



**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](mailto: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

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NSW 1230

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

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

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**THE SYDNEY CATCHMENT AUTHORITY**  
**2001/02 OPERATIONAL AUDIT**

**1 BACKGROUND**

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) is seeking suitably qualified auditors to conduct an audit of the Sydney Catchment Authority's (SCA's) performance against its Operating Licence.

The SCA was established to manage water supply and protect catchments, supply bulk water and regulate activities within the catchments to improve water quality, protect public health and the environment. As such, it has primary responsibility for Sydney's bulk water supply, which is drawn from the catchments of four major river systems – the Warragamba, Upper Nepean, Woronora and Shoalhaven. These catchments extend over 16,000 square kilometres and surround the Sydney Greater Metropolitan Region.

In accordance with the Sections 25 and 26 of the *Sydney Water Catchment Management Act 1998*, the NSW Government granted an Operating Licence to the SCA. A requirement of the Operating Licence is that an annual Operational Audit be undertaken of the Authority's performance of its obligations under the Licence. A copy of the Operating Licence can be found at [www.sca.nsw.gov.au](http://www.sca.nsw.gov.au).

As part of its regulatory responsibilities, the Tribunal is required to conduct an annual Audit to assess the Corporation's performance against the Operating Licence.<sup>1</sup>

Information gathered as part of the Audit is used to report on the SCA's performance and make recommendations to the Minister for the Environment 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>2</sup>

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<sup>1</sup> Section 31 (1) (a) *Sydney Water Catchment Management Act 1998*.

<sup>2</sup> Section 30A *Sydney Water Catchment Management Act 1998*.

The Environment Protection Authority, Department of Land and Water Conservation and NSW Health continue to regulate the SCA'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 the SCA'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 the Authority against the Operating Licence;
2. assess and report on progress by the Authority in implementing the Ministerial Requirements set out in Attachment 1;
3. identify any factors that have affected the performance for the period from 1 July 2001 to 30 June 2002;
4. based upon the performance assessment, make recommendations on how the SCA 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 *Sydney Water Catchment Management Act 1998* and the Operating Licence on water quality, system performance and environmental issues.

### **2.1 Outputs**

The main outputs from this consultancy are:

1. two draft reports and a final written report addressing the objectives of the consultancy;
2. discussions and meetings with the Tribunal and/or the Secretariat; and
3. presentations to the Tribunal 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 12 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 tabled in the NSW Parliament and 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 the Final 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 the key audit findings expressed in the context of the SCA 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 (if required)
End of Contract		

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 auditor 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 presentation 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. bulk water supply, catchment management, environmental regulation and customer service)
- extent of knowledge about bulk water supply management and environmental regulation
- experience in similar auditing projects
- understanding of the SCA'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 (bulk water supply, catchment management, environmental regulation and customer service) 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; or
- 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 the SCA will be:

Ms Michelle McIlvenny	Senior Business Analyst,
	Compliance and Reporting
	tel: 61-2-4731-0209
	e-mail: michelle.mcilvenny@sca.nsw.gov.au

## **5 LODGEMENT OF TENDER**

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

	Ms Meryl McCracken
	General Manager
	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 SUMMARY OF MINISTERIAL REQUIREMENTS

### Summary of Ministerial Requirements arising from the 2000/2001 Operational Audit

Issue	Requirement
Risk Management	<p>1. SCA must:  <i>“further expand the Risk Management Plan by working with SCA customers and other regulators of the catchment to incorporate existing knowledge regarding sources of pollution and catchment infrastructure operation, bulk water, and water supplied to consumers”.</i></p> <p>2. SCA must ensure that:  <i>“The Plan must clearly locate where the key controls lie (ie at the source, reservoir or water filtration plants, identify the important control requirements, the extent and overall effectiveness of the various controls and determine whether additional controls are required”.</i></p>
Sydney Water Catchment (Environment Protection) Regulation	<p>3. SCA must:  <i>“Expedite SCA’s enforcement of the Sydney Water Catchment (Environment Protection) Regulation 2001, directly (as opposed to through the EPA) and report to the Licence Regulator on the number and effectiveness of these enforcement activities in protecting waters within the Catchment Areas, as part of the Annual audit”.</i></p>
Security of Supply criteria	<p>4. SCA must:  <i>“Review the applicability of the Security Criteria as part of the mid-term review of the Operating Licence. The review should consider whether adopting extreme monthly event criteria is deliverable, to an accepted level of accuracy, by the model process”.</i></p> <p><i>“If the criteria are deemed technically feasible, the review should consider whether the level and likelihood set by the criteria is appropriate (the level of the operating storage should not fall below 5% of the time more often than one month in 100,000 months)”.</i><sup>3</sup></p>
Privacy legislation	<p>5. SCA must:  <i>“enter into discussions with IPART in developing procedures to avoid potential conflicts between the requirements of both the Privacy Act and the annual Operational Audits. I require IPART to report on the outcome of these discussions no later than 1 April 2002”.</i></p>
Opportunities for business improvement	<p><i>These are detailed in the table on the following page</i></p>

<sup>3</sup> The Tribunal is currently undertaking the Mid Term Review of the Operating Licences for both Sydney Water and the Sydney Catchment Authority. The Security of Supply issue is being considered as part of this review. To satisfy this Ministerial Requirement, the Sydney Catchment Authority needs to show evidence that it has actively participated in this review and provided the review with rigorous analysis, where this is required.



## Opportunities for business improvement

### (Included in the Ministerial Requirements)

<b>Issue</b>	<b>Requirement</b>
Bulk Water Quality Monitoring	<i>SCA must “confirm with NSW Health which pesticides should be monitored as part of the Bulk Water Monitoring Program”.</i>
	<i>SCA must “develop a monitoring program which includes pesticides confirmed by NSW Health, and appropriately characterise the concentrations of pesticides present in the bulk water”.</i>
	<i>SCA must “confirm the reporting on all water quality parameters required by stakeholders (particularly Shoalhaven City Council and Wingecarribee Shire Council), report to these customers on this basis and undertake audits to ensure the integrity of this information”.</i>
Quality Control	<i>SCA must “ensure that routine monitoring work is carried out by a laboratory certified for the various analyses undertaken”.</i>
	<i>SCA must “audit the sampling, analysis and reporting practices of the laboratory used for the monitoring program against the requirements of the Licence and the SCA contract with the laboratory”.</i>
	<i>SCA must “carry out independent laboratory checks of analyses and review the body of QA work, including any independent verification of the results, of the primary laboratory”.</i>
Catchment management and protection	<i>SCA must “establish a monitoring program to determine compliance with the SCA’s conditions of consent (as applied to Development Applications under SEPP 58) and the conditions effectiveness in delivering water quality and environment protection objectives”.</i>
	<i>SCA must “finalise an agreement with NPWS on the priorities, funding and performance monitoring in implementing the Special Areas Strategic Plan of Management”.</i>
	<i>SCA must “accelerate action to give effect to the Wingecarribee Swamp Plan of Management, now that the Plan is approved”.</i>
	<i>SCA must “ensure that all development applications covered by State Environmental Planning Policy 58 are received by SCA and establish a link with councils so that SCA field officers are advised when such development have commenced so as to improve the timing and coordination of compliance inspections”.</i>
Customers	<i>SCA must “expedite the signing of agreements with all people/organisations/companies drawing water from facilities under SCA control”.</i>