an audit by the Department of Health on compliance by the licensee with its obligations under the MoU at least once every three years and the provision of the audit report to the Authority.</p>		
9.4	The licensee must comply with the terms of the MoU	<ul style="list-style-type: none"> › A draft MoU has been developed and Busselton Water currently operate according to the conditions outlined in this draft version. 	<ul style="list-style-type: none"> › This licence condition was not assessed as a formal MoU has not yet been accepted and executed by Busselton Water and the Department of Health. › In the interim, it is recommended that Busselton Water continue to operate according to the conditions outlined in the draft MoU. › Once the MoU has been finalised and executed, it is recommended that Busselton Water undertake a comparative assessment between the draft and final versions of the MoU to ensure that all requirements as outlined in the final MoU are addressed.
9.5	The licensee must publish the Text and Schedules of the MoU and any amendments to	<ul style="list-style-type: none"> › The MoU has not been finalised or executed. No text and schedules or 	<ul style="list-style-type: none"> › Within one month of entering into the MoU, Busselton Water is to publish the Text and Schedules of the MoU.

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Licence Condition	Description of Licence	Key Issue	Recommendations
	the Text and Schedules of the MoU within one month of entering into the MoU or of making amendments to the Text or Schedules of the MoU	amendments have been published.	› Within one month of making any amendments to the MoU, Busselton Water is to publish the amendments to the Text or Schedules of the MoU.
20 Sch 4, Cl 2.3	Subject to Section 2.2, 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.	<ul style="list-style-type: none">› Busselton Water is currently in the process of developing an Incident Management Plan, which will consider implications of drought, outage, bore failure, etc.› No mock tests of the plan have been undertaken.	› It is recommended that Busselton Water complete the Incident Management Plan and test the plan to determine its suitability and appropriateness and make modifications as deemed necessary.

Summary Opinion of the Control Environment

With respect to the operation of Busselton Water during the audit period, the Auditors conducted tests and assessed the control environment, the procedures, policies and performance of Busselton Water and found that Busselton Water generally operates in accordance with the operating licence.

Asset Management System Review

Findings of the Asset Management System Review

Busselton Water is licensed to extract groundwater from the Yarragadee and Leederville aquifers. It also maintains eight (8) artesian bores and operates four (4) water treatment plants with five (5) storage tanks. Disinfection of the water supply is currently undertaken using UV and a spot chlorination system. Busselton Water are currently in the process of implementing full-time chlorination into their system. This is expected to be commissioned by February 2012. Since the last audit in 2009, Busselton Water have undertaken to replace old AC pipe, and constructed new tanks and filters at plant 2. These were part of a program to replace existing assets.

The asset management system review assessed the performance of Busselton Water against the key asset management processes and effectiveness criteria set out in the ERA Guidelines.

The previous asset management system review identified six recommendations, of which three have been addressed and closed out. The remaining three recommendations are currently open or in progress, as detailed below.

Recommendation from Previous Asset Management System Review (2009)	Status	Observations
It is recommended that Busselton Water formalise the asset disposal procedure / guide. This procedure should include the reasons for disposal, method of disposal (sale, scrap, etc and a record of disposal)	Open	A formal asset disposal policy has not been developed.
A reference to each operational task's risk and residual risk associated should be made to explain the prioritisation of operational tasks.	Open	Operational tasks have not been reviewed and prioritised.
It is recommended that a schedule for testing the contingency plans is prepared. The schedule should set out when and how the plan is to be tested, independent of any reactive incident management that may have taken place.	In Progress	Contingency plans for microbiological / chemical risks have been developed. Contingency plans have not yet been tested.

The asset management system review conducted for the audit period of 1 April 2009 to 31 March 2011 found that with the exception of the asset management processes described in the table below, all were rated either A or B for adequacy and 1 or 2 for performance.

Asset Management Process	Key Issue	Recommendations
Asset Disposal	› There is no formal process / policy in place for assessing under-utilised or under-performing assets.	› It is recommended that a formal asset disposal policy and asset replacement strategy be developed and incorporated

Asset Management Process	Key Issue	Recommendations
		as part of the MOD and/or Corporate Policy.
Asset Operations	<ul style="list-style-type: none"> › Tasks are not categorised as operations, maintenance, preventative, reactive, emergency. All tasks are grouped together. › No formal condition assessment program in place. › Formalised risk management approach is not in place for prioritising operations and maintenance tasks. › Operational and maintenance costs are not stored separately. 	<ul style="list-style-type: none"> › It is recommended that each operational and maintenance task be assessed to determine its level of importance (ie, identify which tasks is considered to be more important due to its potential to affect the operation of the asset, service delivery, environment, organisation) and prioritise tasks accordingly. › It is recommended that a formal condition assessment program be implemented to identify the condition of all assets, with a high level risk assessment completed first to identify the most in need assets. › It is recommended that in cost codes be created so that tasks can be recorded as reactive vs planned and operations vs maintenance. › It is recommended that Busselton Water investigate the flexibility of a new asset management system in integrating with Synergy Soft and mapping software. Key features to be assessed is the ability to utilise the same asset ID numbers across the asset management software and financial register, and split cost codes according to maintenance, operations, plant / asset and location.
Asset Maintenance	<ul style="list-style-type: none"> › As above 	<ul style="list-style-type: none"> › As above › It is recommended to review the maintenance tasks and activities and categorise as preventative maintenance, reactive maintenance and emergency maintenance.
Contingency Planning	<ul style="list-style-type: none"> › The TAMS (Volume 1) currently includes system contingency plans to address plant failure, major flood events, reticulation failure, bore contamination, contamination and property damage however the action plan is high level and lacks detail / direction for immediate action. › Incident management plans for microbiological / chemical incidents have been developed but are yet to be tested. 	<ul style="list-style-type: none"> › The current system contingency plans should be revised to include detailed actions that can be implemented if an event occurred. › It is also recommended the Busselton Water develop contingency plans to cover corporate / organisational risks. › It is recommended that the contingency plans be tested and updated / amended where necessary.

Assessment of the Effectiveness of the Asset Management System

Based on the outcomes of the audit, the Auditors found that the asset management processes and measures have been implemented and are being followed. It is the Auditor's opinion that the asset management system is operating satisfactorily.

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Appendices

Appendix A Risk Assessment Rating Scale Definitions

Appendix B Asset Management Performance Rating Definitions

Appendix C Post Audit Implementation Plan

Glossary

Bentley	Corporate stand-alone mapping system.
BW	Busselton Water
ERA	Economic Regulation Authority
FOD	Finance Operations Directive
MainPac	Asset operations and maintenance system. Utilised as a job scheduler and stores asset data.
MOD	Management Operations Directive
SEG	Senior Executive Group
SOP	Standard Operations Procedure
Synergy Soft	Corporate financial system.
TAMS	Total Asset Management System

1 Introduction

1.1 Background

The Economic Regulation Authority of Western Australia (herein referred to as the Authority), grants operating licences to organisations providing potable water, non-potable water, sewerage and drainage services in the State. The Authority is responsible for providing the functions as outlined in Section 4 of the Water Services Licensing Act 1995, which includes monitoring the performance of the water services industry and those participating in the industry, and the performance of providers of water services. The Water Services Licensing Act 1995 provides the mechanisms that allow the Authority to ensure compliance of the operating licence conditions by the licensees.

Under Sections 36 and 37 of the Act, it is a requirement of every licence that the licensee provides an asset management system and provides to the Authority an operational audit and system review, to be conducted by an independent expert that is acceptable to the Authority.

Busselton Water's current Operating Licence was approved by the Authority on 21 August 2009 which permits Busselton Water to provide water services and undertake, maintain and operate any water services works within its operating area. Sections 16 and 17 of the Operating Licence outline the obligations of the licensee to undertake an operational audit and a review of the asset management system.

1.2 Purpose of this Report

In accordance with the conditions stipulated in the Water Services Licensing Act 1995 and Busselton Water's Operating Licence No 3, Cardno Pty Ltd was engaged by Busselton Water, with the approval of the Authority, to undertake an operational licence audit and asset management review of Busselton Water for the period covering 1 April 2009 to 31 March 2011.

This report provides a summary of the findings of the operational licence audit and asset management review and includes suggestions for improvements in these areas.

The audit was carried out in accordance with the following documents:

- Audit Guidelines: Electricity, Gas and Water Licenses (ERA, August 2010);
- Busselton Water Operating Licence – Licence No 3
- ASAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (AASB, July 2007); and
- Busselton Water Audit Plan (Version 2, May 2011).

2 Audit / Review Scope

2.1 Audit / Review Objectives

The objectives of this audit / review were to:

- Determine the effectiveness of measures that have been implemented by Busselton Water to meet the conditions, performance and quality standards outlined in the licence;
- Determine the effectiveness of measures that have been implemented by Busselton Water for the proper management of assets used in the provision and operation of services, and where appropriate, the construction or alteration of relevant assets; and
- Identify areas where improvement is required and provide a recommendation for corrective action, where appropriate.

2.2 Scope of Works

The scope of works and methodology used to conduct the audit / review is based on the procedures and requirements outlined in the Audit Guidelines and as summarised in the sections below.

2.2.1 Operational Licence Audit

The Operational Licence Audit involved an assessment of the operational audit licence for:

- 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;
- Integrity of reporting: the completeness and accuracy of the compliance and performance reports provided to the Authority; and
- Compliance with individual licence conditions: the requirements imposed on the specific licensee by the Authority or specific issues that are advised by the Authority.

The operating licence audit focussed on the following key areas:

- Operating area;
- Customer complaints;
- Customer Service Charter;
- Customer Consultation;
- Memorandum of Understanding with the Department of Health;
- Accounting Records;
- Asset Management System; and
- Service and Performance Standards.

2.2.2 Asset Management System Review

The Asset management system review includes an assessment of the asset management system implemented by Busselton Water and covers the following key areas:

- Asset planning;
- Asset creation;
- Asset disposal;

- Environmental analysis;
- Asset operations;
- Asset maintenance;
- Asset management information system;
- Risk management;
- Contingency planning;
- Financial planning;
- Capital expenditure planning; and
- Asset management system.

2.3 Methodology and Approach

The audit / review approach adopted involved visiting the licensee organisation and conducting enquiries and interviews with key licensee representatives. At these interviews, the licensee's representatives were questioned regarding operating practices and background information on past performance and supplementary information was requested as audit evidence to substantiate the performance and compliance assessment. Where possible, information systems were interrogated to test the veracity of the performance reports provided by the licensee.

Key items discussed and assessed include:

- The control environment:
 - Organisation's management and operating style,
 - The organisational structure,
 - Staff delegations of authority and responsibilities,
 - Staff skills and experience;
 - Information systems;
- The information system:
 - The effectiveness and appropriateness of the information system;
 - Accuracy of data stored and collected;
 - System / data security;
 - Documents and procedures relating to the information system;
- Control procedures:
 - The effectiveness of systems and procedures to monitor compliance with the licence,
 - The effectiveness of the asset management system in storing and maintaining data;
 - The effectiveness of procedures and systems in identifying non-compliance or under performance.
- Compliance attitude:
 - Actions taken in response to previous audit / review recommendations;
 - The licensee's attitude towards compliance;
- Outcome compliance:
 - Actual performance against standards prescribed in the licence throughout the audit period.

Assessment for compliance with licence conditions and the effectiveness of the asset management system utilises a risk based approach, which is based on the AS/NZS 4360:2004 Risk Management.

The audit was conducted in accordance with ASAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

2.4 Time Period Covered by the Audit / Review

This audit covers the period from 1 April 2009 to 31 March 2011.

The previous audit covered the period from 1 April 2007 to 31 March 2009 and was undertaken by SMEC Australia.

2.5 Time Period of the Audit / Review Process

The audit / review commenced in early 2011 with preparation of the draft Audit Plan. On site interviews with Busselton Water staff were carried out on Wednesday 25 and Thursday 26 May 2011 at Busselton Water's office.

2.6 Details of Licensee Representatives Participating in the Audit / Review

Details of representatives from Busselton Water who participated in the audit and review process are provided in the table below.

Table 1: Details of Licensee Representatives

Name	Organisation	Role
Brad Decorsey	Busselton Water	Planning and Development Officer
Jenny Matthies	Busselton Water	Administration Officer, Production and Supply
Julie Rawlings	Busselton Water	Manager, Customer Services
Keith White	Busselton Water	Chief Executive Officer
Len Boyling	Busselton Water	Strategic Plan Consultant
Max Cox	Busselton Water	Acting Water Quality / Projects Coordinator
Neels Kloppers	Busselton Water	Manager, Production and Supply
Neill Rowlandson	Busselton Water	Manager, Finance and Administration
Sam Taylor	Busselton Water	Administration Assistant, Production and Supply

2.7 Details of Key Documents and Other Information Sources

The following documents were reviewed during the audit / review:

- Busselton Water – Administration Procedures;
- Busselton Water – Procedure Manual – Volume 1 (Technical)
- Busselton Water - Policy Manual;
- Busselton Water – Total Asset Management System – Volume 1 (Introduction and Generic Supporting Documentation)
- Busselton Water – Total Asset Management System – Volume 2 (Assets on Private Property)
- Busselton Water – Total Asset Management System – Volume 3 (Pipeworks and Lines)
- Busselton Water – Total Asset Management System – Volume 4 (Pump Stations, Reservoirs and Treatment)
- Busselton Water – Total Asset Management System – Volume 5 (Maintenance Equipment and Miscellaneous)

- Busselton Water – Whole System Hazard Assessment;
- Draft Memorandum of Understanding with Department of Health (Document Number MoU2008v09)
- Busselton Water Annual Report (2009/2010);
- Busselton Water Customer Charter (2008, Version 5);
- Busselton Water Customer Charter Summary;
- Busselton Water News “Water Source”, February 2011, Edition 5;
- Busselton Water Chlorination Works Proposal (includes Introduction and Fact Sheets 1 to 4);
- Busselton Water NWI Statistics for 2010;
- Busselton Water Developer Guidelines;
- Busselton Water Pipeline Construction and Design Standard;
- Plant Maintenance Job Sheets (completed);
- Busselton Water Triennial Aquifer Review (July 2006 to June 2009);
- Busselton Water Summary – Customer Survey 2008;
- Busselton Water Summary – Customer Survey 2009;
- Busselton Water Summary – Customer Survey 2010;
- Busselton Water – Water Quarterly Reports (Quarter Ending 30 September 2010);
- Busselton Water – Report to the Department of Health (1 October 2010 to 31 December 2010);
- Busselton Water – Report to the Department of Health (1 January 2011 to 31 March 2011);
- Busselton Water – Annual Water Quality Report (2009/2010);
- Busselton Water – Groundwater Quality Results Table (July 2009 to June 2010);
- Busselton Water - Water Quality Incident Plan
- Busselton Water – Strategic Development Plan including Ten Year Forward Financial Estimates (2008/2009 to 2017/2018);
- Busselton Water – Strategic Development Plan including Ten Year Forward Financial Estimates (2011/2012 to 2020/2021);
- Busselton Water – Water Corporation Water Supply Agreement (agreement for sale of water Water Corporation to service the Dunsborough Town Water Supply Scheme)
- Busselton Water Correspondence to ERA (Update of Post Audit Implementation Plan, dated 23 September 2010)
- Busselton Water Correspondence to Department of Health (Approval of Busselton Water Chemical and Microbiological Sampling Regime, dated 22 February 2010);
- Busselton Water – Notes to the Annual Estimates – Part A (2008/2009);
- Busselton Water – Notes to the Annual Estimates – Part A (2009/2010);
- Busselton Water – Notes to the Annual Estimates – Part A (2010/2011);
- Busselton Water – Management Operational Directives (MOD);
- Busselton Water – Financial operational Directives (FOD);
- Australian Drinking Water Guidelines Gap Analysis (Internal Document);
- Asset Register (sample data);
- Excess Plant, Machinery and Scrap, April 2010 (List of Obsolete Assets);
- Capital Works Proposals (2008/2009);
- Capital Works Proposals (2009/2010);

2.8 Details of Auditors Participating in the Audit / Review and Hours Utilised

The audit / review team comprised of three (3) staff members from Cardno.

Details of their roles and hours utilised in the audit / review process are provided in the table below.

Table 2: Details of Audit / Review Team Members

Name	Organisation	Role	Summary of Tasks	Hours Utilised
Stephen Walker	Cardno	Lead Auditor	<ul style="list-style-type: none"> › Audit Plan › Audit preparation › Audit › Preparation of Report 	<ul style="list-style-type: none"> › 16 hours › 8 hours › 16 hours › 16 hours
Kim Swain	Cardno	Auditor	<ul style="list-style-type: none"> › Audit plan › Audit preparation › Audit › Preparation of Report 	<ul style="list-style-type: none"> › 8 hours › 8 hours › 16 hours › 30 hours
Aneurin Hughes	Cardno	Reviewer	<ul style="list-style-type: none"> › Audit preparation 	<ul style="list-style-type: none"> › 4 hours

3 Licensee's Response to Previous Audit Recommendations

In the previous operating licence audit and asset management review conducted by SMEC, a series of actions were recommended or suggested to improve the existing controls.

Details of the actions completed by Busselton Water against each recommendation are presented in **Table 3**.

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Table 3: Summary of Actions to Previous Audit Recommendations (SMEC, 2009)

Item No	Rating	Issue	Recommendation from Operational Audit and Asset Management Review (2009)	Action / Response Taken	Status	Comments / Recommended Action
1	Outstanding Actions from Previous Audit / Review (2007)					
1.1	4	The risk register does not identify any environmental opportunities.	To review the risk register to identify any environmental opportunities.	<p>Busselton Water has reviewed its risk register and believes the environmental risks are covered by its strategic planning process.</p> <p>However, the Senior Executive Group is currently reviewing the risk register to assess business continuity and full organisational risks.</p>	In Progress	It is recommended that the risk register be updated to document corporate and organisational risks and appropriate mitigation strategies.
2	Operational Audit Review					
2.1	2	A draft Memorandum of Understanding (MoU) is currently with Department of Health (DoH) waiting on approval. BW has repeatedly contacted the DoH to resolve the outstanding issues and is waiting on legal advice. BW expects completion of the MoU by June 2009	Continue to liaise with the DoH to reach approval of the MoU.	<p>Busselton Water has continued liaising with the DoH to finalise the MoU.</p> <p>A draft MoU (MoU2008/V09) has been prepared and at the time of audit, has not yet been executed.</p>	In Progress	<p>A meeting between Busselton Water and the DoH was scheduled to take place on 3 June 2011 to discuss the status of the MoU.</p> <p>It is recommended that Busselton Water:</p> <ul style="list-style-type: none"> › continue progressing the MoU with the DoH; › continue providing updates to the ERA on the status of the MoU. › Advise the ERA when the MoU has been finalised and executed.
2.2			Continue to advise the ERA of the current status of the MoU following discussions with the DoH			

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Item No	Rating	Issue	Recommendation from Operational Audit and Asset Management Review (2009)	Action / Response Taken	Status	Comments / Recommended Action
2.3			It is recommended that a sentence is added to Section 17 that identifies a review period of 3 years.	The ERA requires for the MoU to include a review period of three (3) years. The draft MoU does not include this clause.	In Progress	At the meeting scheduled on 3 June 2011 between Busselton Water and the DoH, it is recommended that Busselton Water: <ul style="list-style-type: none"> › advise the DoH that a statement requiring the MoU to be reviewed every three years needs to be included in the MoU in accordance with the Operating Licence conditions; › Check that the review clause is included in MoU before it is finalised and executed.
2.4			It is recommended that the MoU is uploaded to the BW website following approval from the DoH	The MoU has not yet been executed. The draft MoU is not available for public access.	In Progress	Once the MoU is executed, it is recommended that Busselton Water: <ul style="list-style-type: none"> › Upload the MoU onto the BW Website
2.5			It is recommended that this audit is uploaded to the BW website within 1 month of completion of the audit.	The audit report prepared by SMEC in July 2009 was uploaded onto the internet within 1 month of completion of the audit.	Resolved	The SMEC audit report is available on the internet. No further action required
2.6	3	Original AMP provided to ERA. All documents have been updated to reflect rebranding changes to BW 30 Jan 2009	Provide ERA with a copy of the revised AMP.	Busselton Water has advised that a copy of the Asset Management Plans has been submitted to the ERA.	Resolved	No further action required
2.7	4	Water compliance manual condition a recent licence amendment. First annual report required by 31 October 2010.	Submit an annual report to the ERA by 31/10/2009.	Busselton Water has advised that annual reports are submitted to the ERA.	Resolved	Busselton Water to continue providing annual reports to the ERA by 31 October.

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Item No	Rating	Issue	Recommendation from Operational Audit and Asset Management Review (2009)	Action / Response Taken	Status	Comments / Recommended Action
2.8			Update ERA reporting Procedure (Procedure Manual Vol 2) to reflect the change in ERA reporting requirements.	Procedure Manual updated to include Annual Reporting procedure.	Resolved	No further action required
3	Asset Management Review					
3.1	3	N/A	An opening statement of the aims and objectives of the AMP while not necessary would provide a useful context for users of the document.	The Asset Management System documents provide a clear outline of the objectives of the organisation, including asset management.	Resolved	No further action required
3.2	2	There is no formal asset disposal procedure.	It is recommended that Busselton Water formalise the asset disposal procedure / guide. This procedure should include the reasons for disposal, method of disposal (sale, scrap etc and a record of disposal)	A formalised asset disposal policy has not been adopted.	Open	It is recommended that Busselton Water develop a formal asset disposal policy and include this as part of the Management Operational Directives.
3.3	3 to 4	The aims and objectives of the AMP are not stated within the AMP.	An opening statement of the aims and objectives of AMP while not necessary would provide a useful context for users of the document.	Refer to Item 3.1	Resolved	No further action required

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Item No	Rating	Issue	Recommendation from Operational Audit and Asset Management Review (2009)	Action / Response Taken	Status	Comments / Recommended Action
3.4		Prioritisation of operational tasks is not explained.	A reference to each operational task's risk and residual risk associated should be made to explain the prioritisation of operational tasks.	No further action has been undertaken to prioritise operational tasks.	Open	<p>It was observed that operational and maintenance tasks are undertaken based on a scheduled frequency. The maintenance and operational tasks are documented in the Standard Operational Procedures Manual (SOPs) however these tasks are not allocated a priority rating based on risks.</p> <p>It is recommended that Busselton Water:</p> <ul style="list-style-type: none"> › review all operational and maintenance tasks, › identify the risks associated with each task (ie, the likelihood and consequence of associated hazardous events if the task is not undertaken), and › prioritise the task lists based on risk levels and asset criticality.
3.5	3	N/A	An opportunity exists to tailor reporting outputs from MAINPAC to align with the performance stats required by the ERA license.	<p>Busselton Water notes this recommendation however has decided against undertaking further action.</p> <p>The organisation is currently reviewing the MAINPAC system and is considering a change over.</p> <p>Busselton Water prepares all reports and reports on the necessary data to the ERA.</p>	Resolved	Busselton Water to continue preparing reports as per ERA requirements.

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Item No	Rating	Issue	Recommendation from Operational Audit and Asset Management Review (2009)	Action / Response Taken	Status	Comments / Recommended Action
3.6	3	Testing of Contingency Plans	It is recommended that a schedule for testing the contingency plans is prepared. The schedule should set out when and how the plan is to be tested, independent of any reactive incident management that may have taken place.	Contingency plans for microbiological / chemical risks have been developed. Due to staff changeovers, the contingency plans have not yet been tested. Testing of the contingency plans are scheduled to occur mid-late 2011.	In Progress	It is recommended that Busselton Water prepare a schedule for testing the contingency / incident plans with a mock emergency event. The findings should be documented and the incident plan updated / amended if necessary.

4 Performance Summary

The assessment of the operational / performance compliance includes a risk assessment rating and a compliance rating. Description of the rating scale and outcomes of the operational / performance audit is provided in the following sections.

4.1 Assessment Rating Scales

4.1.1 Risk Assessment Rating Scale

The risk assessment process is undertaken for both the operating license audit and asset management review. It involves the identification of risks that may affect compliance with the licence conditions and affect management processes resulting in ineffective asset management practices.

The risk assessment approach adopted for the audit / review is outlined in the Economic Regulation Authority's Audit Guidelines: Electricity, Gas and Water Licenses and is based on AS/NZS 4360:2004. The process involves:

- Identifying the likelihood and consequence to determine the inherent risk level.
- Determining the adequacy of existing controls, and;
- Evaluating the audit priority scale.

Risks are assessed utilising a 3-point rating scale. The rating scale and definitions used in this process is described in **Appendix A**.

4.1.2 Compliance Assessment Rating Scale

The audit component requires an assessment of compliance against the licence conditions. The compliance assessment utilises a 7-point rating scale is outlined in **Appendix B**. The compliance rating applied to each licence condition is based on the auditor's own opinion determined from the audit / review process.

4.1.3 Asset Management Performance Rating

The asset management system effectiveness review is assessed on the adequacy of the asset management process and policy (rating scale of A to D), and its overall performance (rating scale of 1 to 4).

Definitions of the rating system are provided in **Appendix B**.

4.2 Operational / Performance Audit Compliance Summary

Table 4 provides a summary of Busselton Water's compliance rating against each licence condition. It should be noted that a preliminary risk assessment was undertaken during the development of the audit plan. The risk assessment levels were checked and updated following the audit / review and these are reflected in Table 4.

Table 4: Operational / Performance Audit Compliance Summary

Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating														
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R								
Operating Areas (Clause 2)																						
The licensee is granted a licence for the Operating Area(s) to provide the water services described in Schedule 1 in accordance with the terms and conditions of this licence (Operating Area as per Plan No OWR-OA-085/2 C)	2.1	2		C	1	Low	Strong					✓										
Fees (Clause 4)																						
The licensee must pay the applicable fees in accordance with the Regulations.	4.1			C	1	Low	Strong							✓								
Compliance (Clause 5)																						
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	5.1			C	2	Medium	Strong				✓											
Subject to the provisions of any applicable legislation, the Authority may direct the licensee in writing to do any measure necessary to: (a) Correct the breach of any	5.2			C	2	Medium	Strong										✓					

¹ A – Likely; B – Probable; C – Unlikely

² 1 – Minor; 2 – Moderate; 3 – Major

³ Low, Medium, High

⁴ Strong, Medium Weak

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
applicable legislation; (b) Or prevent the breach of any applicable legislation occurring again, And specify a time limit by which such action must be taken.															
Customer Complaints (Clause 6)															
<i>The licensee must establish customer complaints processes as set out in Schedule 3.</i>	6.1	3													
The licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.	6.1	3	3.1	B	2	Medium	Strong						✓		
The licensee must, as a minimum: (a) establish a system for providing each aggrieved customer with a unique identifying complaint number (b) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are authorised to, or have already 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 (c) Establish a complaint resolution	6.1	3	3.2	C	2	Medium	Strong						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
<p>protocol which is designed to resolve customer complaints or disputes within 15 business days of being notified of their existence</p> <p>(d) 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>															
Where a dispute has not been resolved within 15 business days, the licensee must inform the customer of the option of referring their complaint to the Department of Water.	6.1	3	3.4	C	2	Medium	Moderate						✓		
During the process of investigation and conciliation, the licensee must make every endeavour to promptly cooperate with the Department of Water (or its representative's) requests, which must include the expeditious release of any information or documents requested by the Department of Water and the availability of the relevant staff of the licensee.	6.1	3	3.6	C	1	Low	Moderate						✓		
The licensee must, on request, provide the Department of Water with details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.	6.1	3	3.7	C	1	Low	Moderate						✓		
Customer Service Charter (Clause 7)															
<i>The licensee must establish a customer</i>	7.1	3													

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
<i>service charter as set out in Schedule 3.</i>															
The licensee must have in place a customer service charter that accords with the Authority's review guidelines and the specified principles set out in the licence schedule.	7.1	3	2.1	C	2	Medium	Strong						✓		
The customer service charter: (a) Should be in plain English; and (b) Should address all of the service issues that are reasonably likely to be of concern to its customers	7.1	3	2.2	B	2	Medium	Moderate						✓		
Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.	7.1	3	2.4	C	1	Low	Strong						✓		
The licensee must make the customer service charter available to its customers in the following ways: (a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access (b) By providing a copy, upon request, and at no charge, to the customer; and (c) By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.	7.1	3	2.5	C	2	Medium	Moderate						✓		
The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with	7.1	3	2.6	C	1	Low	Moderate				✓				

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
the Authority.															
It is a condition of the licence that the licensee provides services in a way which is consistent with the customer service charter. This condition is not intended to create a statutory duty nor provide any third party with a legally enforceable right or cause of action.	7.1	3	2.7	C	2	Medium	Moderate						✓		
Customer Consultation (Clause 8)															
<i>The licensee must establish customer consultation processes as set out in Schedule 3.</i>	8.1	3													
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 by either establishing a customer council and consult with the customer council to facilitate community involvement in issues relevant to the exercise of the licensee's levels of service under the licence; or institute at least two of the following processes: <ul style="list-style-type: none"> meeting on a regular basis with customers to seek comment on issues relevant to the licensee's level of service under the licence; or publish a simple newsletter providing basic information about the licensee's operations; and/or 	8.1	3	4.1	C	2	Medium	Strong						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
<ul style="list-style-type: none"> establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence. 															
The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	8.1	3	4.2	B	1	Low	Moderate						✓		
The licensee may, or at the request of the Authority, must, establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence.	8.1	3	4.3	C	1	Low	Moderate								✓
Memorandum of Understanding (Clause 9)															
Where the licensee is, or intends to, provide potable water, the licensee must enter into a MoU with the Department of Health as soon as practicable after the commencement date.	9.1			C	3	High	Strong		✓						
The MoU must include provisions: <ol style="list-style-type: none"> Specifying that the MoU is a legally binding document between the licensee and the Department of Health; Defining and identifying specific sections in the MoU (text, schedules, binding protocols, water quality management processes and procedures); Requiring the licensee and the 	9.2			B	2	Medium	Strong		✓						

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
<p>Department of Health to review and renew the MoU at least once every 3 years;</p> <p>(d) Requiring the licensee to provide a complete copy of the MoU to the Authority within one month of entering into the MoU;</p> <p>(e) Requiring the licensee to provide any amendments to the MoU to the Authority within one month of entering into any amendments to the MoU;</p> <p>(f) Specifying quality requirements for drinking water and specifying how these requirements will be achieved;</p> <p>(g) Requiring any variations to the quality criteria for drinking water be approved by the Minister of Health;</p> <p>(h) Specifying a water quality monitoring plan to ensure that drinking water quality requirements are met;</p> <p>(i) Specifying a notification procedure for the reporting by the licensee of information or events which may have risks for public health;</p> <p>(j) Requiring an audit by the Department of Health on compliance by the licensee with its obligations under the MoU at least once every three years and the provision of the audit report to the Authority.</p>															

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
The licensee must comply with the terms of the MoU	9.4			B	3	High	Moderate		✓						
The licensee must publish the Text and Schedules of the MoU and any amendments to the Text and Schedules of the MoU within one month of entering into the MoU or of making amendments to the Text or Schedules of the MoU	9.5			B	1	Low	Moderate		✓						
The licensee must publish the Audit Report on the licensee's website within 1 month of the completion of the Audit	9.6			B	1	Low	Moderate						✓		
The licensee must publish its Drinking Water Quality Reports quarterly or at a reporting frequency specified by the Department of Health	9.7			B	1	Low	Moderate						✓		
Accounting Records (Clause 15)															
The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	15.1			C	2	Medium	Strong						✓		
Operational Audit (Clause 16)															
The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	16.1			C	2	Medium	Strong						✓		
The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational	16.2			C	2	Medium	Strong						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.															
The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 16.1.	16.4			C	2	Medium	Strong						✓		
Asset Management System (Clause 17)															
The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets within 2 business days from the commencement date unless otherwise notified in writing by the Authority.	17.1			B	1	Low	Strong						✓		
The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.	17.2			C	1	Low	Strong								✓
The licensee must, unless otherwise notified in writing by the Authority: (a) Conduct an asset management system review; and (b) Provide the Authority with a report on the asset management system review Within 24 months after the commencement date and every 24 months thereafter.	17.3			C	1	Low	Strong						✓		
The licensee must comply and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with asset management system	17.4			C	2	Medium	Strong						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
review, including any minimum requirements relating to the appointment of the expert, the scope of the review, conduct of the review and the reporting of the results of the review.															
The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 17.3.	17.6			C	2	Medium	Strong						✓		
Reporting (Clause 18)															
The licensee must report to the Authority: (a) If the licensee is under external administration as defined by the Corporations Act 2001 within 2 business days (b) If the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring	18.1			C	2	Medium	Moderate								✓
Service and Performance Standards (Clause 20)															
<i>The licensee must comply with the service and performance standards as set out in Schedule 4.</i>	20.1	4													
Telephone Answering – Emergency Response The licensee shall provide an emergency telephone advice system such that customers need make only one	20.1	4	1.1	B	2	Medium	Strong						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
<p>telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target: 90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p>															
<p>Customer Complaints The licensee shall respond to customer complaints in accordance with the licence standard</p> <p>Target: 90% of customer complaints over the previous 12 months resolved within 15 business days.</p>	20.1	4	1.2	B	2	Medium	Moderate						✓		
<p>Pressure and Flow Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their property, water pressure and flow: Min static pressure: 15 metres; Max static pressure: 100 metres; Min flow: 20 L/min</p> <p>Target: Over each 12 month period, at least 99.7% of connected customers has, at the outlet of the water meter to their property, water pressure and flow as listed above.</p>	20.1	4	2.1	C	2	Medium	Weak					✓			

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Operating Areas	Operating Licence Reference			Likelihood ₁	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
Continuity The licensee shall make every endeavour to meet the following continuity of supply standards: Target: Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of supply (no flow) exceeding 1 hour to the supply standard set out in Section 2.1.	20.1	4	2.2	C	2	Medium	Weak						✓		
Drought Response Subject to Section 2.2, 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.	20.1	4	2.3	B	2	Medium	Moderate	✓							
Provision of Information (Clause 21)															
The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	21.1			C	2	Medium	Moderate						✓		
<i>The licensee must comply with the information reporting requirements as set out in Schedule 5.</i>	21.2	5													
The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual, as amended from time to time.	21.2	5	2.1	B	2	Medium	Moderate						✓		
The licensee must provide the data	21.2	5	2.2	B	2	Medium	Moderate						✓		

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
required by Schedule 5, Clause 2.1 for the previous financial year by 31 October each year.															
The data supplied to the Authority, pursuant to Schedule 5, Clause 2.1 must be audited in accordance with Clause 6 and Schedule 4 of the Deed by 31 October 2007 (or other such date as determined by the Authority) and then at least once every 36 months (or other such date as determined by the Authority)	21.2	5	2.3	B	2	Medium	Moderate						✓		
The data supplied to the Authority in accordance with performance indicators LPW 3, LPW 4 and LPW6 in the Water Compliance Reporting Manual must also be provided on a monthly and rolling 12 month basis.	21.2	5	2.4	B	2	Medium	Moderate						✓		
Publishing Information (Clause 22)															
The Authority may direct the licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or the performance of the licensee of its obligations under this license.	22.1			C	2	Medium	Moderate								✓
Subject to Clause 22.3, the licensee must publish the information referred to in Clause 22.1	22.2			C	2	Medium	Moderate								✓
If the licensee considers that the information is confidential it must: (a) Immediately notify the Authority; and (b) Seek a review of the Authority's decision in accordance with	22.3			C	2	Medium	Moderate								✓

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Operating Areas	Operating Licence Reference			Likelihood ¹	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
Clause 24.1.															
Notices (Clause 23)															
Unless otherwise specified, all notices must be in writing.	23.1			C	2	Medium	Strong						✓		
A notice will be regarded as having been sent and received: (a) When delivered in person to the addressee; or (b) 3 business days after the date of posting if the notice is posted in Western Australia; or (c) 5 business days after the date of posting if the notice is posted outside Western Australia; or (d) If sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or (e) If sent by email when, according to the sender's electronic record, the notice has been successfully sent to the addressee's water licensing email address.	23.2			C	2	Medium	Strong						✓		
Review of the Authority's Decision (Clause 24)															
The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure: (a) The licensee must make a submission on the subject of the reviewable decision within 10	24.1			C	2	Medium	Moderate								✓

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Operating Areas	Operating Licence Reference			Likelihood ₁	Consequence ²	Inherent Risk ³	Adequacy of Controls ⁴	Compliance Rating							
	Licence Clause	Schedule	Sch Clause					1	2	3	4	5	N/A	N/R	
business days (or other period as approved by the Authority) of the decision; and (b) The Authority will consider the submission and provide the licensee with a written response within 20 business days.															

4.3 Asset Management Review Effectiveness Summary

The asset management system review assesses the effectiveness of the asset management system in delivering the services as required under the operating licence.

The review is conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines, (refer **Appendix C**). A summary of the outcomes of the review is provided in Table 5.

Table 5: Asset Management Review Summary

Asset Management System	Asset Management Adequacy Rating	Asset Management Performance Rating
Asset planning	B	2
Asset creation	B	2
Asset disposal	C	3
Environmental analysis	B	2
Asset operations	C	3
Asset maintenance	C	3
Asset management information system	B	2
Risk management	B	2
Contingency planning	C	3
Financial planning	A	1
Capital expenditure planning	B	2
Review of AMS	B	2

5 Observations and Recommendations

5.1 Operational / Performance Audit

The following tables provide detailed commentary based on the findings observed during the audit process and includes the nominated compliance rating, and recommended actions to address the non-compliance and/or process deficiency.

Table 6: Observations from the Operational / Performance Audit

Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
Clause 2 Operating Areas				
2.1	The licensee is granted a licence for the Operating Area(s) to provide the water services described in Schedule 1 in accordance with the terms and conditions of this licence (Operating Area as per Plan No OWR-OA-085/2 C)	<ul style="list-style-type: none"> › A map of the operating area is available and can be downloaded from the internet. The map of the operating area is also accessible by all staff. › It was observed however that the drawing reference number is BW-38-1 (Issue A), which is different to the drawing number listed in the ERA licence (OWR-OA-85/2 C). Busselton Water have advised this number refers to the gazettal drawing reference and this is notated on the drawing. › Busselton Water advised that services are provided within the confines of the operating area. All rateable properties are listed in the corporate billing system, Aquarate. Any enquiries that are received from customers are checked against Aquarate to confirm that services being queried / requested are within Busselton Water's operating area. 	5	› No further action required.
Clause 4 Fees				
4.1	The licensee must pay the applicable fees in accordance with the Regulations.	› Licence fee was paid at the time the licence was issued in 1996. The licence fee is valid until the expiry date of the licence, or in the	N/A	› No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>event of version changes, as requested by the ERA.</p> <ul style="list-style-type: none"> › Since the licence fee was paid in 1996, and is outside of the audit period of 1 April 2009 to 31 March 2011, this clause is not applicable under this audit. 		
Clause 5 Compliance				
5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	<ul style="list-style-type: none"> › Busselton Water has identified legislation and regulations applicable to the operation of their organisation and provision of the services and these are listed in the Total Asset Management System (TAMS) Volume 1. › Busselton Water advised that they have not received any notification of any breaches or non-compliance against any applicable legislation. › The Auditor has no reason to believe that Busselton Water have not complied with the required legislative requirements. 	4	› It is recommended that Busselton Water nominate an officer to be responsible for identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes.
5.2	<p>Subject to the provisions of any applicable legislation, the Authority may direct the licensee in writing to do any measure necessary to:</p> <ul style="list-style-type: none"> (a) Correct the breach of any applicable legislation; (b) Or prevent the breach of any applicable legislation occurring again, <p>And specify a time limit by which such action must be taken.</p>	<ul style="list-style-type: none"> › Busselton Water did not receive any advice or have not been directed to implement any action to correct a breach or to prevent a breach from occurring again. 	NR	› Busselton Water to continue monitoring and/or responding to ERA requests, as required.
Clause 6 Customer Complaints				

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
6.1	<i>The licensee must establish customer complaints processes as set out in Schedule 3.</i>			
Sch 3, Cl 3.1	The licensee must have in place, a properly resourced process for effectively receiving, recording and (where possible) resolving customer complaints within a timeframe of 15 business days.	<ul style="list-style-type: none"> › A Management Operations Directive (MOD) is in place that documents the processes for managing customer complaints and enquiries. › MOD03.01 refers to Staff Protocol for Handling Complaints and outlines the objective to resolve complaints within 15 business days. › MOD03.01 outlines the process for receiving and recording verbal and written complaints in the Caller Contact Database, and also the process for escalating the complaint to superior officers (Manager Customer Service, CEO). › A process flow chart for handling customer complaints is also available. 	5	› No further action required.
Sch 3, Cl 3.2	<p>The licensee must, as a minimum:</p> <ul style="list-style-type: none"> (a) establish a system for providing each aggrieved customer with a unique identifying complaint number (b) provide an appropriate number of designated officers who are trained to deal with customer complaints and who are authorised to, or have already access to officers who are authorised to make the necessary decisions to settle customer 	<ul style="list-style-type: none"> › Complaints are lodged on the Caller Contact Database which provides each complaint with a unique identifying number. › All staff are trained to handle complaints and are aware of the MOD. › The Caller Contact Database records the date the enquiry was received, the closed out date, the number of response days and details of the resolution. 	5	› It is recommended that Busselton Water continue monitoring and training staff as required on the etiquette and protocols for handling customer complaints.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<p>complaints or disputes, including where applicable, approving the payment of monetary compensation</p> <p>(c) Establish a complaint resolution protocol which is designed to resolve customer complaints or disputes within 15 business days of being notified of their existence</p> <p>(d) 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>			
Sch 3, Cl 3.4	Where a dispute has not been resolved within 15 business days, the licensee must inform the customer of the option of referring their complaint to the Department of Water.	<ul style="list-style-type: none"> › From the Caller Contact Database, it was observed that disputes lodged during the last 24 months (audit period) were resolved within 15 business days. › On occasion, customers who have not been satisfied with the response provided have been advised by Busselton Water staff to refer the complaint to the Department of Water. 	5	› No further action required.
Sch 3, Cl 3.6	During the process of investigation and conciliation, the licensee must make every endeavour to promptly cooperate with the Department of Water (or its representative's) requests, which must include the	<ul style="list-style-type: none"> › In the period being audited, Busselton Water received two (2) requests from the Department of Water to provide supplementary information or requests to consider alternative solutions to a complaint. › In these instances, Busselton Water provided 	5	› No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	expeditious release of any information or documents requested by the Department of Water and the availability of the relevant staff of the licensee.	all the necessary information / responses to the Department of Water when requested.		
Sch 3, Cl 3.7	The licensee must, on request, provide the Department of Water with details of complaints made, names and addresses of customers who have made complaints and the manner in which the complaint was resolved.	<ul style="list-style-type: none"> › Busselton Water provided all the necessary information to the Department of Water when requested. 	5	<ul style="list-style-type: none"> › No further action required.
Clause 7 Customer Service Charter				
7.1	<i>The licensee must establish a customer service charter as set out in Schedule 3.</i>			
Sch 3, Cl 2.1	The licensee must have in place a customer service charter that accords with the Authority's review guidelines and the specified principles set out in the licence schedule.	<ul style="list-style-type: none"> › Yes. A customer service charter has been prepared in accordance with the ERA's guidelines. › The Customer Service Charter was approved by the ERA in 2008. 	5	<ul style="list-style-type: none"> › No further action required
Sch 3, 2.2	The customer service charter: <ul style="list-style-type: none"> (a) Should be in plain English; and (b) Should address all of the service issues that are reasonably likely to be of concern to its customers 	<ul style="list-style-type: none"> › The Customer Service Charter covers customer's rights and provides information on: <ul style="list-style-type: none"> – charges and accounts, – connecting to services, – disconnection, – enquiries, – suggestions, – complaints and disputes, – entry to private property, – rectifying defective work, 	5	<ul style="list-style-type: none"> › No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<ul style="list-style-type: none"> - service interruptions, - water efficiency measures, - supply restrictions, - maintenance, - water meters, - limitation/ withdrawal of services, - liability and - privacy. 		
Sch 3, Cl 2.4	Any proposed amendment to the customer service charter must be forwarded to the Authority for approval.	<ul style="list-style-type: none"> › There have been no amendments made to the Customer Service Charter since it was approved in 2008. 	5	<ul style="list-style-type: none"> › No further action required.
Sch 3, 2.5	<p>The licensee must make the customer service charter available to its customers in the following ways:</p> <ul style="list-style-type: none"> (a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access (b) By providing a copy, upon request, and at no charge, to the customer; and (c) By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority. 	<ul style="list-style-type: none"> › The customer service charter is available on the internet, at the administration office and can be requested at no charge. › On the day of the audit, the Auditors observed the customer service charter was displayed at the customer service office in the waiting area. › A summary customer service charter has also been prepared and this is distributed annually to customers. 	5	<ul style="list-style-type: none"> › No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
Sch 3, Cl 2.6	The customer service charter is to be reviewed by the licensee at least once in every three year period or as agreed with the Authority.	<ul style="list-style-type: none"> › The next review of the Customer Service Charter is due in 2011. › The Customer Service Charter review will need to consider the requirements outlined in the ERA's March 2011 Customer Service Charter Guidelines. 	4	<ul style="list-style-type: none"> › It is recommended that Busselton Water review its existing customer service charter and compare with the revised ERA customer service charter guidelines and amend as appropriate. › It is recommended that Busselton Water update the customer service charter summary document. › It is recommended that Busselton Water forward the amended customer service charter and summary document to ERA for approval. › It is recommended that Busselton Water distribute the approved customer service charter (summary document) to customers and make available the revised customer service charter on the internet and in the administration office.
Sch 3, Cl 2.7	It is a condition of the licence that the licensee provides services in a way which is consistent with the customer service charter. This condition is not intended to create a statutory duty nor provide any third party with a legally enforceable right or cause of action.	<ul style="list-style-type: none"> › The customer service charter reflects the conditions outlined in the licence. › Busselton Water operates with the intention to provide services as outlined in the licence and in the customer service charter. › Processes are in place to guide the operation of Busselton Water to meet the requirements outlined in the Customer Service Charter and licence. 	5	<ul style="list-style-type: none"> › No further action required.
Clause 8 Customer Consultation				
8.1	<i>The licensee must establish customer consultation processes as set out in Schedule 3.</i>			
Sch 3, Cl 4.1	The licensee must establish ongoing customer consultation processes which both inform customers and proactively solicit customer opinion on the licensee's operations and	<ul style="list-style-type: none"> › Busselton Water has developed a customer consultation process to inform and solicit customer's opinion. › The processes adopted include: 	5	<ul style="list-style-type: none"> › No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<p>delivery of services by either establishing a customer council and consult with the customer council to facilitate community involvement in issues relevant to the exercise of the licensee's levels of service under the licence; or institute at least two of the following processes:</p> <ul style="list-style-type: none"> • meeting on a regular basis with customers to seek comment on issues relevant to the licensee's level of service under the licence; or • publish a simple newsletter providing basic information about the licensee's operations; and/or • establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence. 	<ul style="list-style-type: none"> - bi-annual customer newsletter, - annual customer survey, - information displays in shopping centres, - website, - advertorials in newspapers, and - information brochures which are available in the administration office. <p>› Other customer consultation methods used on occasion include</p> <ul style="list-style-type: none"> - targeted direct email to customers with feedback forms and reply paid envelopes, - focus groups, - information brochures, - radio advertising, - information packs, - information signs, and - partnerships with other water utilities and local business to promote water conservation. <p>› These processes are used on a project-by-project basis.</p> <p>› Busselton Water are in the process of introducing full-time chlorination to the water supply system. As part of the consultation process, Busselton Water have developed an extensive customer information package on this issue to notify and keep the customers informed of the proposal.</p> <p>› The consultation process involved:</p> <ul style="list-style-type: none"> - Distribution of fact sheets to customers; 		

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<ul style="list-style-type: none"> - Providing briefing sessions with stakeholders, - Advertising of the proposal and the process, - Publishing information on the Busselton Water website, - Publishing phone number and contact person for enquiries; and - Making plans available for inspection at the Busselton Water office. 		
Sch 3, CI 4.2	The Authority must be consulted with respect to the type and extent of customer consultation to be adopted by the licensee	<ul style="list-style-type: none"> › Busselton Water issued a letter in March 2009 to the ERA advising of the customer consultation processes adopted. › A letter acknowledging the customer consultation processes implemented by Busselton Water was issued by the ERA in April 2009 and was witnessed at audit. 	5	› No further action required.
Sch 3, CI 4.3	The licensee may, or at the request of the Authority, must, establish other forums for consultation to enable community involvement in issues relevant to the exercise of the licensee's obligations under this licence.	<ul style="list-style-type: none"> › Busselton Water did not receive a request from the ERA to establish a forum for consultation during the audit period. 	NR	› No action required unless requested by the ERA.
Clause 9	Memorandum of Understanding			
9.1	Where the licensee is, or intends to, provide potable water, the licensee must enter into a MoU with the Department of Health as soon as practicable after the commencement date.	<ul style="list-style-type: none"> › Busselton Water has not yet entered into a Memorandum of Understanding with the Department of Health. › A draft Memorandum of Understanding has been prepared (MoU2008/v09) and a meeting was scheduled to take place on the 3 June 	2	› It is recommended that Busselton Water continue to pursue the Department of Health to finalise and execute the Memorandum of Understanding.

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		2011 with the intention of finalising the agreement.		
9.2	<p>The MoU must include provisions:</p> <ul style="list-style-type: none"> (k) Specifying that the MoU is a legally binding document between the licensee and the Department of Health; (l) Defining and identifying specific sections in the MoU (text, schedules, binding protocols, water quality management processes and procedures); (m) Requiring the licensee and the Department of Health to review and renew the MoU at least once every 3 years; (n) Requiring the licensee to provide a complete copy of the MoU to the Authority within one month of entering into the MoU; (o) Requiring the licensee to provide any amendments to the MoU to the Authority within one month of entering into any amendments to the MoU; (p) Specifying quality requirements for 	<ul style="list-style-type: none"> › The draft Memorandum of Understanding includes the following provisions: <ul style="list-style-type: none"> – Specification that the MoU is a legally binding document (Cl 18.1); – Texts, schedules, binding protocols and water quality management processes; – A requirement for Busselton Water to provide a copy of the MoU to the ERA within 1 month of entering into the MoU; – A requirement for Busselton Water to notify the ERA of any changes / amendments made to the MoU within 1 month of making the changes; – A requirement for Busselton Water to notify the Minister for Health of any variations to the Water Quality Requirements for Drinking Water (Section 4.7); – Reference to a Water Quality Monitoring Plan (Section 6.1); – Notification procedure for reporting on events that have implications on public health (Binding Protocols 3 and 4); – Requirements to undertake an audit to check on compliance against the requirements of the MoU every three (3) years (Clause 14.3) › It was observed that the draft MoU does not include a provision for Busselton Water and the Department of Health to undertake a review and renew the MoU every three (3) 	2	<ul style="list-style-type: none"> › It is recommended that Busselton Water advise the Department of Health that a clause to review and renew the MoU every three (3) years must be included in the MoU in accordance with the Operating Licence conditions. › It is also recommended that Busselton Water liaise with the Department of Health to redraft and/or amend the Water Quality Requirements for Drinking Water (Schedule 1) and make the provisions of this Schedule clearer.

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	<p>drinking water and specifying how these requirements will be achieved;</p> <p>(q) Requiring any variations to the quality criteria for drinking water be approved by the Minister of Health;</p> <p>(r) Specifying a water quality monitoring plan to ensure that drinking water quality requirements are met;</p> <p>(s) Specifying a notification procedure for the reporting by the licensee of information or events which may have risks for public health;</p> <p>(t) Requiring an audit by the Department of Health on compliance by the licensee with its obligations under the MoU at least once every three years and the provision of the audit report to the Authority.</p>	<p>years.</p> <p>› The Water Quality Requirements for Drinking Water does not provide a concise description of the requirements / obligations of Busselton Water. There is a notation listed in the Schedule for redrafting.</p>		
9.4	The licensee must comply with the terms of the MoU	› A draft MoU has been developed and Busselton Water currently operate according to the conditions outlined in this draft version.	2	<p>› This licence condition was not assessed as a formal MoU has not yet been accepted and executed by Busselton Water and the Department of Health.</p> <p>› In the interim, it is recommended that Busselton Water continue to operate according to the conditions outlined in the draft MoU.</p>

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				<ul style="list-style-type: none"> Once the MoU has been finalised and executed, it is recommended that Busselton Water undertake a comparative assessment between the draft and final versions of the MoU to ensure that all requirements as outlined in the final MoU are addressed.
9.5	The licensee must publish the Text and Schedules of the MoU and any amendments to the Text and Schedules of the MoU within one month of entering into the MoU or of making amendments to the Text or Schedules of the MoU	<ul style="list-style-type: none"> As a final MoU has not yet been executed, texts and schedules have not yet been published. There have been no amendments made to the MoU to date. 	2	<ul style="list-style-type: none"> Within one month of entering into the MoU, Busselton Water is to publish the Text and Schedules of the MoU. Within one month of making any amendments to the MoU, Busselton Water is to publish the amendments to the Text or Schedules of the MoU.
9.6	The licensee must publish the Audit Report on the licensee's website within 1 month of the completion of the Audit	<ul style="list-style-type: none"> Previous audit reports were published on Busselton Water website. 	5	<ul style="list-style-type: none"> It is recommended that the audit report generated from this audit process is to be published on Busselton Water's website.
9.7	The licensee must publish its Drinking Water Quality Reports quarterly or at a reporting frequency specified by the Department of Health	<ul style="list-style-type: none"> Drinking water quality reports are prepared on a quarterly basis and published on the Busselton Water website. Quarterly reports are prepared for the Department of Health and for the Busselton Water Board. Quarterly Reports are prepared utilising a template provided by the Department of Health. Monthly reports are also prepared for issue to the Busselton Water Board. 	5	<ul style="list-style-type: none"> No further action required.
Clause 15 Accounting Records				
15.1	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or	<ul style="list-style-type: none"> Accounting records are prepared in accordance with AASB standards. Financial records are included in Busselton Water's annual reports and are published on 	5	<ul style="list-style-type: none"> No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	equivalent International Accounting Standards.	<p>the internet.</p> <ul style="list-style-type: none"> › The financial statement includes a statement from the Auditor General's office and a certification that the financial report complies with the Financial Management Act 2006. 		
Clause 16 Operational Audit				
16.1	The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	<ul style="list-style-type: none"> › The last operational audit was undertaken in May 2009 by SMEC (report prepared in July 2009) which covered the period from 1 April 2007 to 31 March 2009. › The next operational audit (this audit) covers the period from 1 April 2009 to 31 March 2011. 	5	› No further action required.
16.2	The licensee must comply, and must require the licensee's auditor to comply, with the Authority's standard audit guidelines dealing with the operational audit, including any minimum requirements relating to the appointment of the auditor, the scope of the audit, the conduct of the audit and the reporting of the results of the audit.	<ul style="list-style-type: none"> › The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licenses (August 2010). 	5	› No further action required.
16.4	The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 16.1.	<ul style="list-style-type: none"> › Busselton Water has received approval on the appointment of the current auditor (Cardno). 	5	› No further action required.
Clause 17 Asset Management System				
17.1	The licensee must provide for, and notify the Authority of, an asset management system in respect of the licensee's assets	<ul style="list-style-type: none"> › Busselton Water has in place a Total Asset Management System which includes five volumes: 	5	› No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	within 2 business days from the commencement date unless otherwise notified in writing by the Authority.	<ul style="list-style-type: none"> – Vol 1: Introduction and Generic Supporting Documentation; – Vol 2: Assets on Private Property; – Vol 3: Pipeworks and Lines; – Vol 4: Pump Station, Reservoir and Treatment; – Vol 5: Maintenance Equipment and Miscellaneous. <ul style="list-style-type: none"> › The ERA has been notified of the Total Asset Management System. 		
17.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of such change.	<ul style="list-style-type: none"> › Busselton Water has advised that no material change has been made to the Total Asset Management System during the audit period. 	NR	<ul style="list-style-type: none"> › Busselton Water should notify the ERA of any material changes to the asset management system, as required.
17.3	<p>The licensee must, unless otherwise notified in writing by the Authority:</p> <ul style="list-style-type: none"> (a) Conduct an asset management system review; and (b) Provide the Authority with a report on the asset management system review <p>Within 24 months after the commencement date and every 24 months thereafter.</p>	<ul style="list-style-type: none"> › An asset management system review was conducted by SMEC in May 2009 (report prepared July 2009), which covered the period from 1 April 2007 to 31 March 2009. › The next asset management system review (this review) covers the period from 1 April 2009 to 31 March. 	5	<ul style="list-style-type: none"> › No further action required.
17.4	The licensee must comply and must require the licensee's expert to comply, with the Authority's standard guidelines dealing with asset management system review, including any	<ul style="list-style-type: none"> › The current operational audit follows the ERA Audit Guidelines – Electricity, Gas and Water Licenses (August 2010). 	5	<ul style="list-style-type: none"> › No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	minimum requirements relating to the appointment of the expert, the scope of the review, conduct of the review and the reporting of the results of the review.			
17.6	The independent auditor may be nominated by the licensee but must be approved by the Authority prior to the audit pursuant to Clause 17.3.	› Busselton Water has received approval on the appointment of the current auditor (Cardno).	5	› No further action required.
Clause 18	Reporting			
18.1	The licensee must report to the Authority: (a) If the licensee is under external administration as defined by the Corporations Act 2001 within 2 business days (b) If the licensee experiences a significant change in the licensee's corporate, financial or technical circumstances upon which this licence was granted which may affect the licensee's ability to meet its obligations under this licence within 10 business days of the change occurring	› Busselton Water has not experienced any significant change to its corporate, financial or technical circumstances in the last 24 months.	NR	› No further action required.
Clause 20	Service and Performance Standards			
20.1	<i>The licensee must comply with the service and performance</i>			

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<i>standards as set out in Schedule 4.</i>			
Sch 4, Cl 1.1	<p>Telephone Answering – Emergency Response</p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target: 90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p>	<ul style="list-style-type: none"> › Busselton Water has implemented a 24-hour telephone service. › The administration office receives all calls during the business hours. An after hours call service is utilised for calls made outside of business hours. The same customer service number is utilised for business hours and after hours calls. › Data records indicate for the period between 1 April 2009 and 31 March 2011, all emergency responses were attended to within 1 hour. 	5	› No further action required.
Sch 4, Cl 1.2	<p>Customer Complaints</p> <p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p>Target: 90% of customer complaints over the previous 12 months resolved within 15 business days.</p>	<ul style="list-style-type: none"> › At audit, we interrogated Busselton Water's Customer Contact Database and confirm that between 1 April 2009 and 31 March 2011, all customer complaints received (lodged on the Database) were resolved within 15 business days. 	5	› No further action required.
Sch 4, Cl 2.1	<p>Pressure and Flow</p> <p>Subject to customers complying with Licensee requirements the licensee shall ensure that customers connected to its water systems shall have, at the outlet of the water meter to their</p>	<ul style="list-style-type: none"> › To maintain the minimum pressure and flow requirements, Busselton Water maintains a network pressure of between 450 and 550kPA in the summer time and 408-512kPA in the winter period. › As part of its planning process, Busselton 	4	<ul style="list-style-type: none"> › It is recommended that Busselton Water continue developing and running hydraulic models of new subdivision areas to determine how the current system can cater for expected growth and demands. › It is suggested that Busselton Water carry out an

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	<p>property, water pressure and flow: Min static pressure: 15 metres; Max static pressure: 100 metres; Min flow: 20 L/min Target: Over each 12 month period, at least 99.7% of connected customers has, at the outlet of the water meter to their property, water pressure and flow as listed above.</p>	<p>Water runs a hydraulic model for every new sub division and as part of the 10 year plan to determine local pressure / flow limitations.</p> <ul style="list-style-type: none"> › During the audit period (1 April 2009 to 31 March 2011), a total of 49 complaints regarding flow and pressure were received regarding poor pressure. › Of the 49 complaints received: <ul style="list-style-type: none"> – 14 were due to poor / faulty meters; – 23 were investigated and found to be within the minimum requirements and customers were advised that pressure problems may be caused by internal plumbing; and – 12 were investigated and found that poor pressure which were caused by build up of debris in the pipes, leaking tap tops, etc. Replacement and maintenance works (flushing lines) were carried out and pressure problem was corrected. › In 2009, 12 complaints were received. On inspection and testing: <ul style="list-style-type: none"> – 3 were identified to have correct pressure and flow at the outlet; – 3 were found to have pressure and flow problems caused by an internal plumbing matter and customers were advised to contact a plumber to rectify the problem, and – the remaining 6 complaints were found to have low pressure and flow, which were caused by faulty meters and/or maintenance issues requiring flushing of lines. Based on an estimated number of 		<p>inspection of the network to determine causes of low pressure in the system (e.g., pipe size, valves, demand profiles). This can be undertaken by running a model of the entire network system and simulating the operation of the network during peak periods (to account for max headloss) and develop a maintenance / replacement program to minimise issues relating to low pressure / flow (e.g., pipe scouring, valve maintenance programs, etc).</p>

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
		<p>connected properties of 11,100, this represents 0.054%, which is better performance than the target.</p> <ul style="list-style-type: none"> › In 2010, 18 complaints were received. On inspection and testing: <ul style="list-style-type: none"> – 4 were identified to have correct pressure and flow at the outlet; – 5 were found to have pressure and flow problems caused by an internal plumbing matter; and – The remaining 9 complaints were found to be caused by faulty meters and/or maintenance issues. Based on an estimated number of connected properties of 11,100, this represents 0.08%, which is less than the target. › To 31 March 2011, 13 complaints were received: <ul style="list-style-type: none"> – 2 were identified to have correct pressure and flow at the outlet. – 2 were identified to have internal plumbing issues; and – 9 were identified to have faulty meters or maintenance issues. 		
Sch 4, Cl 2.2	<p>Continuity The licensee shall make every endeavour to meet the following continuity of supply standards: Target: Over each 12 month period at least 75% of connected properties shall not experience a complete interruption of supply (no flow) exceeding 1 hour to the</p>	<ul style="list-style-type: none"> › During the audit period (1 April 2009 to 31 March 2011), a total of 751 connected properties were affected by disrupted flows. › In 2009, 362 connected properties were affected. 345 properties experienced an interruption of flow exceeding 1 hour. Of 11,100 connected properties, this represents 3.1% which is significantly better performance than the target. 	5	<ul style="list-style-type: none"> › No further action required. Busselton Water complied with the adopted target for continuity in the audit period.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	supply standard set out in Section 2.1.	<ul style="list-style-type: none"> › In 2010, 198 connected properties were affected. 152 properties experienced an interruption of flow exceeding 1 hour. This represents 1.37%. › To 31 March 2011, 161 connected properties were affected and were rectified within 1 hour. 		
Sch 4, Cl 2.3	Drought Response Subject to Section 2.2, 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.	<ul style="list-style-type: none"> › Busselton Water are currently developing an incident management plan – water available policy, which will consider the implications of drought, outage, bore failure, etc. › It is recommended that Busselton Water finalise the policy and run a mock test. 	2	<ul style="list-style-type: none"> › It is recommended that Busselton Water complete the policy and incident management plan. › It is recommended that Busselton Water test the plan to check that it is applicable and make modifications, where required.
Clause 21 Provision of Information				
21.1	The licensee must provide to the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	<ul style="list-style-type: none"> › All ERA requests and information received by Busselton Water are escalated to the appropriate officers for action. 	5	<ul style="list-style-type: none"> › No further action required.
21.2	<i>The licensee must comply with the information reporting requirements as set out in Schedule 5.</i>			
Sch 5, Cl 2.1	The licensee will provide the Authority with data required for performance monitoring purposes as set out in the Water Compliance Reporting Manual, as amended from time to time.	<ul style="list-style-type: none"> › Busselton Water prepares annual compliance reports in accordance with the requirements set out by the ERA. 	5	<ul style="list-style-type: none"> › No further action required.
Sch 5, Cl 2.2	The licensee must provide the data required by Schedule 5, Clause 2.1 for the previous	<ul style="list-style-type: none"> › The annual compliance reports are submitted to the ERA by 31 October each year. 	5	<ul style="list-style-type: none"> › No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	financial year by 31 October each year.			
Sch 5, Cl 2.3	The data supplied to the Authority, pursuant to Schedule 5, Clause 2.1 must be audited in accordance with Clause 6 and Schedule 4 of the Deed by 31 October 2007 (or other such date as determined by the Authority) and then at least once every 36 months (or other such date as determined by the Authority)	<ul style="list-style-type: none"> › An audit of the data is undertaken every three (3) years in accordance with the ERA. The last audit was undertaken in 2010. 	5	<ul style="list-style-type: none"> › No further action required.
Sch 5, Cl 2.4	The data supplied to the Authority in accordance with performance indicators LPW 3, LPW 4 and LPW6 in the Water Compliance Reporting Manual must also be provided on a monthly and rolling 12 month basis.	<ul style="list-style-type: none"> › Data on the service standards (pressure and flow, disruption to flow) is reported to the ERA. › Details of any restrictions to water supply are also reported to the ERA (e.g., watering roster, winter sprinkling bans). 	5	<ul style="list-style-type: none"> › No further action required.
Clause 22 Publishing Information				
22.1	The Authority may direct the licensee to publish any information within a specified timeframe it considers relevant in connection with the licensee or the performance of the licensee of its obligations under this license.	<ul style="list-style-type: none"> › Busselton Water did not receive any requests from the ERA to publish information relating to its licence or performance against its licence condition. 	NR	<ul style="list-style-type: none"> › Not assessed as Busselton Water did not receive any request to publish information pertaining to its licence condition or performance against the licence condition from the ERA.
22.2	Subject to Clause 22.3, the licensee must publish the information referred to in Clause 22.1	<ul style="list-style-type: none"> › Busselton Water did not receive any requests from the ERA to publish information relating to its licence or performance against its licence condition. 	NR	<ul style="list-style-type: none"> › Not assessed as Busselton Water did not publish any information requested by the ERA.
22.3	If the licensee considers that the information is confidential it	<ul style="list-style-type: none"> › Busselton Water did not notify or seek a review from the ERA. 	NR	<ul style="list-style-type: none"> › Not assessed as Busselton Water did not receive any requests or publish any information requested

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	must: <ul style="list-style-type: none"> (a) Immediately notify the Authority; and (b) Seek a review of the Authority's decision in accordance with Clause 24.1. 			by the ERA.
Clause 23 Notices				
23.1	Unless otherwise specified, all notices must be in writing.	› Busselton Water issues all formal correspondence in writing.	5	› No further action required.
23.2	A notice will be regarded as having been sent and received: <ul style="list-style-type: none"> (a) When delivered in person to the addressee; or (b) 3 business days after the date of posting if the notice is posted in Western Australia; or (c) 5 business days after the date of posting if the notice is posted outside Western Australia; or (d) If sent by facsimile when, according to the sender's transmission report, the notice has been successfully received by the addressee; or (e) If sent by email when, according to the sender's electronic record, the notice has been successfully sent to the addressee's 	› All formal notices are logged in the corporate register / correspondence file.	5	› No further action required.

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Licence Condition	Description of Requirements	Observation / Comments	Compliance Rating	Recommendation
	water licensing email address.			
Clause 24	Review of the Authority's Decision			
24.1	<p>The licensee may seek a review of a reviewable decision by the Authority pursuant to this licence in accordance with the following procedure:</p> <p>(a) The licensee must make a submission on the subject of the reviewable decision within 10 business days (or other period as approved by the Authority) of the decision; and</p> <p>(b) The Authority will consider the submission and provide the licensee with a written response within 20 business days.</p>	<p>› Busselton Water did not seek a review of a reviewable decision from the ERA during the audit period.</p>	NR	<p>› Not assessed as Busselton Water did not request a review of a decision made by the ERA during the audit period.</p>

5.2 Asset Management System Review

The following tables provide detailed commentary based on the findings observed during the audit process and includes the nominated adequacy and performance ratings (effectiveness rating), and recommended actions to improve the effectiveness of the asset management process to an acceptable level.

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Table 7: Observations from the Asset Management Review

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
Asset Planning				
<ul style="list-style-type: none"> › Planning processes and objectives reflect the needs of all stakeholders and is integrated with business planning. › Service levels are defined. › Non-asset options are considered. › Lifecycle costs for owning and operating assets are assessed. › Funding options are evaluated. › Costs are justified and cost drivers identified. › Likelihood and consequences of asset failure are predicted. › Plans are regularly reviewed and updated. 	<ul style="list-style-type: none"> › Asset Management Plans <ul style="list-style-type: none"> – Busselton Water has in place a Total Asset Management System (TAMS) which consists of 5 volumes and covers assets on private property, pipework, pump stations, reservoirs and treatment and maintenance equipment. The TAMS was developed approximately 5 years ago and is reviewed annually. – The TAMS includes an outline of the asset management responsibilities of key Busselton Water staff. – The TAMS also documents the plans and procedures for operational and maintenance tasks. These procedures are recorded on MainPac, which is the maintenance schedule tool utilised by Busselton Water operational staff. – The organisational objectives that relate to asset management for Busselton Water is listed in the TAMS Volume 1. – Service levels are defined in TAMS Volume 1, as well as in the Customer Service Charter. – Risk assessment with likelihood and consequence ratings, as well as mitigation measures are documented in the Total Asset Management System. › Asset Management Planning <ul style="list-style-type: none"> – Busselton Water has an asset planning process which is based on a 10-year development plan, that considers forecast population growth, estimated peak demands, 	B	2	<ul style="list-style-type: none"> › It is recommended that a formal procedure be developed outlining the business planning process (including which documents to reference) and preparation of the business case study reports. › It is also recommended to include a business case report template in the MOD.

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Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>infrastructure capacity / condition, agreements in place (ie, water corporation to supply Dunsborough)</p> <ul style="list-style-type: none"> - The development plan identifies a list of projects to be undertaken over the next 10 year period, which Busselton Water then investigates and prioritises based on needs. The investigation considers non-asset solutions. - 10-year forward capital works program is incorporated into the financial planning process to assess whether sufficient funding is available. The financial assessment takes into consideration the full life cycle cost associated with each project, including acquisition and operations. - Business case studies are prepared to justify the project to the Busselton Water Board and in some instances to the Minister before it is formalised in the budget process and implemented. A one page business case summary is also documented. - Whilst this process is followed, it has not been formalised as a Management Operations Directive (MOD). 			
Asset Creation				
<ul style="list-style-type: none"> › Full project evaluations are undertaken for new assets including comparative assessment of non-asset solutions. › Evaluations include all life-cycle costs. › Projects reflect sound 	<ul style="list-style-type: none"> › An overview of how assets should be purchased and/or replaced is covered briefly in the TAMS, however, there is no formal process / policy in place for creation / acquisition of new assets. › The need / requirement of new assets are identified from the 10-year development plan report. › Business case studies are prepared for the 	B	2	<ul style="list-style-type: none"> › It is recommended that a formal asset creation / acquisition policy and procedure be developed and incorporated as part of the MOD. The TAMS should refer to this policy. › It is recommended that the business case study preparation process be documented as part of a MOD and a business case template developed (refer to recommendation outlined

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Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
<p>engineering and business decisions.</p> <ul style="list-style-type: none"> › Commissioning tests are documented and completed. › Ongoing legal / environmental / safety obligations of the asset owners are assigned and understood. 	<p>Busselton Water Board to justify the need for the new works / assets. The business case reports includes and assessment of asset and non-asset solutions, and the life cycle cost of the proposed capital works.</p> <ul style="list-style-type: none"> › Business case studies are submitted to the Busselton Water Board and in some instances to the Minister for approval prior to implementation. › Projects are documented in the Strategic Development Plan (including 10-year forward financial estimates) document. › Commissioning tests are documented in MainPac. › Legal, environmental and safety obligations are documented in the strategic objectives as set out in the TAMS. 			<p>under “Asset Planning”)</p> <ul style="list-style-type: none"> › It is also suggested that a flow chart indicating the process for seeking approval of a project be developed so that all staff understand how the planning process is undertaken and when a project needs to be escalated for approval by the Board and the Minister.
Asset Disposal				
<ul style="list-style-type: none"> › Under-utilised and under-performing assets are identified as part of a regular systematic review process. › The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken. › Disposal alternatives are evaluated. › There is a replacement strategy for assets. 	<ul style="list-style-type: none"> › There is no formal process / policy in place for assessing under-utilised or under-performing assets. Such assets are identified by field staff using knowledge gained from site and historical information such as asset performance, failures and age. › Busselton Water has in place a financial form for identifying the sale of asset or the decommissioning of asset. This form is used to trigger an update in the Financial Asset Register. › Retired / decommissioned assets are also notated in Bentley (mapping system) using as-constructed / survey drawings and in MainPac. 	C	3	<ul style="list-style-type: none"> › It is recommended that a formal asset disposal policy and asset replacement strategy be developed and incorporated as part of the MOD and/or Corporate Policy.
Environmental Analysis				
<ul style="list-style-type: none"> › Opportunities and threats in the system environment are 	<ul style="list-style-type: none"> › Busselton Water’s Senior Executive Group (SEG) is currently reviewing the risk register to assess 	B	2	<ul style="list-style-type: none"> › It is recommended that the risk register be updated to incorporate all identified corporate

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<p>assessed.</p> <ul style="list-style-type: none"> › Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved. › Compliance with statutory and regulatory requirements. › Achievement of customer service levels. 	<p>business continuity and full organisational risks.</p> <ul style="list-style-type: none"> › Performance standards are documented in the customer service charter. › Customer contact database is used to report on and assess customer response times. Mainpac is used to report on and assess continuity of supply, pressure and flow. Both systems appear to operate satisfactorily. › Assessment of records for 2009 and 2010 indicate that the performance standards were achieved (refer to observations provided in Section 5.1 under Clause 20). › There were no notices of non compliances / breaches against legislation, performance standards or customer service levels. › Performance standards are reported to the Board and the ERA. › Internal newsletters are also generated to report on performance against service standards. › Busselton Water have implemented a rolling pipe replacement program which sees existing AC pipes, which are old and failing, replaced with PVC pipes. This program is intended to negate failures within the system. 			<p>and organisational risks, including appropriate mitigation strategies.</p>
Asset Operations				
<ul style="list-style-type: none"> › Operational policies and procedures are documented and linked to service levels required. › Risk management is applied to prioritise operations tasks. › Assets are documented in an Asset Register, including asset 	<ul style="list-style-type: none"> › Policies <ul style="list-style-type: none"> – Operational and maintenance policies are documented in the MODs which refer to the ERA performance standards. › Operational / Maintenance Procedures and Tasks <ul style="list-style-type: none"> – Operational and maintenance procedures and frequency of activities are documented in the 	C	3	<ul style="list-style-type: none"> › It is recommended that each operational and maintenance task be assessed to determine its level of importance (ie, identify which tasks is considered to be more important due to its potential to affect the operation of the asset, service delivery, environment, organisation) and prioritise tasks accordingly. › It is recommended that a formal condition

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<p>type, location, material, plans of components, an assessment of assets' physical / structural condition and accounting data.</p> <ul style="list-style-type: none"> › Operational costs are measured and monitored. › Staff receives training commensurate with their responsibilities. 	<p>SOPs. Tasks are prescriptive / detailed but do not differentiate between operations or maintenance activities or reactive / preventative maintenance tasks.</p> <ul style="list-style-type: none"> – Tasks are documented in the TAMS, SOPs and in MainPac. – Job sheets for each task are included in the SOP and can be generated on MainPac. These are used by field staff when carrying out the operational / maintenance tasks. The completed job sheets are logged onto MainPac by Busselton Water Administration Officers. <ul style="list-style-type: none"> › Risk Management <ul style="list-style-type: none"> – A formalised risk management process is not adopted however scheduled works are assessed on a case-by-case basis to determine priority (ie, scheduled maintenance work vs emergency response) › Asset Register <ul style="list-style-type: none"> – Assets are documented in MainPac which breaks down each asset into type (hierarchy structure), location, material and components. – Condition assessment data is available for some plant assets only. Condition data for main / distribution assets is captured ad-hoc (ie, when field staff are on site to undertake works). › Asset Costs <ul style="list-style-type: none"> – Financial asset register is stored separately in a financial asset register (Synergy Soft). The financial asset register utilises a different asset numbering system to MainPac. – Operational budget is documented in the 10- 			<p>assessment program be implemented to identify the condition of all assets, with a high level risk assessment completed first to identify the most in need assets.</p> <ul style="list-style-type: none"> › It is recommended that in Mainpac cost codes be created so that tasks can be recorded as reactive vs planned and operations vs maintenance. › Busselton Water is currently investigating options to purchase a new asset management system software to replace MainPac. It is recommended that Busselton Water investigate the flexibility of the new software system to integrate with Synergy Soft. In particular, the ability to use the same asset ID numbers and to split operations and maintenance costs by asset / plant and location. The system should also be integrated with the existing or a new mapping system.

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	<p>year financial plan.</p> <ul style="list-style-type: none"> - Actual operational costs are captured via staff timesheets using accounting cost codes (which refer to location, not asset). - There is no differentiation between actual operational costs and maintenance costs. <p>› Staff Training</p> <ul style="list-style-type: none"> - Field staff are trained to meet their position responsibilities. Additional training is identified through staff performance reviews. 			
Asset Maintenance				
<ul style="list-style-type: none"> › Maintenance policies and procedures are documented and linked to service levels required. › Regular inspections are undertaken of asset performance and condition. › Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule. › Failures are analysed and operational / maintenance plans adjusted where necessary. › Risk management is applied to priorities maintenance tasks. › Maintenance costs are measured and monitored. 	<ul style="list-style-type: none"> › Refer to above › Maintenance tasks have been developed but these are not separated from operational tasks and are also not categorised as planned / reactive maintenance tasks or emergency / corrective tasks. 	C	3	<ul style="list-style-type: none"> › Refer to above › It is recommended that all maintenance tasks be reviewed and activities categorised as preventative maintenance, reactive maintenance, and emergency maintenance.
Asset Management Information System				
› Adequate system documentation	› Busselton Water utilises the following asset	B	2	› It is recommended that Busselton Water

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<p>for users and IT operators</p> <ul style="list-style-type: none"> › Input controls include appropriate verification and validation of data entered into the system › Logical security access controls appear adequate, such as passwords › Physical security access controls appear adequate › Data backup procedures appear adequate › Key computations related to licensee performance reporting are materially accurate › Management reports appear adequate for the licensee to monitor licence obligations 	<p>information systems:</p> <ul style="list-style-type: none"> – MainPac – utilised predominantly as a job scheduling tool for operations and maintenance activities, asset register (including condition rating), and monthly reporting. – SCADA – utilised to store pressure and flow data. – Bentley – a stand-alone mapping system, not linked to Synergy Soft or MainPac. Utilises the same asset ID numbering system as MainPac. – Synergy Soft – corporate financial system. › Busselton Water is currently investigating options to upgrade the asset maintenance system (MainPac). › Data Entry <ul style="list-style-type: none"> – Data entry into MainPac is undertaken by the Administration Assistants from the Production and Supply Section. – Data entry is based on field data sheets / job sheets supplied by field staff. – Hard copies of the job sheets are filed for 7 years. – Data entered into MainPac are used to generate monthly reports. Reports are checked and validated to ensure no discrepancies in the data. › Management Reports <ul style="list-style-type: none"> – Monthly and quarterly reports, Members Information Bulletin and Fortnightly Reports are generated from MainPac. 			<p>investigate the flexibility of the new software system to integrate with Synergy Soft. In particular, the ability to use the same asset ID numbers and to split operations and maintenance costs by asset / plant and location. The flexibility to link with the mapping system would also be advantageous.</p>

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	<ul style="list-style-type: none"> - Other reports generated include new services, maintenance services, forecast jobs, outstanding jobs and Annual NWI reports. - The reports include a summary of the operational performance during the reporting period and its conformance with the agreed performance standards. Any non-conformances are highlighted in the reports with an explanation included and the corrective action taken. › Security access of system: <ul style="list-style-type: none"> - All systems require a password to log on. - Data entry into MainPac is undertaken by the Administration Assistants in Production and Supply, who also have full administrative rights to the system and is able to change, grant or deny access to users. - Field Supervisors have rights to raise jobs within MainPac and all other staff has viewer access rights only. - Maintenance of Bentley is undertaken by the Planning and Development Officer. All other staff has viewer access rights only. - Synergy Soft is maintained by the Chief Financial Officer. - All systems are backed up daily onto backup tapes. Tapes are stored offsite. Notification of successful completion of the backup is issued to the Water tariff Officer. 			
Risk Management				
<ul style="list-style-type: none"> › Risk management policies and procedures exist and are being applied to minimise internal and 	<ul style="list-style-type: none"> › A corporate risk management policy is in place (F034) and is reviewed annually. › The TAMS Volume 1 separates risks into three 	B	2	<ul style="list-style-type: none"> › It is recommended that Busselton Water review the existing risk register to align with the revised AS/NZS ISO 31000:2009

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<p>external risks associated with the asset management system</p> <ul style="list-style-type: none"> › Risks are documented in a risk register and treatment plans are actioned and monitored › The probability and consequences of asset failure are regularly assessed 	<p>categories:</p> <ul style="list-style-type: none"> – Plant Risk Analysis Matrix; – Plant Failure; – System Contingency Planning. <ul style="list-style-type: none"> › TAMS Volume 3 includes a risk assessment for plant pipework failure. › TAMS Volume 4 identifies risks associated with: <ul style="list-style-type: none"> – Bore operations; – Filtration / aeration; – Clear well; – Storage; – Delivery pumps; – UV System; and – General pipe failure. › The existing risk register focuses on operational risk, public health and human health risk. › Current risk register is adequate but there are opportunities to develop the register further to also include organisational risks, risks to corporate branding, operational risks, risks to community and staff, public health risks, etc. › The SEG is currently reviewing the risk register to identify whole of organisation risks. 			<ul style="list-style-type: none"> › It is recommended that Busselton Water review all possible risks (to include operational, maintenance, public health, environmental and corporate risks) and update the risk register to include these risks and their associated mitigation strategies. › It is recommended that Busselton Water consolidate all risks into one register rather than to maintain 3 separate risk register across the TAMS.
Contingency Planning				
<ul style="list-style-type: none"> › Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> › The TAMS (Volume 1) currently includes system contingency plans to address plant failure, major flood events, reticulation failure, bore contamination, contamination and property damage. › These plans are high level with limited detail / 	C	3	<ul style="list-style-type: none"> › It is recommended that Busselton Water expand on the current system contingency plans to include detailed actions that can be implemented if an event occurred. › It is also recommended that Busselton Water develop contingency plans to cover corporate

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	<p>direction for immediate action to rectify or protect the asset during cases of emergency.</p> <ul style="list-style-type: none"> › Also included is the LEMAC Contingency Plan for severe storms, rural fire, road transport emergencies, urban fires, terrorist activities and flood. › The SEG has developed an incident management plan for water quality. This focuses on microbial / chemical risks (ie, E.coli, Thermophilic Naegleria). › Busselton Water has also developed a Management Operations Directive – Water Quality / Availability Crisis Management (Interim MOD) 			<p>/ organisational risks.</p> <ul style="list-style-type: none"> › It is recommended to test the contingency plans with mock events and update / amend the plans where necessary.
Financial Planning				
<ul style="list-style-type: none"> › The financial plan states the financial objectives and strategies and actions to achieve the objectives › The financial plan identifies the source of funds for capital expenditure and recurrent costs › The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) › The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period › The financial plan provides for the operations and maintenance, administration and capital 	<ul style="list-style-type: none"> › Busselton Water has a robust approach to financial planning. Busselton Water prepares a 10 year financial plan which includes expenditure for operations, maintenance, administration and capital items. The 10 year Financial Plan is updated annually. › We were provided with, and reviewed the latest Financial Plan which has been recently updated for the 2011/12 financial year. › The capital expenditure component of the Plan is based on the 10 year infrastructure plan. However, the 10 year financial plan will not be updated to align with the latest 10 year infrastructure plan until 2011/12 as the latest infrastructure plan has only recently been received. › The Financial Plan identifies the balance and anticipated movement in reserve funds, as well as any borrowing required. Busselton Water submits a financial model to the State Treasury each year which includes loan applications. Treasury now requires this model to be submitted in January for 	A	1	<ul style="list-style-type: none"> › No further action required

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Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
<p>expenditure requirements of the services</p> <ul style="list-style-type: none"> › Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	<p>the following financial year which is problematic as it cannot account for the better information and increased certainty gained in the following 6 months.</p> <ul style="list-style-type: none"> › We reviewed the Financial Plan and confirm that it includes projections of operating statements, statements of financial position and predictions of income for a 10 year period. › Variances in expenditure are identified and tracked typically monthly for operating expenditure and as needed for capital expenditure. We witnessed evidence of variance tracking and analysis in monthly reports. 			
Capital Expenditure Planning				
<ul style="list-style-type: none"> › There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates › The plan provides reasons for capital expenditure and timing of expenditure › The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan › There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> › The capital expenditure plan forms part of the 10 year Financial Plan and is based on the 10 year Infrastructure Plan. We received and reviewed both the 10 year Financial Plan and the 10 year Infrastructure Plan › The 10 year Infrastructure Plan outlines the reasons for new capital expenditure and the triggers for its timing, › Busselton Water captures and makes use of asset condition data in renewals planning. We saw this particularly applied to AC mains. Busselton Water makes no use of deterioration models or renewals planning models. However, given the fairly small size of the asset base and its relatively young age, models like these are unlikely to greatly improve the renewals planning process. › The process for updating the capital expenditure plan is well defined and we confirm that it is actioned. › However, we believe that the existing capital 	B	2	<ul style="list-style-type: none"> › The capital expenditure planning process should be formalised or new processes created. In particular, the following areas should be addressed: <ul style="list-style-type: none"> – Establish a clear process for identification of all investment needs, whether from the 10 year Infrastructure Plan, renewals planning or other sources. – Establish project justification requirements based on value, complexity and type of expenditure (new or renewal). – Link project justification to operational and whole of organisation risk management. – Review governance procedures and authority levels for project approval. (Note that the current governance procedures are adequate. However, it is felt that a more efficient approach is

Operating Licence Audit and Asset Management Review

Prepared for Busselton Water

Asset Management Process / Effectiveness Criteria	Observation / Comments	Adequacy Rating	Performance Rating	Recommendation
	<p>expenditure planning process can be improved by formalising the processes currently undertaken, or creating new processes where required. In particular, processes or policies for needs identification, project prioritisation and capital expenditure authority levels should be formalised or created.</p>			<p>possible, e.g. by requiring lower Authority Levels for small items of expenditure).</p> <ul style="list-style-type: none"> - Establish a capital expenditure prioritisation methodology based on risk management and Busselton Water's strategic objectives. <p>› See also Asset Creation</p>
Review of Asset Management System				
<ul style="list-style-type: none"> › A review process is in place to ensure that the asset management plan and asset management system described therein are kept current › Independent reviews (eg, internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> › The TAMS is reviewed annually. The last review was carried out between October 2010 and May 2011. Operations and senior staff participated in the review process. › Asset management system review was last carried out by an external auditor in June 2009. No other reviews have since been undertaken. 	B	2	<ul style="list-style-type: none"> › Refer to recommendations outlined in this table to further enhance the asset management system.

6 Changes to the Licence

It is of the Auditor's opinion that no changes to the licence conditions are required.

7 Confirmation of the Audit / Review

I confirm that the audit / review carried out at Busselton Water on 25 and 26 May 2011 and recorded in this report is an accurate presentation of our findings and opinions.



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Stephen Walker

Cardno Pty Ltd
2 Bagot Road
Subiaco WA 6010

2 August 2011.....
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Appendix A
Risk Assessment Rating Scale
Definitions

Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Audit Guidelines – Electricity, Gas and Water Licences (ERA, August 2010).

Consequence Rating

The consequence rating scale is outlined below.

	Rating	Examples of Non-Compliance			
		Supply Quality	Supply Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1	Minor	Minor public health or safety issues Breach of quality standards minor – minimal impact on customers	System failure or connection delays affecting only a few customers. Some inconvenience to customers.	Customer complaints procedures not followed in a few instances. Nil or minor costs incurred by customers.	Licence conditions not fully complied with but issues have been promptly resolved.
2	Moderate	Event is restricted in both area and time, eg, supply of service to one street is affected for up to one day. Some remedial action is required.	Event is restricted in both area and time, eg supply of service to one street is affected for up to one day. Some remedial is required.	Lapse in customer service standards is clearly noticeable but manageable. Some additional cost may be incurred by some customers.	Clear evidence of one or more breaches of legislation or other licence conditions and/or sustained period of breaches.
3	Major	Significant system failure. Life-threatening injuries or widespread health risks. Extensive remedial action required.	Significant system failure. Extensive remedial action required.		

Likelihood Ratings

The likelihood rating scale is described below.

	Level	Description
A	Likely	Non-compliance is expected to occur at least once or twice a year
B	Probable	Non-compliance is expected to occur once every three years
C	Unlikely	Non-compliance is expected to occur once every 10 years or longer.

Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Strong controls that are sufficient for the identified risks
Medium	Moderate controls that cover significant risks; improvement possible
Weak	Controls are weak or non-existent and have minimal impact on the risks.

Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1	Audit Priority 2	
Medium	Audit Priority 3	Audit Priority 4	
Low	Audit Priority 5		

Appendix B
Asset Management Performance
Rating Definitions

Compliance Assessment Rating Scale

In accordance with the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, August 2010), a 7-point rating scale has been adopted to assess the licensee’s compliance against each licence condition. The rating scale and description of compliance is outlined below.

Compliance Status	Rating	Description of Compliance
Compliant	5	Compliant with no further action required to maintain compliance
Compliant	4	Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance
Compliant	3	Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance
Non-Compliant	2	Does not meet minimum requirements
Significantly Non-Compliant	1	Significant weaknesses and/or serious action required
Not Applicable	N/A	Determined that the compliance obligation does not apply to the licensee’s business operations.
Not Rated	N/R	No relevant activity took place during the audit period therefore it is not possible to assess compliance.

Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Audit Guidelines – Electricity, Gas and Water Licenses (ERA, August 2010).

Asset Management Adequacy Ratings

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

Rating	Description	Criteria
		<ul style="list-style-type: none"> › The asset management improvement system(s) require significant improvements (taking into consideration the assets that are being managed).
D	Inadequate	<ul style="list-style-type: none"> › Processes and policies are not documented. › The asset management information system is not fit for purpose (taking into consideration the assets that are being managed).

Asset Management Performance Ratings

Rating	Description	Criteria
1	Performing effectively	<ul style="list-style-type: none"> › The performance of the process meets or exceeds the required levels of performance › Process effectiveness is regularly assessed and corrective action taken when necessary
2	Opportunity for improvement	<ul style="list-style-type: none"> › The performance of the process requires some improvement to meet the required level › Process effectiveness reviews are not performed regularly enough › Process improvement opportunities are not actioned
3	Corrective action required	<ul style="list-style-type: none"> › The performance of the process requires significant improvement to meet the required level › Process effectiveness reviews are performed irregularly or not at all › Process improvement opportunities are not actioned
4	Serious action required	<ul style="list-style-type: none"> › Process is not performed or the performance is so poor that the process is considered to be ineffective.

Appendix C
Post Audit Implementation Plan

Reference in Document	Item No / Clause	Recommendation	Responsible Office / Officer	Target Date for Completion
Outstanding Actions from Previous Audit / Review				
Table 3	1.1	<ul style="list-style-type: none"> › To review and update the risk register to include corporate and organisational risks, and appropriate mitigation strategies, as required 	<ul style="list-style-type: none"> › Senior Executive Group 	<ul style="list-style-type: none"> › Risk register to be updated by 30 June 2012. › Thereafter, the risk register is to be reviewed by 30 June annually.
Table 3	2.1 to 2.2	<ul style="list-style-type: none"> › To finalise the Memorandum of Understanding between the Department of Health and Busselton Water and ensure all requirements as outlined in the Operating Licence is addressed in the Memorandum of Understanding. › To continue providing updates to the ERA on the status of the MoU. › To advise the ERA when the MoU has been finalised and executed. 	<ul style="list-style-type: none"> › CEO BW / Manager Production and Supply 	<ul style="list-style-type: none"> › As soon as possible
Table 3	2.3	<ul style="list-style-type: none"> › Advise the DoH that a statement requiring the MoU to be reviewed every three years needs to be included in the MoU in accordance with the Operating Licence conditions; › Check that the review clause is included in MoU before it is finalised and executed 	<ul style="list-style-type: none"> › CEO BW / Manager Production and Supply 	<ul style="list-style-type: none"> › As soon as possible
Table 3	2.4	<ul style="list-style-type: none"> › Once the MoU has been finalised and executed, upload the MoU onto the BW Website 	<ul style="list-style-type: none"> › Manager Production and Supply 	<ul style="list-style-type: none"> › As soon as possible
Table 3	3.2	<ul style="list-style-type: none"> › To develop a formal asset disposal procedure and incorporate as a Management Operational Directive (MOD) 	<ul style="list-style-type: none"> › Manager Production and Supply 	<ul style="list-style-type: none"> › To be developed and implemented by December 2011
Table 3	3.4	<ul style="list-style-type: none"> › To assess each operational task in terms of importance (ie, identify which task is considered more important due to its potential to affect the operation of the asset, service delivery, environment, organisation) and prioritise tasks accordingly. 	<ul style="list-style-type: none"> › Manager Production and Supply › Operational Team Leaders 	<ul style="list-style-type: none"> › To be updated by June 2012 and reviewed on an annual basis
Table 3	3.6	<ul style="list-style-type: none"> › To test contingency / incident plans with mock events and update and amend the 	<ul style="list-style-type: none"> › Senior Executive 	<ul style="list-style-type: none"> › Contingency testing

Reference in Document	Item No / Clause	Recommendation	Responsible Office / Officer	Target Date for Completion
		plans as required	Group	to be undertaken by June 2012.
Recommendations from the 2011 Operational / Performance Audit				
Table 6	5.1	<ul style="list-style-type: none"> › To nominate a Busselton Water staff to be responsible for identifying applicable legislation and any revisions or exemptions and keeping staff informed of these changes. 	› Manager, Production and Supply	› Staff nominated by August 2011
Table 6	7 (Sch 3, CI 2.6)	<ul style="list-style-type: none"> › To review the existing customer service charter and update to be compliant with the ERA customer service charter guidelines (March 2011) › To update the customer service summary document › To forward the amended customer service charter and summary document to the ERA for approval › To distribute the approved customer service charter (summary document) to customers and upload onto the internet. Printed copies of the revised charter should be available at the customer service office. 	› Manager, Customer Service	› Revised Customer Service Charter in place by December 2011
Table 6	9.1 – 9.6	<ul style="list-style-type: none"> › To continue liaising with the Department of Health to finalise the Memorandum of Understanding and execute the agreement. › To advise the Department of Health that the Memorandum of Understanding is to include a clause to review and renew the MoU every three (3) years, as well as other provisions as listed in the Operating Licence. › To discuss with the Department of Health the requirement to redraft the existing Water Quality Requirements for Drinking Water (Schedule 1). 	› Manager, Production and Supply	› As soon as possible
Table 6	20 (Sch 4, CI 1.2)	<ul style="list-style-type: none"> › To investigate reasons for low pressure within the system by running a model of the entire network system and simulating the operation of the network during peak periods and develop a maintenance / replacement program to minimise issues relating to low pressure and flow. 	› Manager, Production and Supply	› To develop and run network model and develop a rolling maintenance / replacement program by September 2012
Table 6	20	<ul style="list-style-type: none"> › To develop and finalise the incident management plan – water available policy 	› Manager Production	› To finalise the

Reference in Document	Item No / Clause	Recommendation	Responsible Office / Officer	Target Date for Completion
	(Sch 4, Cl 2.3)	<ul style="list-style-type: none"> › To run a mock test of the incident management plan and amend the plan, if required 	and Supply	incident management plan by December 2011 <ul style="list-style-type: none"> › To run the mock event by June 2012
Recommendations from the 2011 Asset Management System Review				
Table 7	Asset Planning	<ul style="list-style-type: none"> › To develop a formal procedure outlining the business planning process, including the preparation of the business case study reports as a Management Operations Directive (MOD) › Develop a business case template in the MOD 	<ul style="list-style-type: none"> › Manager, Production and Supply › 	<ul style="list-style-type: none"> › Business planning process formalised by December 2012
Table 7	Asset Creation	<ul style="list-style-type: none"> › To develop a formal asset creation / acquisition policy and procedure and include as part of the MOD › To develop a flow chart outlining the process for procuring new assets (ie, business case preparation, planning, approval process from the Board and Minister, etc) 	› Manager, Production and Supply	› Policy developed by December 2012
Table 7	Asset Disposal	› To develop a formal asset disposal and asset replacement strategy and include as part of the MOD	› Manager, Production and Supply	› Policy / strategy developed by June 2012
Table 7	Environmental Analysis	› To review and update the risk register to include corporate and organisational risks and appropriate mitigation strategies (refer to Item 1.1 of this table)	› Senior Executive Group	<ul style="list-style-type: none"> › Risk register to be updated by 30 June 2012. › Thereafter, the risk register is to be reviewed by 30 June annually.
Table 7	Asset Operations / Asset Maintenance	› To review the operational tasks and identify priority tasks based on perceived risks and update the Standard Operating Procedures Manual, as necessary (refer to Item 3.4 of this table)	<ul style="list-style-type: none"> › Manager, Production and Supply › Operations Team Leaders 	› Operational tasks to be updated by June 2012 and reviewed on an annual basis

Reference in Document	Item No / Clause	Recommendation	Responsible Office / Officer	Target Date for Completion
		<ul style="list-style-type: none"> › To develop and implement a formal condition assessment program for all assets 	<ul style="list-style-type: none"> › Manager Production and Supply 	<ul style="list-style-type: none"> › Formal condition assessment program developed by June 2012. Implemented by December 2012.
		<ul style="list-style-type: none"> › To investigate opportunities in MainPac (or other systems) to record operations and maintenance costs into categories (ie, reactive, planned, operations, maintenance) and link with mapping (optional) 	<ul style="list-style-type: none"> › Manager Production Supply › Manager, Finance and Administration › Planning and Development Officer 	<ul style="list-style-type: none"> › June 2012
		<ul style="list-style-type: none"> › To review maintenance tasks and activities and categorise as preventative maintenance, reactive maintenance and emergency maintenance. 	<ul style="list-style-type: none"> › Manager Production Supply › Manager, Finance and Administration 	<ul style="list-style-type: none"> › June 2012
Table 7	Asset Management Information System	<ul style="list-style-type: none"> › To investigate options with information systems to use same asset ID numbers and record operations and maintenance costs as reactive, planned, operations and maintenance type works and link with mapping (refer to above). 	<ul style="list-style-type: none"> › Manager Production and Supply › Manager, Finance and Administration › Planning and Development Officer 	<ul style="list-style-type: none"> › June 2012
Table 7	Risk Management	<ul style="list-style-type: none"> › To review existing risk registers and align with AS/NZS ISO 31000:2009 and update risk register to include operational, maintenance, public health, environmental and corporate risks, and mitigation strategies (refer to Item 3.4 of this table) › To investigate options to consolidate existing risk registers into one register. 	<ul style="list-style-type: none"> › Manager, Production and Supply › Operations Team Leaders 	<ul style="list-style-type: none"> › To be updated by June 2012 and reviewed on an annual basis
Table 7	Contingency Planning	<ul style="list-style-type: none"> › To review current system contingency plans as outlined in the TAMS and develop detailed action plans 	<ul style="list-style-type: none"> › Senior Executive Group 	<ul style="list-style-type: none"> › To develop the contingency plans by

Reference in Document	Item No / Clause	Recommendation	Responsible Office / Officer	Target Date for Completion
		<ul style="list-style-type: none"> › Develop contingency plans to cover corporate and organisational risks › To test the contingency plans with mock events and update / amend the plans as necessary 	›	December 2011 › To run mock events by June 2012.
Table 7	Capital Expenditure Planning	<ul style="list-style-type: none"> › To formalise the capital expenditure planning process to address: <ul style="list-style-type: none"> – Process for identifying all investment needs; – Establish project justification requirements based on value, complexity and type of expenditure; – Link project justification to operational and whole of organisation risk management; – Review governance procedures and authority levels for project approvals; – Establish capital expenditure prioritisation methodology based on risk management and Busselton Water’s strategic objectives 	› Manager, Finance and Administration	› To be developed by June 2012