

Ref. & Obligation	Details of Non-Compliance/Issue	Auditor's Recommendation	Management Action	Position Responsible & Target Date for Completion	Status
OPERATIONAL AUDIT					
<p>01/2015 (6)</p>	<p>Asset Management System <i>Water Services Act 2012 Sections 24(1)(a) and 24(2)</i> C3 – Inadequate, Non-compliant – Moderate impact The licensee must have an asset management system that provides for the operation and maintenance of the water service works. This audit and review confirmed the licensee has an asset management system. However as noted in the Compliance Report for 2014/15 to the Authority, the Asset Management System requires updating to include a detailed Asset Management Plan for water assets for the next 5 year period and a detailed Asset Register. This work is expected to be completed in 2015/16.</p>	<p>As planned, the RIA should develop and implement an overall Asset Management Plan for potable water, non-potable water, irrigation and drainage. This should be integrated with the overall Strategic Asset Investment Plan and supporting policies, procedures and the Asset Register system.</p>	<p>Strategic Asset Plan (SAP) is almost complete.</p> <p>Multi utility asset management plan (MUAMP) is being prepared.</p> <p>Other Asset Management Plans (OAMP) are planned to be completed in June 2016.</p> <p>Asset Management System acquisition is currently in progress.</p> <p>Over the last 2 years a dedicated Asset Manager has been developing the agency's first independent Asset Management System. The works undertaken to date include:</p> <p>Creation of water asset data hierarchy, - Visual Condition Assessment of water assets; Systematic review and confirmation of water production, storage, and distribution system assets and data;</p>	<p>GM Projects & Contract Services RIA Asset Manager 30/06/2016</p> <p>30/06/2016</p> <p>30/06/2016</p> <p>30/06/2016</p>	<p>RIA has determined it would be prudent to defer completion of the SAP, pending resolution of a number of variables including:</p> <ul style="list-style-type: none"> - Increasing generator capacity - Shift from LV to HV distribution and - increasing reticulation capacity. <p>(all in response to predicted future growth from new developments in the RIMP).</p> <p>Revised dates shown.</p> <p>A full Risk Assessment has to be completed prior to the SAP.</p>

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			<p>Undertaken camera inspections to underground sewer network;</p> <p>Review of supply network knowledge and system management provided by the Facility Manager;</p> <p>Understanding of legacy systems and stored information risks including visual confirmation of non operational system isolation points;</p> <p>Modification of data for upload into the Facility Managers Asset Management System(Maximo);</p> <p>Product review of asset management system providers;</p> <p>It is anticipated that this work will be completed _30/06/2016_. An asset management system, .up until 08/2014_ was maintained by our facility manager.</p> <p>In addition to this, the agency has also maintained (SAP) since 09/2013 with the latest (SAP) in the</p>		

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			process of being updated.		
<p>02/2015 (7, 171)</p>	<p>Changes to Asset Management System <i>Water Services Act 2012 Sections 24(1)(b)</i> <i>Licence condition clause 20.2</i> C – Inadequate, Not rated</p> <p>The auditor confirmed with RIA's Contracts and Project Officer, Programmed Facilities Management and field observations that no significant changes have been made to the Asset Management System (AMS) during the audit period.</p> <p>The requirement to notify the Authority of any material change to the AMS within 10 days of the change was previously included in the RIA's "Utilities Compliance Schedule". This schedule has been replaced by the "RIA Licence and Compliance Register" but the requirement to notify the Authority of changes to the AMS within 10 business days is not included.</p>	<p>The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any material change to the Asset Management System within 10 business days of the change.</p>	<p>The following has been included in the Licence and Compliance Register: Reference: Water Services Operating Licence WL10, Section 15., 15.1 (a)-(d) Water Services Act 2012, Section 24(1)(b)</p> <p>Action: Notify the ERA of any material change to the Asset Management System within 10 business days of the change. Report to the ERA if the RIA provides or undertakes water service works that are major works or general works, within 10 business days of the provision or undertaking occurring.</p> <p>For the period of the audit, the Facility Manager maintained an Asset</p>	<p>RIA Contracts & Project Officer 14/10/2015</p>	<p>Completed 14/10/2015</p>

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			Management System and any changes during that period should have been recorded / registered.		
<p>03/2015 (16)</p>	<p>Interruption of Water Supplies <i>Water Services Act 2012 Section 77(3)</i> B3 – Generally adequate, Non-compliant – Moderate impact</p> <p>The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.</p> <p>The 2013/14 Compliance Report to the Authority notes that there were 9 water pipe breaks that affected accommodation units on the Island. These included one break that affected 150 Kingstown visitors in April 2014 with water services being restored after 30 hours. Non-potable water and bottled drinking water was supplied to visitors.</p> <p>The 2014/15 Compliance Report stated there were 7 unplanned interruptions of which 5 affected customers, due to breakages or accidental damage from equipment.</p> <p>The RIA has undertaken localised potable reticulation repairs and improved detection of water leaks via a monitoring system for bulk meters. There is still a risk of unplanned interruptions due to the ageing infrastructure.</p>	<p>As planned, the RIA should continue remedial action to reduce the risk of unplanned interruption of potable water supplies, including localised potable reticulation repairs, investigation of acoustic leak detection systems, improved metering and commencement of a GPS survey of higher risk pipes.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p> <p>The RIA is currently implementing a schedule of intrusive and non-intrusive buried services investigations across the settlement, which will be implemented subject to available funding.</p> <p>Further to this the RIA is also commencing to develop a suite of record drawings in relation to all utilities on the Island.</p> <p>There is a rolling multi-year programme of capital works for improvements to potable water reticulation and storage.</p> <p>The nine water pipe breaks were aged related issues.</p> <p>The RIA, as is the practice</p>	<p>RIA Manager Major Projects 30/06/2016</p>	<p>Planning/Specification Stage</p>

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			<p>with "Water Corporation", operates on a reactive basis to pipe breakages.</p> <p>In respect to 150 Kingstown visitors receiving bottled drinking water and potable water from a large tank which was located on site to enable them to access washing facilities.</p> <p>All these activities are on-going and based on known high risks in the system.</p>		
<p>04/2015 (22)</p> <p>(23)</p>	<p>Fire Hydrants <i>Water Services Act 2012 Section 96(1)</i> C3 – Inadequate, Non-compliant – Moderate impact</p> <p><i>Water Services Act 2012 Section 96(5)</i> C – Inadequate, Not rated</p> <p>If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.</p> <p>The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within</p>	<p>As planned and in conjunction with DFES, the RIA should upgrade the fire hydrant system to DFES standards.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p> <p>The RIA has produced a concept fire mains and hydrant implementation plan, which identifies phased upgrade and replacement of the fire main system (dated 17/09/2015).</p> <p>The RIA held internal meetings to discuss proposed concept fire mains and hydrant implementation</p>	<p>RIA General Manager Projects & Contracts Services 30/06/2016</p>	<p>Planning Stage</p>

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	<p>a reasonable time.</p> <p>RIA's Contracts and Project Officer confirmed that fire hydrants are installed but do not meet DFES requirements as identified in a survey in 2012. The survey advised that the system's pressure is insufficient for a major fire event and also several hydrants have been shut off. There has also been no pressure testing for at least 5 years as this may damage the water mains. The RIA has advised there is an alternative response to fire events by use of bulk fire water tankers. It is outside the scope of this audit to assess the effectiveness of alternative responses.</p> <p>The RIA's Fire and Emergency Manager advised that no formal requests have been received from DFES or the City of Cockburn under the Act.</p> <p>The RIA's approved capital expenditure plan for 2015/16 includes new hydrants and a separate fire main pipeline using non-potable water, to address the issues with mains pressure for firefighting and to deliver a compliant system.</p>		<p>plan (29/09/2015). It was agreed to proceed with the business case and project scope to start engineering on a new fire main and hydrant system from the View Hill Tank and a new fire main along Parker Point Road.</p> <p>Future upgrades to the overall system are planned to take place under subsequent capital works programs.</p> <p>Stage 1 is planned for completion by the end of financial year 2016.</p> <p>The non-compliance will remain until the capital works program is fully executed.</p> <p>Alternative major fire event planning includes use of bulk fire water tankers.</p>		
<p>05/2015</p> <p>(92, 119, 153)</p>	<p>Information for Customers</p> <p><i>Water Services Act 2012 – Section 27</i> <i>Licence conditions – Clause 5.1. and 5.3</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013</i> <i>Clauses 7, 21(1), 37(1).</i></p> <p>C2 – Inadequate, Non-compliant – Minor</p>	<p>a) The RIA should revise the information in the previous Customer Service Charter to cover the requirements in the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i> and re-issue as a Customer Information Statement.</p>	<p>The RIA is currently developing a Rottneest Island Water Customer Service Manual that will be published on the RIA website and available in hard copy at the Visitor</p>	<p>RIA Contracts & Project Officer 31/12/2015</p>	<p>In Progress</p>

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(93, 98, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 121, 122, 123, 124, 137, 138, 139, 142, 144)	<p><i>impact</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013</i> <i>Clauses 8, 10.5, 13(1), 13(2), 14(1), 15, 16(2), 17(1), 17(2), 18(1), 22, 23(1), 24, 25, 31, 32, 33, 34(4), 34(6).</i></p> <p><i>Not rated (no activity in audit period)</i></p> <p>The licensee must have written information for customers about the specified matters.</p> <p>RIA's Customer Service Charter for Water Services was available on the website until June 2014. The Charter included some of the information required by the Water Services Code of Conduct (Customer Service Standards) 2013 including the licensee functions, how to apply for a connection and the period, etc.</p> <p>In the absence of this Charter, the written information for customers is not being provided and therefore this is a non-compliance. There is also additional information required to be provided to customers under the Code of Conduct as noted in this report. This includes:</p> <ul style="list-style-type: none"> • Timeliness of connections • If an accurate meter reading is not possible, bill based on estimates • Request for meter reading • Discount policy if usage high due to leakage 	<p>b) The RIA should provide on the website and in hardcopy upon request, a Customer Information Statement that includes the prescribed information required by the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i>.</p>	<p>Centre.</p> <p>The Rottnest Island Water Customer Service Manual will be regularly reviewed and updated when required.</p>		

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	<ul style="list-style-type: none"> • Procedures re overcharges and undercharges • Payment methods to include direct debit. • Provisions if unable to pay by due date. • Referral of complaints to the Energy and Water Ombudsman, etc. 				
<p>06/2015</p> <p>(115-117, 147,148)</p>	<p>Complaints Procedures <i>Water Services Act 2012 Section 27</i> <i>Licence conditions – Clause 5.1, 5.3</i> <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(3)-(6), 35(3)-(4)</i></p> <p><i>D2 – No controls, Non-compliant – Minor impact</i></p> <p>The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</p> <p>The audit reviewed RIA's Utilities Customer Complaints Procedure and noted that the procedure covers how complaints are to be lodged and recorded, dispute resolution arrangements and time limits and methods for responding. There are some provisions that are not covered.</p> <p>The RIA's Utilities Customer Complaints Procedure does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of</p>	<p>The RIA should update the Utilities Customer Complaints Procedure to:</p> <p>a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Energy and Water Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</p> <p>b) in addition to an option of applying to the Energy and Water Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</p> <p>c) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State</p>	<p>The RIA received 8 complaints for the reporting period 2013/14 and 2 complaints for the reporting period 2014/15.</p> <p>There is a fully up to date Utilities Customer Complaints Procedure available on the Rottnest Island website. The website is easy to navigate and customers can access the complaints procedure and form without any difficulties.</p> <p>RIA believes that this complaints procedure is adequate and covers all of the requirements under the code.</p> <p>Minor wording has been amended to ensure water complaints are clearly defined.</p>	<p>RIA Contracts & Project Officer 28/10/2015</p>	<p>Completed 28/10/2015</p>

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	procedures under the Act, and set out the costs and benefits to the customer if they use the complaint resolution procedure or instead of the procedures under the Act.	Administrative Tribunal.			

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<p>07/2015</p> <p>(161)</p>	<p>Assessment of Performance Standards – Pressure and Flow Testing</p> <p><i>Water Services Act 2012 – Section 27</i> <i>Licence conditions – Clause 13.1 and Schedule 3</i></p> <p>C2 – Inadequate, Non-compliant minor impact</p> <p>Individual performance standards regarding potable water system are set out in Schedule 3 of RIA's licence WL10 Version 7 dated 22 June 2015 and WL10 Version 6, dated 18 November 2013. The performance standards relate to the pressure and flow standards for potable water and conducting an annual desktop audit of the drainage scheme.</p> <p>As noted in the previous audit and in the Compliance Reports for 2013/14 and 2014/15 to the Authority, the RIA is unable to confirm that the potable water pressure and flow levels meet the minimum standards in the licence, as there are no pressure and flow measuring facilities. Installation of the equipment is to be considered in the 2015/16 capital works program. The RIA has advised that there have been no complaints from customers.</p> <p><u>This is a control issue rather than a non-compliance with the licence obligation.</u></p>	<p>As planned, the RIA should consider installing pressure and flow testing measuring facilities to periodically test that the minimum standards per the Water Licence performance standards are being achieved.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p> <p>Rottnest Island Authority will install metering equipment to enable potable water flow and pressure to be recorded.</p> <p>In 2014 the recommendation was added to the RIA capital works plan for 2015/16.</p> <p>Potable water flow meters are planned to be installed for the Bathurst, Caroline Thomson and Campground distribution network by the end of this financial year.</p> <p>The fire water mains will have a flow metre at the Fun Park valve pit. The flow meter on the fire pump discharge will also have a pressure meter.</p>	<p>RIA 30 June 2016</p>	<p>Planning Stage</p>

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<p>08/2015 (164)</p>	<p>Advise Authority of Major or General Works <i>Water Services Act 2012 Section 27</i> <i>Licence conditions – Clause 15.1(d)</i> D – No controls, Not rated</p> <p>The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.</p> <p>The auditor confirmed with RIA's Contracts and Project Officer and review of the Asset Management System documentation and drawings that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period.</p> <p>However, the requirement to notify the Authority of any material change to the asset management system within 10 business days of providing or undertaking water service works that are major works or general works is not included in the "RIA Licence and Compliance Register".</p>	<p>The RIA should include in the RIA Licence and Compliance Register, the requirement to notify the Authority of any major or general water service works within 10 business days of the change.</p>	<p>The following has been included in the Licence and Compliance Register: Reference: Water Services Operating Licence WL10, Section 15., 15.1 (a)-(d) Water Services Act 2012, Section 24(1)(b)</p> <p>Action: Notify the ERA of any material change to the Asset Management System within 10 business days of the change. Report to the ERA if the RIA provides or undertakes water service works that are major works or general works, within 10 business days of the provision or undertaking occurring.</p>	<p>RIA Contracts & Project Officer 14/10/2015</p>	<p>Completed 14/10/2015</p>

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ASSET MANAGEMENT SYSTEM REVIEW					
<p>01/2015 09/2015 (1., 12.1)</p>	<p>Asset Planning – Asset Management Plan <i>Asset management plan covers key requirements.</i> <i>Lifecycle costs of owning and operating assets are assessed.</i> <i>Funding options are evaluated.</i> <i>Plans are regularly reviewed and updated.</i> B3 – Requires some improvement, Corrective action required</p> <p>The RIA has developed the Rottnest Island Management Plan 2014-19 and the Strategic Asset Investment Plan 2014-15 to 2023-24 that include the key requirements for the potable water supply and the wastewater services. The RIA intends to develop a specific Asset Management Plan for the water assets but this has not yet occurred.</p> <p>The lifecycle costs of the water assets have not yet been assessed and budgeted for. The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that “the RIA lacks a long term strategy for the ongoing maintenance and renewal of its built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its assets”.</p>	<p>As noted in recommendation 01/2015, and as planned, the RIA should develop and implement a detailed Asset Management Plan for potable water, non-potable water and drainage. This should be integrated with the overall Strategic Asset Investment Plan and supporting policies, procedures and the Asset Register system.</p> <p>a) The detailed Asset Management Plan for potable water and wastewater treatment assets (AMP) should include the lifecycle costs of owning and operating the assets over the lifecycle of the assets.</p> <p>b) The AMP should consider the funding options for the maintenance and renewal of the assets.</p> <p>c) The AMP should be reviewed and updated if major changes occur or at least every 5 years.</p>	<p>Strategic Asset Plan (SAP) is almost complete.</p> <p>Multi utility asset management plan (MUAMP) is being prepared.</p> <p>Other Asset Management Plans (OAMP) are planned to be completed in June 2016.</p> <p>Asset Management System acquisition is currently in progress.</p> <p>Over the last 2 years a dedicated Asset Manager has been developing the agency's first independent Asset Management System. The works undertaken to date include:</p> <p>Creation of water asset data hierarchy, - Visual Condition Assessment of water assets; Systematic review and confirmation of water</p>	<p>GM Projects & Contract Services RIA Asset Manager 30/06/2016</p> <p>30/06/2016</p> <p>30/06/2016</p> <p>30/06/2016</p>	<p>RIA has determined it would be prudent to defer completion of the SAP, pending resolution of a number of variables including:</p> <ul style="list-style-type: none"> - Increasing generator capacity - Shift from LV to HV distribution and - increasing reticulation capacity. <p>(all in response to predicted future growth from new developments in the RIMP).</p> <p>Revised dates shown.</p> <p>A full Risk Assessment has to be completed prior to the SAP.</p>

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	<p>The Strategic Asset Investment Plan 2014-15 to 2023-24 recognises that funding options need to be further considered. This is planned to continue and to be developed further when the asset baseline project has been completed in 2016.</p> <p>The Strategic Asset Investment Plan 2014-15 to 2023-24 was reviewed and updated in October 2014. The asset investment required is reviewed annually as part of developing the capital expenditure programme each year. Review of the detailed Asset Management Plan, when developed, should be included in the Plan.</p>		<p>production, storage, and distribution system assets and data;</p> <p>Undertaken camera inspections to underground sewer network;</p> <p>Review of supply network knowledge and system management provided by the Facility Manager;</p> <p>Understanding of legacy systems and stored information risks including visual confirmation of non operational system isolation points;</p> <p>Modification of data for upload into the Facility Managers Asset Management System(Maximo);</p> <p>Product review of asset management system providers;</p> <p>It is anticipated that this work will be completed _30/06/2016_. An asset management system, .up until 08/2014_ was maintained by our facility manager.</p> <p>In addition to this, the</p>	<p>PFM 30/12/2016</p>	

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			<p>agency has also maintained (SAP) since 09/2013 with the latest (SAP) in process of being updated</p> <p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p>		
<p>10/2015 (4., 5.)</p>	<p>Asset Operations – Asset Register <i>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.</i> <i>A2, B2 – Requires some improvement, Opportunity for improvement</i></p> <p>Assets are documented in the Maximo system maintained by PFM on the Island. The asset register includes:</p> <ul style="list-style-type: none"> ▪ Asset Class ▪ Asset location ▪ Asset Sub-location ▪ Asset number ▪ Description. <p>The register does not include a condition assessment although this is currently being assessed and input into an Excel database by the Asset Condition Baseline</p>	<p>a) As planned, the RIA in conjunction with PFM should complete the asset condition assessment project and update the individual asset register in the Maximo system.</p> <p>b) The RIA in conjunction with PFM should consider the feasibility of obtaining 'as constructed' records of the water infrastructure assets and using a Geographical Information System (GIS) to assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</p>	<p>Finalisation of the asset register is contingent upon continued asset discovery. This is a dynamic process with stage 1 & 2 complete and stage 3 to complete by June 2016.</p> <p>The RIA is currently implementing a schedule of intrusive and non-intrusive buried services investigations across the settlement, which will be implemented subject to available funding. Further to this the RIA is also commencing to develop a suite of record drawings in relation to all utilities on the Island.</p>	<p>RIA Asset Manager PFM 30/06/2016</p>	<p>In Progress – 60%</p>

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	<p>project which is due for completion in 2015.</p> <p>No formal 'As Constructed' records of infrastructure exist. For instance, pipe infrastructure is comprised of a wide mix of different components and materials in varying states of age and repair. There is certain reliance upon the memory of key long term staff to recall historic details about existing infrastructure.</p> <p>A Geographical Information System (GIS) would assist in asset operations to manage and schedule maintenance for underground pipes, structures and appurtenances.</p> <p>This is possibly due to the infrastructure being installed by the Public Works Department (PWD) which built and operated country water and sewer schemes from roughly 1950 until 1982 when it amalgamated with the Metropolitan Water Supply, Sewer and Drainage Board to create the now Water Corporation. The operation of Rottnest Island systems was historically divested from the Water Corporation to the RIA however, 'as constructed' records of the original assets should be available and some of the sewer system is available on the Water Corporations "ESinet" GIS interface.</p> <p>The historical cost information for the assets has not been transferred to the Asset Register but is in the financial system of the RIA.</p>		<p>The RIA uses a GIS and is also implementing a programme of surveys of key locations, associated with capital works projects. The acquisition of an AMS is required to fully integrate the asset register with geographical data.</p> <p>The poor documentation of services is a legacy of a haphazard history of development, with multiple agencies involved over more than a century. The RIA understands the risks and has mitigation measures to control them.</p> <p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p>		

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<p>11/2015 (6.)</p>	<p>Asset Maintenance – Condition Assessment <i>Regular inspections are undertaken of asset performance and condition.</i> <i>A2 – Adequate defined, Opportunity for improvement</i> Asset performance is monitored via the planned monthly, quarterly and annual maintenance checks by senior staff and others, who have the skill and knowledge to do so. There is also a SCADA (Supervisory Control and Data Acquisition) based computerised system providing real time operational performance, alarms and control over remote equipment (which also forms part of the risk assessment used to prioritise maintenance tasks). As noted in 5.3 above, the asset register does not include a condition assessment although this is currently being assessed and input into an Excel database by the Asset Condition Baseline project which is due for completion in 2015. There were several opportunities for improvement noted as follows:</p> <ul style="list-style-type: none"> From our field observations, the water supply holding and pressurisation tanks do not appear to have a formal system for inspecting the tank roofs 	<p>a) It is recommended that PFM complete an initial inspection and condition report in the short term to ascertain the water supply holding and pressurisation tank integrity, and develop a maintenance schedule based upon the condition of the assets.</p> <p>b) It is recommended that RIA/PFM consider the provision of funds in the capital works expenditure budget to install (cut in) scour valves in the lowest lying section of mains or to install wash out assemblies at the end of mains without existing flushing points, to improve the potable water quality.</p>	<p>RIA to arrange inspection and condition assessment.</p> <p>PFM to develop maintenance schedule through Maximo based on the condition assessment.</p> <p>The RIA is currently implementing a strategy to upgrade all portable water infrastructures on the Island. Various parts of the network are planned to be replaced with new pipework and associated fixtures. Scour valves will be installed alongside additional isolation valves to improve network management. The Bathurst upgrade will be the first step of this project. All future upgrades are planned to be in accordance with the Water Supply Association of Australian Standards.</p>	<p>RIA 31/12/2015</p> <p>PFM 30/6/2016</p> <p>RIA Manager – Major Projects (see note below on self-funded agency. RIA will apply for funding in March 2016)</p>	<p>Development Stage</p> <p>Planning Stage</p>

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	<p>and tank wall structural integrity.</p> <ul style="list-style-type: none"> There has historically been some water quality issues associated with dead end sections of water mains and the lack of scour valves and washout assemblies. There were some concerns raised by PFM surrounding the reliability of osmosis plant pumps. 	<p>c) It is recommended that RIA/PFM consider the establishment of a pump management program for the osmosis plant pumps, including monitoring the operation, flows, and pump efficiency. Hence, the projected remaining life of the asset and provision of critical spares, may address these concerns.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p> <p>This will be addressed in the improved planned maintenance schedule being developed by PFM.</p> <p>During the audit period major upgrades have been undertaken to Osmosis plant pumps including replacement and purchasing of critical parts.</p> <p>An additional desalination plant was also installed to increase capacity to three fully operational plants. PFM has indicated that they are not aware of any specific concerns raised.</p> <p>The RIA has invested funding in critical parts and new pumps for the desalination plant during this period as a direct result of PFM's concerns at that time.</p>	<p>PFM 30/06/2016</p>	

Ref. & Obligation	Details of Non-Compliance/Issue	Auditor's Recommendation	Management Action	Position Responsible & Target Date for Completion	Status
<p>12/2015 (10.)</p>	<p>Financial Planning</p> <p><i>The financial plan states the financial objectives and strategies and actions to achieve the objectives.</i></p> <p><i>The financial plan identifies the source of funds for capital expenditure and recurrent costs.</i></p> <p><i>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).</i></p> <p><i>The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.</i></p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <p>C4 – Requires significant improvement, Serious action required</p> <p>As there is no separate Asset Management Plan for the water licence services, the financial plan is part of the overall Strategic Asset Investment Plan 2014-15 to 2023-24. The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. It is recognised in the Plan that “the RIA lacks a long term strategy for the ongoing maintenance and renewal of its</p>	<p>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year financial plan that includes the forecast income and expenses, an allowance for capital expenditure to upgrade or replace assets (based on the Asset Condition Baseline project results) and the source of funding or shortfall.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval.</p> <p>RIA has already committed to in this financial year:</p> <ul style="list-style-type: none"> • Potable water storage improvements: \$50,000 • Potable distribution improvements: \$150,000 • Storage tank sensor upgrade: \$10,000 • Parker point distribution and hydrant improvements: \$150,000 <p>The latter project will be modified once the RIA has approval for the new hydrant and fire mains project. This is intended for this FY to address the issues with mains pressure for firefighting and will deliver a compliant system using non-potable water, at a cost of around \$257,000 to the RIA.</p> <p>These projects are all in the</p>	<p>GM – Projects & Contracts 30/06/2016</p>	<p>In Progress</p>

Ref. & Obligation	Details of Non-Compliance/Issue	Auditor's Recommendation	Management Action	Position Responsible & Target Date for Completion	Status
	<p>built infrastructure, or a methodical capital evaluation process to assess need and whole of life cost of its assets".</p> <p>The only major capital expenditure currently planned over the next 5 years is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design. The capital funds are to come from RIA's available funds. The operating expenditure of the new plant is expected to be consistent with the current operating costs and will be funded from the RIA's income and recurrent funding from government.</p> <p>The RIA has developed a four year projection of income and expenses for the potable water and wastewater services on the Island. The RIA estimates there is an annual subsidy of \$236,077 per annum for potable water and \$645,071 per annum for wastewater services.</p> <p>The financial plan for the next four years show that the current level of income is insufficient to fund the operating costs of the services apart from any allowance for the capital expenditure in replacing or upgrading assets. The RIA is considering adjusting the charges for these services but this will only cover part of the shortfall.</p> <p>The financial plan does not provide adequate funding for the operating expenses and the capital expenditure requirements of the services.</p>		<p>prioritised, approved Capex plan for this financial year.</p> <p>As part of the Asset Management System, a detailed financial plan for the income and expenditure of the water services over at least the next five years; and a detailed capital expenditure plan that provides for the replacement of assets over their useful lives will be included in the Asset Management Plan.</p> <p>The Asset Management System for the potable water, non-potable water, sewerage and drainage services is planned for completion by the end of the financial year 2016.</p> <p>It should be understood that RIA utilities are not operated as a separate business entity and that their operating and capital costs are met from RIA consolidated revenue. These services operate at a loss and must be subsidised by other sources of revenue, although tariff increases are proposed for 2016/17 to move closer to cost recovery. Increasing to</p>		

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			<p>full cost recovery is neither politically acceptable, nor would it be a wise business decision because of the likely impact on the revenue (and therefore, revenue related payments to the RIA) of the Island privately run businesses.</p>		
<p>13/2015 (11.)</p>	<p>Capital Expenditure Plan <i>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.</i> <i>The plan provides reasons for capital expenditure and timing of expenditure.</i> <i>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.</i> <i>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</i> D3 – Inadequate, Corrective action required The Strategic Asset Investment Plan 2014-15 to 2023-24 includes a project to establish the asset baseline (condition) of water assets (and other Island assets) as an interim step in preparing a 10 year asset maintenance plan. There is no separate capital expenditure plan for the water supply services apart from an</p>	<p>The RIA, as part of developing an Asset Management Plan for the water services, should develop a 5 year capital expenditure plan that is based on the Asset Condition Baseline project results and provides for the replacement of the assets over their estimated useful life.</p>	<p>The RIA is a self-funded agency. However, as a State asset subjected to Treasury guidelines, all capital works requests must be applied for in March each year. Urgent capital works can be requested but still subjected to Ministerial / EERC / Cabinet approval. RIA has already committed to in this financial year:</p> <ul style="list-style-type: none"> • Potable water storage improvements: \$50,000 • Potable distribution improvements: \$150,000 • Storage tank sensor upgrade: \$10,000 • Parker point distribution and hydrant improvements: \$150,000 <p>The latter project will be</p>	<p>RIA will apply to Treasury in March 2016 for funding for major capital works</p>	<p>In progress</p>

Ref. & Obligation	Details of Non-Compliance/Issue	Auditor's Recommendation	Management Action	Position Responsible & Target Date for Completion	Status
	<p>assessment of the highest priority capital expenditure items over the next year.</p> <p>The only major capital expenditure currently planned is the upgrade of the wastewater treatment plant. The project funding is across three financial years commencing in 2014/15 with the detailed design. The capital funds are to come from RIA's available funds.</p> <p>There is no separate capital expenditure plan for the water supply services apart from an assessment of the highest priority capital expenditure items over the next year. For example, the capital expenditure budget for 2014/15 includes \$210,000 for potable water storage and distribution improvements, and \$150,000 for fire hydrant improvements. Funding is from the RIA's available funds.</p>		<p>modified once the RIA has approval for the new hydrant and fire mains project. This is intended for this FY to address the issues with mains pressure for firefighting and will deliver a compliant system using non-potable water, at a cost of around \$257,000 to the RIA.</p> <p>These projects are all in the prioritised, approved Capex plan for this financial year.</p> <p>As part of the Asset Management System, a detailed financial plan for the income and expenditure of the water services over at least the next five years; and a detailed capital expenditure plan that provides for the replacement of assets over their useful lives will be included in the Asset Management Plan.</p> <p>The Asset Management System for the potable water, non-potable water, sewerage and drainage services is planned for completion by the end of the financial year 2016.</p>		

