



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
OF NEW SOUTH WALES**

**Invitation to Tender**

**2001/2002 Operational Audit of Sydney Catchment Authority**

*(Sydney Morning Herald, The Australian, Wednesday 29 May 2002)*

The Tribunal is also seeking tenders from suitably qualified auditors to conduct an independent Operational Audit of Sydney Catchment Authority's compliance against the requirements of its Operating Licence for the period 1/7/2001 to 30/6/2002.

Tenders should be marked "2001/02 Operational Audit of Sydney Catchment Authority" (attention Ms Meryl McCracken).

Should you require a copy of either Audit brief or require additional information, please contact Bob Burford, on (02) 9290 8408 or email bob\_burford@ipart.nsw.gov.au.

Tenders should be mailed to the address below or delivered by hand to the Tribunal's office marked accordingly. Tenders should be received no later than 5:00pm on Wednesday 12 June 2002. The Tribunal is not obliged to accept late tenders.

Thomas G Parry  
Chairman  
29 May 2002

Level 2  
44 Market Street  
SYDNEY NSW 2000

PO Box Q290  
QVB Post Office  
NSW 1230

**Top of the Page**



**INDEPENDENT PRICING AND REGULATORY TRIBUNAL**  
OF NEW SOUTH WALES

---

**I N V I T A T I O N T O T E N D E R**

---

**2001/02 OPERATIONAL AUDIT OF HUNTER WATER CORPORATION**

## **1 BACKGROUND**

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) is seeking suitably qualified consultants to conduct an audit of Hunter Water Corporation's (Hunter Water's) performance against its Operating Licence.

Hunter Water is a State Owned Corporation that provides water, sewerage and some stormwater drainage services to almost 500,000 customers within the localities of Newcastle, Lake Macquarie, Maitland, Cessnock and Port Stephens.

In accordance with the *Hunter Water Act 1991*, the NSW Government granted an Operating Licence to Hunter Water. A requirement of the Operating Licence is that an annual Operational audit be undertaken of the Corporation's performance of its obligations under the Licence. The Tribunal is required to conduct this annual Audit. A copy of the Operating Licence can be found at [www.hunterwater.com.au](http://www.hunterwater.com.au).

In response to a request from The Minister for Energy, the Tribunal recently completed a review of Hunter Water's Operating Licence. The amended Licence will be implemented on 1 July 2002. The requirements of the amended 2002 Operating Licence are beyond the scope of the Audit for 2001/02. The requirement for this consultancy is to conduct an audit against the requirements of the original Operating Licence.

Information gathered as part of the Audit is used to report on Hunter Water's performance and make recommendations to the Minister for Energy (the Minister responsible for Hunter Water) on:

- a) the granting, amendment or cancellation of the Operating Licence;
- b) the imposition, amendment or cancellation of conditions in relation to the Operating Licence;
- c) action to be taken, and sanctions to be applied, in respect of a contravention of the Operating Licence; and
- d) remedial action that may be warranted as a result of a contravention of the Operating Licence.<sup>1</sup>

---

<sup>1</sup> Part 18A (2) *Hunter Water Act 1991*.

The Environment Protection Authority, Department of Land and Water Conservation and Department of Health continue to regulate the Corporation's activities concerning the environment, use of the water resource and public health respectively.

## **2 OBJECTIVES OF CONSULTANCY**

The objective of the consultancy is to advise and report to the Tribunal on Hunter Water's performance against its Operating Licence for the period from 1 July 2001 to 30 June 2002. In undertaking this task the auditor must:

1. review and assess the level of compliance achieved by Hunter Water against the Operating Licence criteria set out in Attachment 1;
2. assess and report on progress by the Corporation in implementing the Ministerial Requirements set out in Attachment 2;
3. identify any factors that have affected the performance for the period from 1 July 2001 to 30 June 2002; and
4. based upon the audit assessment and taking account the provisions of the amended licence that comes into effect on 1 July 2002, make recommendations on how Hunter Water can improve its performance in the future.

The auditor is required to report on the extent of compliance with the Operating Licence requirements. The audit process should take account of public submissions and the views of stakeholders including environment, social welfare and public interest groups.

The auditor will be responsible for assessing and interpreting the audit requirements and ensuring that the audit process satisfies all statutory requirements. Notwithstanding this, the audit report should reflect the emphasis of the *Hunter Water Act 1991* and the Operating Licence on water quality, system performance, environmental and consumer issues.

### **2.1 Outputs**

The main outputs from the Audit are:

1. two draft reports and a final written report addressing the objectives of the consultancy;
2. discussions and meetings the Tribunal and/or Tribunal Secretariat;
3. presentations to the Tribunal and/or Tribunal Secretariat which outline the major issues and findings.

The draft reports should be provided in three bound copies and a loose leaf copy. The final written report should be provided in 6 bound copies and 1 loose-leaf copy, as well as in two electronic forms (MS Word and PDF format suitable for web publication).

The auditor should note that the final report will be publicly released. As such the report should be clearly and logically set out and written in plain English, avoiding the use of unnecessary technical terms. On completion of the audit, the auditor's reports, working papers and advice provided to the Tribunal will become the property of the Tribunal.

## 2.2 Format of Report

The Tribunal has a preferred format for the final report that includes:

- a summary of compliance with the requirements of the Operating Licence and Ministerial Requirements and a summary of key recommendations,
- a summary of key audit findings expressed in the context of the HWC organisation, its legislated objectives and its regulatory environment,
- for each section of the licence and for any Ministerial Requirements:
  - a summary of findings,
  - a summary of requirements,
  - details of compliance,
  - a discussion of any relevant factors affecting compliance, a discussion of any other relevant issue.

Further details of the Tribunal's preferred format will be provided to the successful tenderer.

## 3 CONDITIONS OF TENDER

### 3.1 Timing

The successful tenderer must be able to meet the following work schedule:

**Contract Program**

Month	Date	Activity
July	Mon 1	Start of contract
August	Mon 19	Delivery of first draft Audit Report ( <b>First milestone</b> )
	Wed 28	Discussion of first draft with Tribunal Secretariat
September	Mon 16	Delivery of second draft Audit Report ( <b>Second milestone</b> )
	Wed 25	Discussion of second draft with Tribunal and/or Secretariat
October	Mon 14	Delivery of final Audit Report ( <b>Third milestone</b> )
	Wed 23	Discussion of final Audit Report with Tribunal and/or Secretariat
		End of Contract

Auditors should note that some audit material may not be available from Hunter Water until later in July 2002. The dates in the table for discussion of drafts and the final report are indicative and will be subject to negotiation between the Tribunal Secretariat and auditor. Weekly, formal progress updates will be required be provided to IPART in writing. Progress meetings in addition to those in the above table are expected. The detailed consultancy work plan should reflect these.

### 3.2 Fee

The fee quoted is to be inclusive of all costs including Goods and Services Tax, incidental expenses and disbursements. Payments will be due within 28 days of receiving an invoice as per an agreed payment schedule. The consultant may wish to outline a draft payment schedule.

A detailed breakdown of the consultancy costs is required with the proposal. The proposal should include estimates of the time required for the project, auditors to be involved in the project, their rates, and a total fee estimate. Staff costs should be clearly reconciled to the detailed work plan. Costs should allow for presentations to the Tribunal, discussion and meetings with staff of the Tribunal, and stakeholder meetings as required.

### **3.3 Proposal**

The consultancy proposal should demonstrate an appreciation for the task as well as describe the intended approach for carrying it out. The personnel to be involved, including resumes detailing their experience should be listed. A detailed work plan is also required. Details of previous clients who can be contacted are also desirable.

### **3.4 Presentation**

Shortlisted tenderers may be required to make a presentation on their proposal as part of the tender evaluation process.

### **3.5 Criteria for selection**

In selecting the successful consultant the Tribunal will consider the following matters:

- in-depth understanding and expertise in the areas encompassed in the Operating Licence (ie. Water quality, system performance, consumer and environmental issues)
- extent of knowledge about water and sewerage businesses
- experience in similar projects
- understanding of Hunter Water's regulatory framework
- proposed consultancy fee
- adequate resourcing and ability to provide results within the stated time frame
- proposed audit and quality assurance procedures
- guaranteed availability of key staff
- demonstrated ability to enlist the agencies' cooperation whilst engendering a sense of acceptance of the relevant outcomes.

The successful tenderer will be able to put together an audit team with specific experience in each of the core auditable areas (water quality, system performance, consumer and environmental issues) and will include in its consultancy proposal details of the audit team structure having regard to these categories. Tenderers may form a consortium with other firms or consultants to achieve the required set of skills in the areas of water science, engineering, environment and consumer issues.

### **3.6 Acceptance of Tender**

The Tribunal reserves the right to:

- accept no tender at all
- postpone indefinitely the acceptance of a tender
- call for new tenders
- appoint one or more tenderers to undertake the review
- approve or reject any sub-contractors the tenderer may wish to appoint.

### **3.7 Disclosure of information on Government Contracts**

Potential tenderers should note that Government contracting guidelines may require the routine disclosure of the following information:

- details of contract (description of project to be completed or goods / services to be provided or property to be transferred; commencement date of the contract; the period of the contract);
- the full identity of the successful tenderer including details of cross ownership of relevant companies;
- the price payable by the agency and the basis for future changes in this price;
- the significant evaluation criteria and the weighting used in tender assessment; and
- provisions for re-negotiation (where applicable).

### **3.8 Consultancy Contract**

The successful tenderer will be obliged to enter into a contract with the Tribunal prior to commencing the Audit.

The Tribunal has a consultancy contract that covers issues including, but not limited to:

- consultancy information and documentation;
- ownership of intellectual property;
- conflicts of interest;
- confidentiality; and
- insurance.

The Tribunal reserves the right to modify contract terms for the final contract as it considers appropriate. A copy of the Tribunal's draft contract is available on request.

## 4 PARTIES TO THE AUDIT

The party managing and commissioning the Audit is the Independent Pricing and Regulatory Tribunal of New South Wales. The primary contact is:

Bob Burford                      Analyst  
tel: 61-2-9290-8408  
e-mail: bob\_burford@ipart.nsw.gov.au

The primary contact point for the auditors within Hunter Water will be:

Kevin Young                      Manager Corporate Planning and Government  
Regulation  
tel: 61-2-4979-9582  
e-mail: [kevin.young@hunterwater.com.au](mailto:kevin.young@hunterwater.com.au)

## 5 LODGEMENT OF TENDER

Three bound copies and 1 loose-leaf copy of the tender should be lodged in a sealed envelope marked '2001/02 HUNTER WATER OPERATIONAL AUDIT' and addressed to:

Ms Meryl McCracken  
General Manager, Support Services  
Independent Pricing and Regulatory Tribunal of NSW

at,                      PO Box Q290  
QVB POST OFFICE NSW 1230

or,                      Level 2  
44 Market Street  
SYDNEY NSW 2000

so that it is received by no later than 5.00 pm Sydney time, on Wednesday 5 June 2002.

## ATTACHMENT 1 COMPLIANCE AUDIT SPECIFICATIONS

The basic audit requirements are prescribed in Schedule 5 and clause 8 of the Hunter Water Operating Licence. The auditor is to assess compliance with these specifications and ensure that the audit process satisfies all statutory obligations. Key aspects of these documents are summarised below, but the auditor is referred to the Act and the Operating Licence to determine the full context.

Operating Licence Reference	Requirements	Additional Comments
Water quality performance and standards (Clause 4.1a and Parts 1 to 10 of Schedule 3).	HWC have voluntarily agreed to be audited against the Health and Aesthetic parameters of the 1996 NHMRC/ARMCANZ Australian Drinking Water Guidelines, subject to Parts 1 to 10 of Schedule 3 to the Operating Licence.	The auditor is also required to assess and report on the performance of Hunter Water in meeting its obligations under the Memorandum of Understanding (MOU) and notification protocols between the Corporation and NSW Health.
Wastewater Treatment Works – Operational Standards (Clause 4.1(b) and Schedule 4 of the Operating Licence).	The auditor is required to report on the performance of each of the Corporation’s Wastewater Treatment Works against their EPA Licences.	
Service Interruptions (Water Discontinuity) – (Schedule 4)	The auditor will be required to assess compliance against the water discontinuity standard.	The auditor is also required to assess and report on the amount of rebates paid for service interruptions for the financial year ending 30 June 2002
Sewer Surcharges (Schedule 4)	The auditor will be required to assess compliance against the sewer surcharge standard.	The auditor is also required to assess and report on the amount of rebates paid for sewer surcharges for the financial year ending 30 June 2002
Water Pressure (Schedule 4)	The auditor will be required to assess compliance against the water pressure standard.	The auditor is also required to assess and report on the amount of rebates paid for low water pressure for the financial year ending 30 June 2002
Security of Water Supply Against Drought (Clauses 5.3(a) and (b))	The auditor will be required to assess compliance against the security of water supply against drought standard.	
Environmental Plan Compliance (Clause 8.5 and Schedule 5)	The auditors will be required to assess performance against each activity/action under the Environmental Management Plan objectives.	

Operating Licence Reference	Requirements	Additional Comments
Customer Management	<p>The auditor should assess and comment upon performance in the following areas:</p> <ul style="list-style-type: none"> <li>• HWC's performance against its Customer Charter.</li> <li>• HWC's performance against its Customer Contract (Schedule 2 of the Operating Licence).</li> <li>• Customer Complaint handling.</li> <li>• Outcomes of Annual Customer Survey.</li> </ul>	<p>The auditor is also required to assess and report on:</p> <ul style="list-style-type: none"> <li>• the total number of complaints received in each category and over each complaint recording system (ie. Customer Care system, Asset Operation and Maintenance System and Customer Charter System).</li> <li>• The extent to which HWC analyses complaint data to identify and address systemic problems.</li> <li>• The major findings of the most recent Customer Survey.</li> </ul>

## ATTACHMENT 2 SUMMARY OF MINISTERIAL REQUIREMENTS AND AUDIT RECOMMENDATIONS FROM THE 1999/2000 OPERATIONAL AUDIT

### Summary of Ministerial Requirements arising from the 2000/01 Operational Audit

Reference	Requirement
Water quality management and improvement programmes	1. <i>I am requesting that Hunter Water provide a report on its water quality management and improvement programmes by 28 June 2002. The report should include strategies for improving disinfection in remote parts of the water supply system and a risk management plan for urban development within water catchments.</i>
Low pressure area performance	2. <i>I would ask that Hunter Water monitor the performances of the problem low-pressure areas for reporting in the 2001/02 Audit Report.</i>
Outstanding items from Dams Safety Committee Report	3. <i>I have asked for the completion of action on outstanding items, arising from the Dams Safety Committee Report for both Grahamstown and Chichester Dams, following last year's Audit. The Auditor's report confirms there are two outstanding actions, Hunter Water should report to me on these items by March 29 2002.</i>
Recommendations from the Williams River Enquiry	4. <i>I also require that the (Environmental Management) plan be updated to reflect Hunter Water's completion of most of the recommendations of the Williams River Enquiry and to incorporate a long-term outlook for management of the catchment.</i>
Development of a climatic model	5. <i>I require Hunter Water to develop a climatic model, that enables it to assess its long-term average demand, by 28 June 2002 in order that it be independently assessed as part of the 2001/2002 Operational Audit.</i>
Integration of Assets and Operations Management System with Customer Care Systems	6. <i>The Auditor has recommended that an investigation be undertaken into the integration of the Assets and Operations Management System and Customer Care Systems, on the basis that integration of the systems may assist streamlining responses to customers. A report should be completed by 28 June 2002 and be included in the 2001/2002 Operational Audit.</i>