

Audit Guideline

Water Industry Competition Act 2006

Water — Guidelines

February 2012

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1 Introduction

1.1 Purpose

The purpose of this guideline (Audit Guideline) is to provide a framework to help auditors to conduct audits of private water companies and their water industry infrastructure¹ under the *Water Industry Competition Act 2006* (WICA) and *Water Industry Competition (General) Regulation 2008* (Regulation).

The Audit Guideline also informs WICA licensees and prospective licensees of the audit process and the requirements of the various audits.

The objectives of the guideline are to explain how:

- ▼ the scope of audits are set
- ▼ audits are to be conducted
- ▼ the outcomes of the audits are reported
- ▼ audit outcomes are managed.

This document is only a guideline and is not binding. We may depart from the guidelines where we consider it appropriate or necessary to ensure that a particular scheme complies with the legislation.

1.2 Structure of the guideline

The guideline is structured into the following sections:

PART A – WICA Audit Framework

This part includes:

- ▼ types of audits
- ▼ audit standards and principles
- ▼ audit methods
- ▼ audit grades
- ▼ procedures for different audit types.

¹ As defined in the *Water Industry Competition Act 2006*.

PART B – Audit Panel

This part includes:

- ▼ levels for panel accreditation
- ▼ categories of auditors
- ▼ auditor training.

1.3 Changing the guideline

We may change the Audit Guideline as we gain experience in managing, implementing and regulating water industry licences. In particular, we may change the guidelines to:

- ▼ reflect changes in the legislation
- ▼ include references to new licence obligations
- ▼ delete references to licence obligations that are no longer relevant
- ▼ amend the audit information that must be provided to IPART
- ▼ improve the audit process.

Before we change the guideline significantly, we will consult relevant licensees, audit panel members and other interested stakeholders. Stakeholders will be notified of any changes to the guideline and the start date for any new auditing arrangements. In determining the start date, we will make sure there is enough time for licensees' to implement new arrangements.

1.4 Auditor and licensee feedback

Over time, approved auditors and licensees may identify opportunities for improving the audit framework, or other aspects of the audit process. We encourage panel members and licensees to provide feedback on any issues or recommendations to make the audit process or the licensing framework more efficient and effective.

2 PART A – WICA audit framework

The audit framework for WICA licensees outlines the overall process for audits.

The audits will also help WICA licensees in developing and maintaining management systems which are consistent with industry guidelines and practices. The audits will identify areas for continual improvement and assist WICA licensees to manage risks to consumers, public health and the environment.

2.1 Audit types

There are multiple types of audits for WICA licensees. This section outlines the types of audits, including their timing and content.

The audits for WICA licensees fall into 2 categories:

1. audits before the start of commercial operation
2. audits once the scheme is operational.

2.1.1 Before commercial operation

Before starting construction, we strongly recommend that licensees conduct the following audits:

- ▼ **Technology assessment** for non-potable water schemes. This assessment is part of the licence plan audit (description of this audit follows), specifically part of the water quality plan audit (see Appendix G). Although it is not required by legislation, we consider it is in the interest of the licensee to assess certain parts of the water quality plan before construction. The assessment will identify if the proposed infrastructure will provide fit-for-purpose water. This will reduce the risks to licensees of inadequate design and potential additional costs after construction that may arise if licensees wait until the licence plan audit to assess the design.

- ▼ **Sustainability assessment** for sewerage schemes proposing effluent disposal to land to assess the suitability of the land application area. This assessment is part of the licence plan audit, specifically the sewage management plan (see Appendix H). Although not required by legislation, we consider it is in the interest of the licensee to undertake an early assessment of certain aspects of the sewage management plan. The assessment will identify whether the proposed disposal of treated effluent will be sustainable. This will reduce the risks to licensees of unsustainable design and potential additional costs after construction that may arise if licensees wait until the audit of the sewage management plan to assess sustainability.

If a licensee chooses to undertake either of these assessments, it should engage the same auditor that will undertake the licence plans audit. This is because the assessments are part of the licence plans audit. If the same auditor is used the auditor will not have to revise the assessment during the licence plans audit.

Before starting commercial operation, the following audits are required:

- ▼ **Licence plans audit** - this audit assesses the adequacy of the network operators' licence plans prepared by a licensee (see Appendices A-E for relevant audit templates)². These plans include the infrastructure operating, water quality and sewage management plans³.
- ▼ **New infrastructure audit** - this audit assesses compliance of infrastructure with the licence, licence plans and the Regulation before licensees start to operate new water industry infrastructure commercially⁴. The audit also assesses that the infrastructure is capable of operating safely and in accordance with the licence plans.

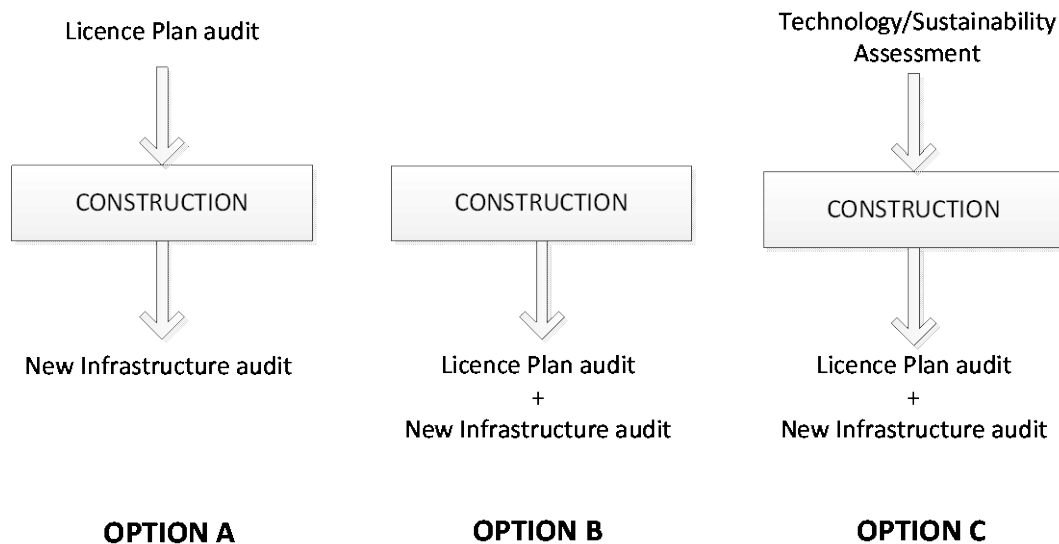
² The Regulation requires licensees to prepare and forward to us certain plans that provide details about specific matters before commencing commercial operations (Schedule 1, clauses 6(1), 7(1), 13(1) and 14(1); Schedule 2, clauses 7A(1)).

³ Schemes are only required to develop plans which are relevant to the scheme. For example, a water supply scheme may not need to produce a sewage management scheme. Also, retail supply management plans prepared by retail suppliers may also be audited depending on the complexity of the scheme. Licensees should speak to us to determine whether an audit of the retail management plan is required for your scheme.

⁴ A network operator cannot bring any new water or sewerage infrastructure into commercial operation with the Minister's prior written approval (Regulation, Schedule 2, clause 2(1)). The new infrastructure audit affects whether the Minister's approval will be given.

Box 2.1 Pre-operation audit configurations

Pre-operation audits can be combined to reduce audits costs. We have outlined the different configurations possible and highlighted the risks involved in each approach.



Option A – The risk in developing and auditing the licence plans before construction is that changes during construction could lead to significant changes in the licence plans, which would then need to be re-audited.

Option B – The risk in auditing the licence plans after construction is infrastructure that may have to be added or altered if changes are required to the licence plan.

Option C – This is our preferred configuration because it reduces the risks of adopting inappropriate technology or design.

2.1.2 After starting commercial operation

After starting commercial operation, we may require the following audits:

- ▼ **Operational audits** which check whether the licensee has complied with all licence and legislative requirements and is operating in accordance with their licence plans.
- ▼ Subsequent **licence plans audit** where:
 - Previous licence plans audits may identify aspects which need to be assessed again after the scheme is operating. For example, the calibration of monitoring equipment can be safely developed in the first 6 to 12 months of operating, and so this part of the plan may not have been finalised before starting commercial operation. However, we may require that this part of the plan be audited in the next audit.
 - IPART or NSW Health are concerned with a performance issue which may suggest an inadequacy in the plans.
 - Licence plans are significantly changed and a review is required to determine their adequacy.
 - The risk to public health and/or the environment is such that more frequent audits are required.
- ▼ **Incident-related audits** in response to a significant compliance incident.

The following figures show how the different audit types fit into project phases and what documents and obligations are checked in each audit type.

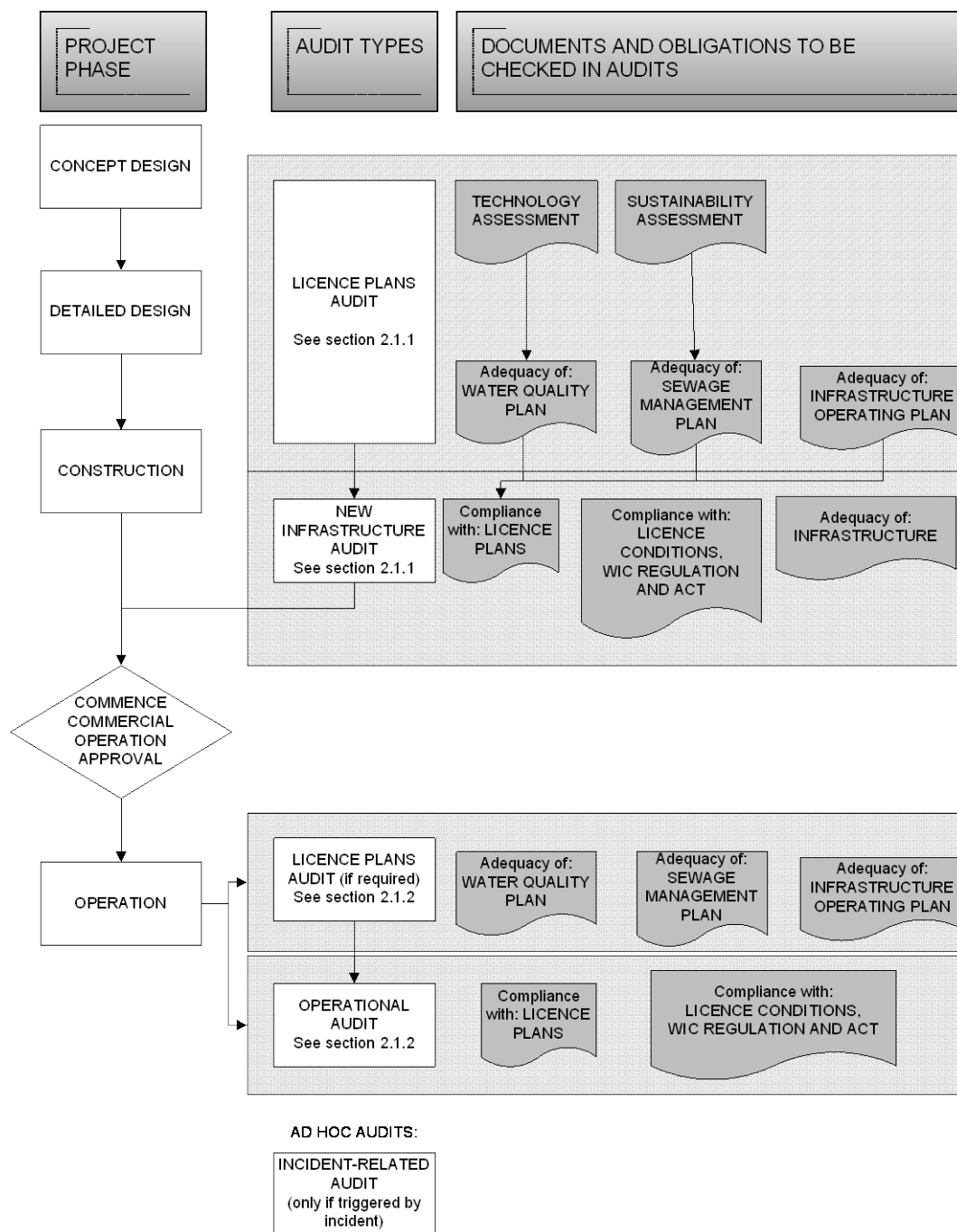
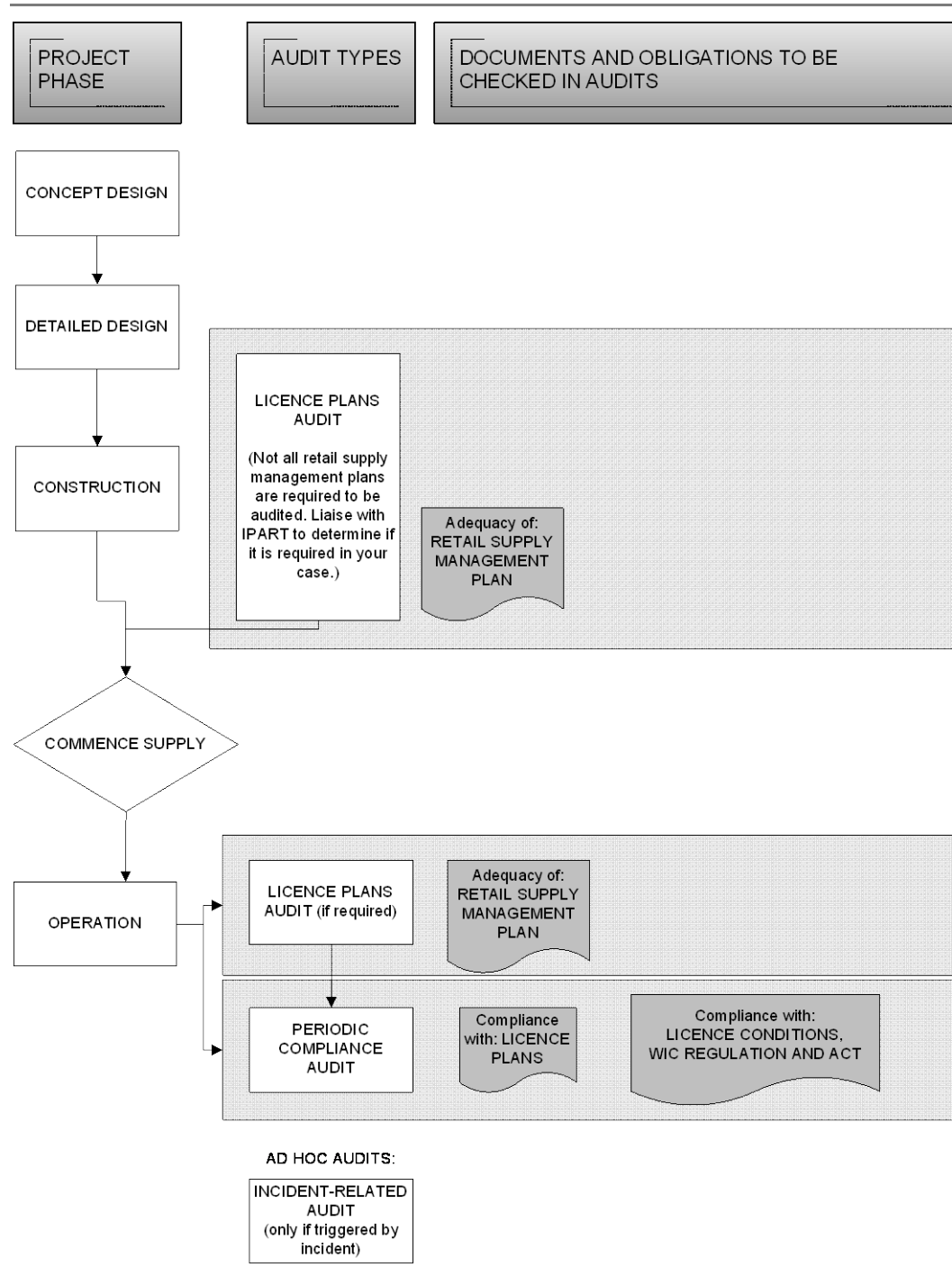
Figure 2.1 Network Operator Licence audit types

Figure 2.2 Retail Supply Licence audit types



2.2 Audit standards and principles

We require all auditors to use a systematic approach to:

- ▼ defining the requirements of the audit
- ▼ planning the audits
- ▼ interpreting licence conditions
- ▼ collecting audit evidence
- ▼ objectively assessing the evidence
- ▼ reporting in a clear and accurate manner.

Auditors must use an acceptable standard, however no specific auditing standard is required for the audits. Acceptable standards may include: ISAE 3000, Australian Auditing Standards (AUS 108, AUS 110), ISO 9001 or ISO 19011. Auditors must disclose the standard they propose to use to conduct the audit in their audit scope⁵ and the final audit report must state that the audit was conducted in accordance with this standard.

The auditing principles set out below apply to the conduct of audits, regardless of the auditing standard used. Auditors are responsible for ensuring their audit methods meet the principles outlined in Table 2.1.

Table 2.1 Auditing principles

Principle	Definition
Faithful representation	Information must faithfully represent the outputs and outcomes that it claims to represent or could reasonably be expected to represent. Uncertainties must be identified and quantified where possible. Where possible uncertainties should be reduced to an immaterial level.
Completeness	Information must be complete within the boundaries of materiality, the licence conditions and regulatory requirements. Information must not be misleading or unreliable about the activities being undertaken.
Consistency	Consistent methodologies must be used so comparative assessments can be made from year to year and over time.
Reliability	Information and source data must be free of material misstatement and able to be relied upon by others to faithfully represent that which it either claims to represent or could reasonably be expected to represent.
Transparency	Data must be capable of replication by a third party through adequate record keeping. Data must have a clearly defined audit trail. Reference sources, methodologies and approaches to data generation must be clearly documented. Changes to data and methodologies over time must be clearly documented. While identifying gaps, auditors must not fix inadequacies for licensees.

⁵ An auditing standard can be adapted if appropriate for the audit.

2.3 Audit methods

Auditors must gather evidence of the licensee's performance using appropriate audit methods. Lead auditors must use their professional judgement to determine the mix of audit methods needed to get enough evidence to support an opinion on each item within the scope.

The following table outlines types of audit methods and gives examples of how the methods will look in practice.

Table 2.2 Audit methods

Method	Definition	Example of procedure
Inspection	Examining records, documents or physical assets. The auditor must consider the source of the documentation for differing degrees of reliability.	Obtain a summary of licensee water supply main breaks and customers affected and trace figures back to source documentation, and reconcile to the participants' internal record keeping system.
Observation	Looking at a process or procedure being performed by the participant. Generally, this audit procedure is conducted when the particular process leaves no audit trail.	Observe the record keeping process and documented procedures in operation.
Inquiry and confirmation	Seeking appropriate information of knowledgeable persons inside or outside the organisation. The response to an inquiry to corroborate information contained in the records.	Inquire how the field work crews collect data and how this data is logged into the data collection system. Confirm data recording is accurate.
Computation	Checking the accuracy of source documents and accounting records, or performing independent calculations.	Consider sampling of customer property numbers for several main failures via alternative computation methods.
Analytical procedures	Investigation and analysis of data fluctuations and relationships to determine whether there are inconsistencies with other relevant information, or deviations from predicated amounts.	Confirm interpretations of definitions and compare with other interpretations, for example counting of flats and units in customer property numbers. Consider errors and confidence limits.

A variety of factors will affect the reliability of audit evidence, including:

- ▼ independence of evidence - evidence from outside the organisation is generally considered more reliable than evidence generated internally
- ▼ knowledge and lack of bias of the person providing the evidence to the auditor, and the attention paid to the auditor's request for evidence
- ▼ the directness in which it is obtained - evidence received directly by the auditor is generally considered to be more reliable than evidence received indirectly

- ▼ control systems - internal licensee-generated evidence prepared under systems of strong internal control is considered more reliable than licensee-generated evidence under systems of weak internal controls.





2.4 Audit grades

An auditor must assess the adequacy or compliance that a licensee has achieved for each requirement for different audits and award grades for each requirement:

- ▼ technology and land application area sustainability assessments – *adequacy* of designs against the relevant guideline, as outlined at Appendix G and H
- ▼ licence plan audits – *adequacy* of the plans to meet the relevant guidelines or standards, which are outlined at Appendix A-D
- ▼ new infrastructure audits – *adequacy* of the infrastructure to operate safely, in accordance with the licence plans and regulatory requirements at Appendix E
- ▼ operational audits – *compliance* with the licence conditions and requirement of the Regulation and WICA, as outlined at Appendix F
- ▼ incident-related audits – *adequacy* and/or compliance with the regulatory requirements.

The grades for all audits are shown in Table 2.3.

Table 2.3 Grades for all WICA audits

Grades of adequacy or compliance	Description
Fully Compliant/ Fully Adequate 	Sufficient evidence to confirm that the requirements have been fully met.
Compliant/ Adequate 	Sufficient evidence to confirm that the requirements have generally been met apart from a minor shortcoming which does not compromise the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes. For example: <ul style="list-style-type: none"> ▼ the inadequacy is administrative in nature; or ▼ the potential impact of the inadequacy is not likely to present a risk to public health, the environment and/or level of service if not rectified.
Non-Compliant/ Inadequate 	Sufficient evidence has not been provided to confirm that all major requirements are being met and the deficiency adversely impacts on the ability of the utility to achieve defined objectives or assure controlled processes, products or outcomes.
No Requirement 	The requirement to comply with the licence condition does not occur within the audit period or there is no requirement for the licensee to meet this assessment criterion.

3 | Pre-operation audits procedure

This section of the guideline outlines the steps involved in the process for audits done before commercial operation. This includes:

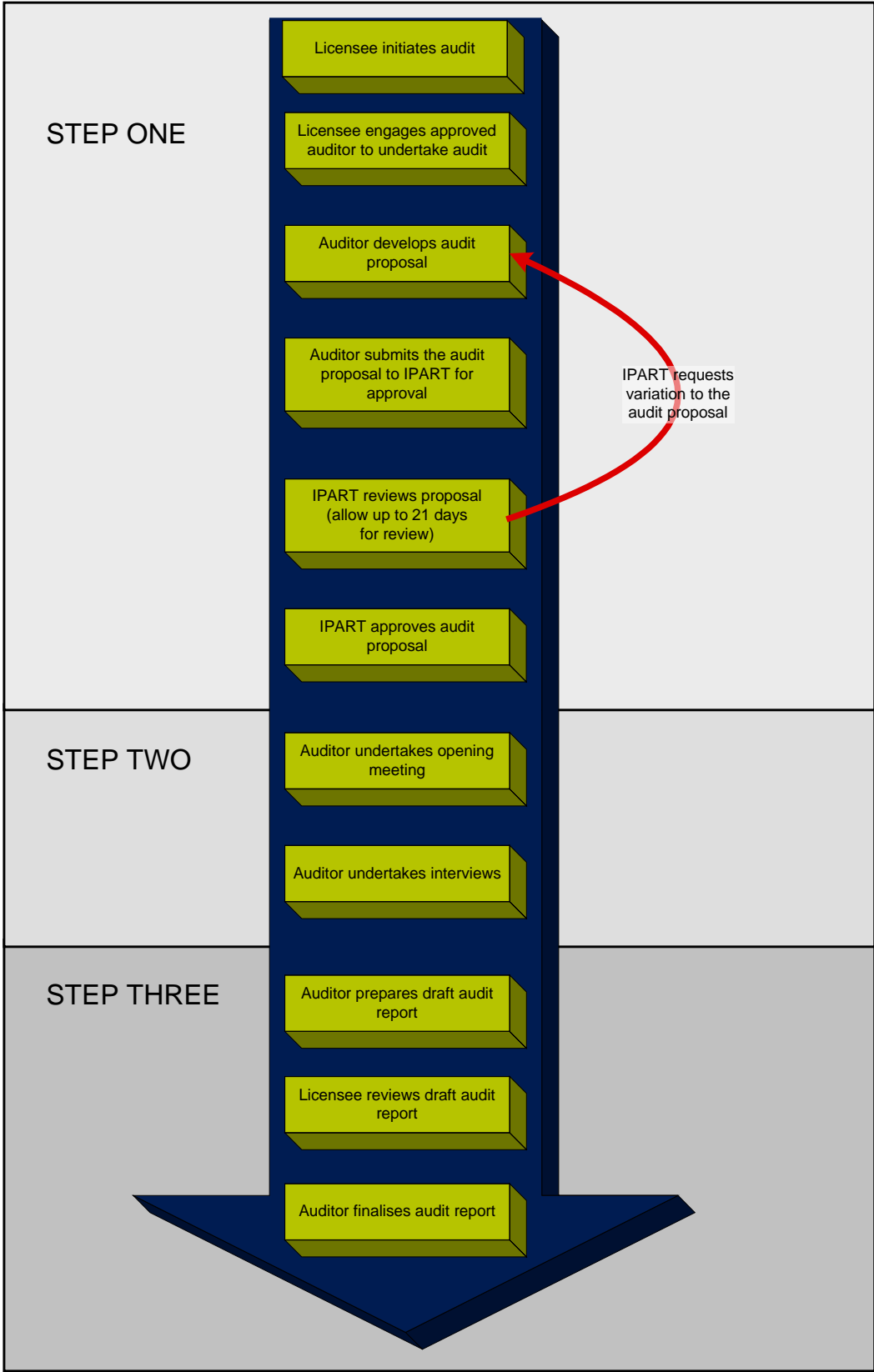
- ▼ technology assessments
- ▼ sustainability assessments
- ▼ licence plans audits
- ▼ new infrastructure audits.

For all of these audits, the auditor is engaged to assess the *adequacy* of the relevant documents or infrastructure. They are not audits for checking the licensee's *compliance* with the documents.

The purpose of the new infrastructure audit report is to inform the Minister about whether the infrastructure is able to operate safely and in accordance with the legislative requirements and licence plans. The Minister requires such a report before he/she grants the licensee permission to start operating commercially.

We have adopted a systematic audit method to promote consistency across auditors and over time. Figure 3.1 below, outlines the 3 steps for planning and conducting audits. This method applies to all audits or assessments. The detailed requirements for each of the steps are contained in the sections that follow.

Figure 3.1 Audit Procedure – pre-operation audits



3.1 Step 1: Audit Planning

Initiate an audit

Licensees must initiate the audits needed before starting to operate commercially.

We encourage initiating the technology assessment and/or sustainability assessment before detailed design is finished, to allow time for any recommended changes to be made before construction.

For details on the staging of the licence plan audits and new infrastructure audits please see Box 3.1.

Licensees are responsible for initiating the required audits early enough to allow time to finish the audit process before the licensee needs Ministerial approval to start commercial operation.

Engage an auditor

The licensee must engage an appropriate auditor from our audit panel. The licensee must ensure the selected auditors are in the correct categories to audit the plans or infrastructure. For more information on the audit panel, please see Part B of this guideline.

Submit an audit proposal

After being engaged, the approved auditor must:

- ▼ submit an audit proposal to IPART for approval (see Box 3.1)
- ▼ disclose any conflict of interest issues to IPART (see Box 5.1)
- ▼ enter into a contract with the licensee, which amongst other things confirms the licensee's liability to the auditor for payment of the auditor's costs and expenses
- ▼ effect professional indemnity insurance
- ▼ submit an executed Deed Poll⁶ to IPART, which confirms the auditor's obligations to IPART under the panel agreement that it will provide audit services with due care, skill, and diligence for the benefit of IPART.

⁶ Deed Polls must be signed by the licensee.

Box 3.1 What is in an audit proposal?

An audit proposal must include details of:

- ▼ The audit standards to be used for the audit.
- ▼ The detailed scope of the audit; including the audit type, relevant guidelines, actions from previous audits and/ or legislation against which it will be audited.
- ▼ The licence plans/assessment to be audited; this is not required for a new infrastructure audit.
- ▼ The audit team composition^a covering panel membership qualifications, skills, acceptability, location, category on the audit panel and quality assurance reviewers.
- ▼ A work schedule outlining the dates of the audit, as agreed by the auditor, licensee and IPART. The schedule should include details and sequence of the key activities (including report preparation), the audit team members who will be undertaking the activities and the amount of time allocated to each activity.
- ▼ Where relevant, the facilities to be visited by the auditors during the audit including details of the activities to be audited, the key personnel who will be interviewed and the documents to be examined.
- ▼ Where relevant, a copy of any previous technology or sustainable assessment undertaken for the scheme.

There are generic audit templates for the different audit types at Appendices A-H to help auditors develop audit proposals and to encourage consistency across audits and auditors. The templates are based on legislative requirements and should be used to develop the audit proposal and audit scope.

However, we may require these templates to be adapted to fit the specific audit circumstance of the licensee.

^a Any other staff, employees or contractors may only help the audit team in areas such as administrative support and/or auditor training. All work by non-Panel Members must be undertaken within the direct control and supervision of the Lead Auditor.

Audit proposal approval

We will review the audit proposal, and if it includes a water quality plan audit or technology assessment, we will consult NSW Health about the proposal. We may require changes to the scope, team composition or schedule in the proposal if we or NSW Health have any concerns.

We require at least **21 days** to review the audit proposal and will endeavour to give approval in this time.

Once we have approved the audit proposal, copies of the audit proposal should be forwarded to the licensee and the members of the audit team well in advance of the commencement date for their review and comment. Any identified issues with the proposal should be fixed and the appropriate changes made (and approved by IPART).

Audits must not start before the executed Deed Poll (signed by the licensee) is submitted to us. It is the **responsibility of the auditor** to submit the executed Deed Poll to IPART.

3.2 Step 2: Audit fieldwork

The auditor is to gather evidence of the licensee's performance through audit fieldwork. Lead auditors must use their professional judgement to determine the mix of audit methods⁷ needed to get enough evidence to support an opinion on each item within the scope.

Auditors must offer IPART staff the opportunity to attend all audit fieldwork. We do not intend for IPART staff to routinely attend these audits. However, we may attend some audits for monitoring and training purposes or to assist in determining whether any ongoing improvements to the audit process/ guidelines can be made.

Opening meeting

The purpose of the opening meeting is to set the scene for the audit, ensure that all necessary arrangements are in place, and establish the protocols for the audit. For example, the opening meeting would establish a protocol for managing any disagreements between the auditor and the licensee.

In particular the meeting should cover the audit approach and the timescale for undertaking the audit.

Interviews

The main period of time when the auditor will be gathering and assessing evidence is during interviews with the licensee at the licensee's offices and/or site. Auditors must gather sufficient evidence to be able to provide an audit opinion by using any of the audit methods.

Auditors should have an attitude of professional scepticism throughout the audit and obtain evidence to identify areas which may cause material misstatement.

⁷ See section 2.3 of this guideline for details of types of audit methods.

If the auditor wishes to clarify what NSW Health expects for particular technologies or procedures, the auditor can contact IPART and we will liaise with NSW Health. This can be done at any stage in the interview process; however the auditor should allow sufficient time for NSW Health to respond and should not place unreasonable timeframes on NSW Health or IPART.

We require auditors to maintain an accurate record of documents sighted. Auditors do not need to submit this record with the final audit report; however, records of audits must be maintained for a reasonable period (ie, 7 years).

Licensees must maintain records of all documents which provide evidence to support the audit opinion.

3.3 Step 3: Audit reporting

Draft audit report

The auditor will continue to assess the collected evidence after the interviews and while drafting the report. See Appendix I for the audit report template which outlines our expectations for an audit report.

The auditor will provide the draft audit report to the licensee to fix any factual inaccuracies.

If an auditor finds gaps or inadequacies in plans or assessments, they must not develop the licensee's systems and procedures that are subject to the audit. Rather, the auditor should outline any inadequacies and state the reasons for this assessment in the draft audit report.

If the licensee can address the inadequacies in a reasonable timeframe, the auditor should then review any revised documents before finalising the audit report. The auditor should not review the documents multiple times, as this may lead to the auditor becoming an integral part of developing the licensee's systems and procedures.

Final audit report

For both technology assessments and sustainability assessments, the final assessment report may be used as part of the final report for the licence plans audit. Since technology and sustainability assessments are voluntary, we do not need to give a copy of the assessment once completed. However, for completeness, we recommend that copies of these assessments are provided to us when submitting an audit proposal for a subsequent licence plan audit.

The auditor is responsible for assessing if the technology will provide water which is fit for purpose, however NSW Health may provide guidance to the auditor on how to interpret the guidelines in this area. All consultation with NSW Health is to be through IPART and only about the final report. NSW Health will not consider draft technology assessments before an auditor has identified gaps or inadequacies.

For licence plans audits and new infrastructure audits the licensee is to supply the final report to us, and we will provide the report to the Minister with our recommendation about whether the infrastructure and licensee are ready to operate commercially. For water quality plan audits we will also consult NSW Health about the audit report.

The licensee is responsible for ensuring the final audit report is submitted to us at least **4 weeks** before permission to start operating commercially is needed, to allow time for the recommendation and Ministerial approval process.

The final audit report must contain the content outlined in the audit report template in Appendix I.

In the case of a new infrastructure audit it must contain a statement that indicates the infrastructure:

- ▼ complies with the requirements of the Regulation and any licence conditions
- ▼ is capable of operating safely and in accordance with its infrastructure operating plan, water quality and /or sewage management plan.

If inadequacies were found in the audit or assessment, the final audit report should cover:

- ▼ what action was taken by the licensee to address the inadequacies raised in the draft audit report
- ▼ the auditor's assessment as to whether the revised plans or assessments are now adequate.

The audit report for new infrastructure will be provided to the Minister to inform the decision about granting permission for the licensee to start operating commercially. The audit report will be publicly available and should be written with suitable language and should identify any issues or inadequacies without compromising security.

We may use the results reported in the audit report in our annual compliance report to the Minister. We will also use the results to inform future audits. For example, if parts of a licence plan are considered adequate for starting operation, but not complete for continuing operation, we would require a subsequent licence plan audit to check the adequacy of this part of the plan. The subsequent licence plan audit would likely be combined with the first operational audit.

In all audit cases, we will rely on the audit report and the auditor remains accountable to us for the quality and independence of the audit.

We require both hard copy and electronic forms of the final audit report. The auditor must be available to brief IPART on its audit findings, if requested. All final audit reports must be quality assured by another Panel Member acceptable to IPART.

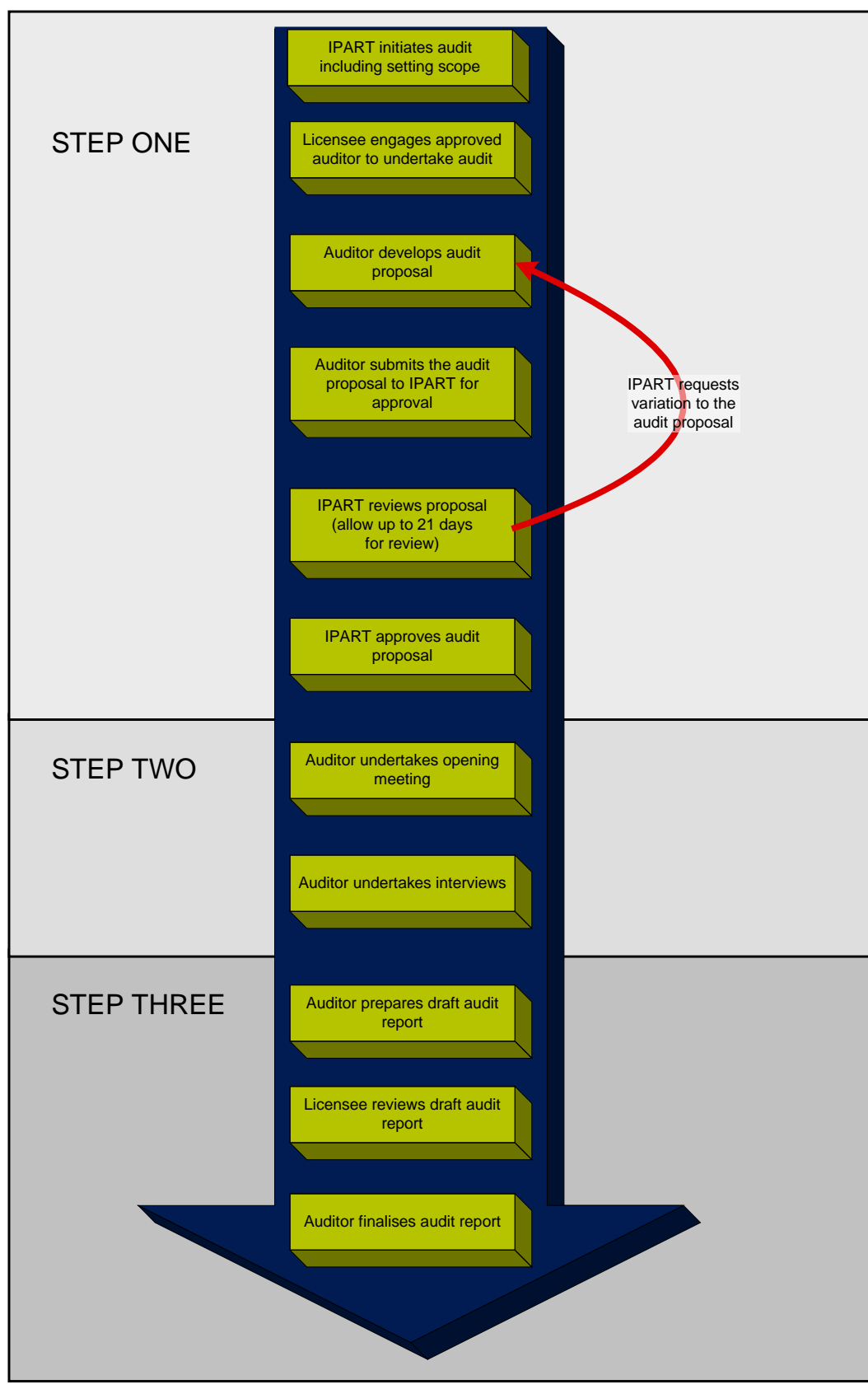
4 | Operational audit procedure

This section of the guideline outlines the steps involved in the process for audits done once the licensee is operating commercially. This includes:

- ▼ operational audits
- ▼ subsequent licence plans audits
- ▼ incident-related audits

In these audits, the auditor is engaged to assess the *adequacy* of the relevant documents and checking the licensee's *compliance* with the documents.

We have adopted a systematic audit method to promote consistency across auditors and over time. Figure 4.1 below, outlines the 3 steps for planning and conducting audits. This method applies to all audits or assessments. The detailed requirements for each of the steps are contained in the sections that follow.

Figure 4.1 Audit Procedure – Operational audits

4.1 Step 1: Audit Planning

Initiate an audit

IPART will initiate the audits after the licensee starts to operate commercially. We will initiate an audit by notifying a licensee in writing and providing the scope and timing required for the audit.

The scope of the audit will be determined by IPART and cover those aspects presented in Appendix F. The audit period will usually cover the time from the last audit until an end date nominated by us. We will nominate a date that is likely to be a maximum of 1 month before the interviews. We will also nominate a date by which we must receive the final audit report.

The frequency and scope of auditing for operational audits will depend upon the risk of non-compliance and a licensee's previous performance.

For example, consider 2 recycled water schemes:

- ▼ a single source, basic treatment, and single pipeline to one customer for irrigation
- ▼ a multi-source scheme, with complex treatment and a pipe network supplying a mix of dual reticulation commercial and residential customers.

The first is likely to have a lower risk to public health and the environment than the second scheme. We anticipate we would require the first scheme to be audited less frequently than the second, provided the licensee's performance is adequate.

This approach to auditing reflects the type, size, complexity and level of risk associated with the licensed activity. It is possible that annual operational audits will be required for some licensees. We require a minimum of a compliance audit at least every 5 years to assist in the licence review process.

We will determine the initial frequency of compliance audits after the licence plans audit. This is because we will understand the risks of non-compliance of the scheme more clearly at this stage.

Engage an auditor

After receiving notification from us of an audit, the licensee must engage an appropriate auditor from our audit panel. The licensee must ensure the selected auditors are in the correct categories to audit licence compliance for operational audits, or the plans for subsequent licence plan audits. For more information on the audit panel, please see Part B of this guideline.

The same auditor can only be used for 3 out of every 5 operational audits. If a licensee is unsure as to whether we will accept a particular auditor again because of this position, please contact us before engaging the consultant.

Submit an audit proposal

After being engaged, the approved auditor must:

- ▼ submit an audit proposal to us for approval (see Box 4.1)
- ▼ disclose any conflict of interest issues to IPART (see Box 5.1)
- ▼ enter into a contract with the licensee, which amongst other things confirms the licensee's liability to the auditor for payment of the auditor's costs and expenses
- ▼ effect professional indemnity insurance
- ▼ submit an executed Deed Poll⁸ to IPART, which confirms the auditor's obligations to IPART under the panel agreement that it will provide audit services with due care, skill, and diligence for the benefit of IPART.

Box 4.1 What is in an audit proposal?

An audit proposal must include details of:

- ▼ The audit standards to be used at the audit.
- ▼ The detailed scope of the audit as determined by IPART; including the audit type, relevant guidelines, actions from previous audits and/or legislation against which it will be audited.
- ▼ The audit team composition^a; covering panel membership qualifications, skills, acceptability, location, availability and quality assurance reviewers.
- ▼ A work schedule outlining the dates of the audit, as agreed by the auditor, licensee and IPART. The schedule should include details and sequence of the key activities (including report preparation), the audit team members who will be undertaking the activities and the amount of time allocated to each activity.
- ▼ The facilities to be visited by the auditors during the audit including details of the activities to be audited, the key personnel who will be interviewed and the documents to be examined.

There are generic audit templates for the different audit types at Appendices A-H to help auditors develop audit proposals and to encourage consistency across audits and auditors. The templates are based on legislative requirements and should be used to develop the audit proposal.

However, we may require these templates to be adapted to fit the specific audit circumstance of the licensee.

^a Any other staff, employees or contractors may only help the audit team in areas such as administrative support and/or auditor training. All work by non-Panel Members must be undertaken within the direct control and supervision of the Lead Auditor.

⁸ Deed Polls are to be signed by the licensee.

Audit proposal approval

We will review the audit proposal, and if it includes a subsequent water quality plan audit, we will consult NSW Health about the proposal. We may require changes to the scope, team composition or schedule in the proposal if we or NSW Health have any concerns.

We require at least **21 days** to review the audit proposal and will endeavour to give approval in this time.

Once we have approved the audit proposal copies of the audit proposal should be forwarded to the licensee and the members of the audit team well in advance of the commencement date for their review and comment. Any identified issues with the proposal should be fixed and the appropriate changes made (and approved by IPART).

Audits must not start before the executed Deed Poll (signed by the licensee) is submitted to us. It is the **responsibility of the auditor** to submit the executed Deed Poll to IPART.

4.2 Step 2: Audit fieldwork

The auditor is to gather evidence of the licensee's performance through audit fieldwork. Lead auditors must use their professional judgement to determine the mix of audit methods⁹ needed to get enough evidence to support an opinion on each item within the scope.

Auditors must offer IPART staff the opportunity to attend all audit fieldwork. We do not intend for IPART staff to routinely attend these audits. However, we may attend some audits for monitoring and training purposes or to assist in determining whether any ongoing improvements to the audit process/ guidelines can be made.

Opening meeting

The purpose of the opening meeting is to set the scene for the audit, ensure that all necessary arrangements are in place, and establish the protocols for the audit. For example, the opening meeting would establish a protocol for managing any disagreements between the auditor and the licensee.

In particular the meeting should cover the audit approach and the timescale for undertaking the audit.

⁹ See section 2.3 of this guideline for details of types of audit methods.

Interviews

The main period of time when the auditor will be gathering and assessing evidence is during interviews with the licensee at the licensee's offices and/or site. Auditors must gather sufficient evidence to be able to provide an audit opinion by using any of the adopted audit methods.

Auditors should have an attitude of professional scepticism throughout the audit and obtain evidence to identify areas which may cause material misstatement.

We require auditors to maintain an accurate record of documents sighted. Auditors do not need to submit this record with the final audit report; however, records of audits must be maintained for a reasonable period (ie, 7 years).

Licensees must maintain records of all documents which provide evidence to support the audit opinion.

4.3 Step 3: Audit reporting

Draft audit report

The auditor will continue to assess the collected evidence after the interviews and drafting the report. See Appendix I for the audit report template which outlines our expectations for an audit report.

For operational audits the auditor will provide the draft audit report to the licensee to fix any factual inaccuracies only. There will not be any opportunity to change or review practices, because the audit is assessing previous performance, hence the licensee either complied with the requirements or did not.

For subsequent licence plan audits, it is important that if an auditor finds gaps or inadequacies in plans or assessments they must not develop the licensee's systems and procedures that are subject to the audit. Rather, the auditor should outline any inadequacies and state the reasons for this assessment in the draft audit report.

If the licensee can address the inadequacies in a reasonable timeframe, the auditor should then review any revised documents before finalising the audit report. The auditor should not review the documents multiple times, as this may lead to the auditor becoming an integral part of developing the licensee's systems and procedures.

Final audit report

The auditor must provide us with a copy of the final audit report as soon as it is completed and by the date nominated in our audit initiation letter.

The final audit report must contain the content outlined in the audit report template at Appendix I.

If an auditor expects to award an inadequate or non-compliance grade, we recommend the auditor contact IPART before submitting the report. Early warning enables us to quickly raise the matter with the licensee and find out if it is taking remedial action.

We will use the results reported in the audit report in our annual compliance report to the Minister. We will also use the results to inform future audits, such as concentrating on areas where lower compliance was achieved.

In all audit cases, we will rely on the audit report and the auditor remains accountable to us for the quality and independence of the audit.

We require both hard copy and electronic forms of the final audit report. The auditor must be available to brief IPART on its audit findings, if requested. All final audit reports must be quality assured by another Panel Member acceptable to IPART.

5 PART B – Audit Panel

The Water Licensing Audit and Technical Services Panel (the panel) operated by IPART is a panel of approved auditors and technical professionals. The panel was developed to identify pre-approved auditors to make the auditor selection process simpler for licensees. Licensees are to appoint auditors from our panel for all audits. Any exception to this should be discussed with us before the appointment.

To find out how to apply for the panel, or to see the list of approved auditors on the panel, go to our website at: www.ipart.nsw.gov.au

5.1 Auditor levels

There are 3 appointment levels on the panel:

1. **Lead Auditors:** are able to audit independently¹⁰ or as the leader of an audit team. Only Lead Auditors can direct and supervise audit teams and sign written reports submitted by the panel member to IPART and/or the Minister.
2. **Auditors:** are able to independently conduct elements of an audit as members of an audit team. Auditors may include senior technical specialists or professional staff who have audit experience and can provide assistance to the Lead Auditor.
3. **Technical Professionals:** are not to lead or independently conduct an audit. Technical Professionals are typically senior technical professionals with specific skills, competencies and experience in their technical fields, but may have little or no recognised auditing experience. They may provide technical assistance to the audit team where neither the Lead Auditor nor the Auditor has the technical expertise or where they are able to add value to the technical expertise of the audit team.

Any other staff, employees or contractors may only help the audit team in areas such as administrative support and/or auditor training. All work by non-Panel Members must be undertaken within the direct control and supervision of the Lead Auditor.

¹⁰ Though they are required to be part of a project team to comply with quality assurance and peer review requirements.

Box 5.1 Conflict of interest

Licensees, auditors and technical advisors should be conscious of the need to ensure that conflict of interest issues are managed appropriately when engaging audit panel members (as individuals or as organisations) for both audit and non-audit purposes.

For the purpose of undertaking audits of public utilities or WICA licensees a conflict of interest is defined as any actual, potential or perceived conflict of interest (including, but not limited to, any past, present, or anticipated agreement, arrangement, understanding or activity) which may affect the panel members ability to perform any audit service.

IPART takes a conservative approach to assessing conflicts of interest. In assessing whether a conflict of interest exists, we will be guided by whether:

- ▼ the auditor has assisted the licensee in preparing their application for a licence or any of the subsequent plans required as a licence condition – either directly or indirectly
- ▼ a high proportion of the auditor's firm's revenue is derived from the licensee (or a related entity)
- ▼ the audit firm is the incumbent internal auditor to the licensee or a related entity.

Full details of the requirement to disclose conflicts of interest are contained in the Water Licensing Audit and Technical Services Panel Agreement which is available on our website (www.ipart.nsw.gov.au).

5.2 Auditor categories

We have established 6 auditor categories (disciplines) as discussed in the following sections. Each of the categories reflect audit requirements in legislation for WICA licensees.

Audit personnel may only conduct audits within the categories for which they are listed on the audit panel.

5.2.1 Infrastructure performance

Auditors in this category will assess the adequacy of infrastructure to achieve safe, reliable and continuous performance. This may also include assessing the adequacy of:

- ▼ a licensee's infrastructure operating plan and/or asset management plan
- ▼ infrastructure performance
- ▼ infrastructure management
- ▼ monitoring of standards of service.

5.2.2 Water quality

Auditors in this category will assess how adequately a licensee implements the *Australian Drinking Water Guidelines* or the *Australian Guidelines for Water Recycling*. It may also include assessing the adequacy of:

- ▼ any risk assessment
- ▼ the measures adopted to control risks
- ▼ the water quality supplied, ie that it is fit-for-purpose
- ▼ a licensee's water quality plan (for all water supply schemes)
- ▼ a technology assessment (for non-potable water supply schemes)¹¹.

5.2.3 Sewage management

Auditors in this category will assess if the licensee's:

- ▼ infrastructure is safe and reliable
- ▼ infrastructure will continue to perform
- ▼ infrastructure complies with relevant environmental regulation
- ▼ risk assessments are adequate
- ▼ emergency procedures and contingency plans are adequate
- ▼ sewage management plan is adequate
- ▼ sustainability assessment is adequate, where there is disposal to land¹². Auditors within this category who are qualified to do the sustainability assessment are identified by an alpha symbol (α) in the panel.

5.2.4 Retail supply

Auditors in this category will assess the adequacy of the licensee's systems developed to manage proposed customer interactions. This includes:

- ▼ complaints handling procedures
- ▼ debt recovery
- ▼ marketing and transfer codes.

Auditors in this category will be required to assess the adequacy of a licensee's retail supply management plan (where such an audit is required by IPART or the Minister). Licensees /auditors should discuss with IPART to determine whether an audit is required.

¹¹ As outlined in section 2.1 and Appendix B of this guide.

¹² As outlined in section 2.1 and Appendix C of this guide.

5.2.5 Environment and Catchment management

Auditors in this category will assess the adequacy of environment and catchment management practices including the adequacy of relevant risk assessments.

This category primarily relates to public water utilities. However, this category will be relevant to WICA licensees for schemes that supply potable water. In such cases, the auditor will assess the relevant parts of the water quality plan against the relevant requirements of the *Australian Drinking Water Guidelines*.

5.2.6 Licence and regulatory compliance

Auditors in this category, in operational audits, will assess a licensee's compliance with:

- ▼ their licence plans
- ▼ licence conditions
- ▼ relevant regulations.

We may also use auditors from this category to help us exercise our functions under WICA such as the periodic review of licences.

5.3 Auditor training

We may require all auditors to undertake training on our expectations of auditors using this guideline. We will provide the guideline training periodically, at no cost to the auditors, in the Sydney central business district. The training is intended to help auditors comply with the audit guideline, and to effectively plan, execute and report on audits.



Appendices

A Infrastructure operating plan audit template

The following audit template has been prepared to audit the adequacy of a licensee's Infrastructure Operating Plan in accordance with the requirements of Schedule 1 clause 6(1) and/or clause 13(1) of the *Water Industry Competition (General) Regulation 2008*.

To improve the consistency across auditors and licensees, we are currently investigating the application of the Aquamark tool (developed by the Water Services Association of Australia). The Aquamark tool aims to provide a consistent methodology for identifying gaps and opportunities for asset management process, data and information system improvement; as well as benchmarking the status of asset management processes, data and information systems between utilities.

The Asset Management Framework within Aquamark is structured into 7 key functional areas:

1. Corporate Policy and Business Planning
2. Asset Capability Planning
3. Asset Acquisition
4. Asset Operation
5. Asset Maintenance
6. Asset Replacement and Rehabilitation
7. Business Support Systems.

We are aware that an Australian Standard for asset management is being developed, based on PAS55, which we will also consider for auditing functions in the future. In the interim IPART proposes to adopt the following audit template for the auditing of Infrastructure Operating Plans and will rely on the audit expertise of the auditors appointed from the panel to conduct infrastructure operating plan audits.

Table A.5-1 Water Infrastructure Operating Plan (IOP)

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl.6(1)(a) and/or cl.13(1)(a)	The IOP indicates the arrangements in relation to the design, construction, operation and maintenance of the infrastructure, including particulars as to the life-span of the infrastructure, the system redundancy built into the infrastructure and the arrangements for renewal of the infrastructure.	The IOP includes a detailed asset register. As a minimum the asset register will include: <ul style="list-style-type: none"> ▼ A list of all assets. ▼ Basic physical data (material, size, age). ▼ Relative locations of major infrastructure. ▼ Capacities of infrastructure (eg, pumps, reservoirs, etc) – where applicable current and ultimate. ▼ Location of secondary, alternative sources and/or infrastructure.
		The IOP includes an operational analysis of the assets to meet present and future needs. Outputs from the operational analysis include a schedule of required capital works for asset renewal, replacement and development.
		The IOP includes details of the: <ul style="list-style-type: none"> ▼ System operating rules to operate the infrastructure in the most effective manner during normal and breakdown conditions. ▼ Performance requirements for assets.
WIC Reg Sched 1 cl.6(1)(b) and/or cl.13(1)(b)	The continued safe and reliable performance of the infrastructure	The IOP outlines the performance criteria and levels of service for the assets. These criteria are consistent with statutory obligations (if any) and there is a clearly defined process for documenting performance.
		The IOP includes an asset condition and risk assessment which is regularly updated and includes: <ul style="list-style-type: none"> ▼ Asset condition. ▼ Asset criticality. ▼ Asset assessment.

Document reference	Requirement to be evaluated	Guidance
		The IOP documents, or includes reference to documents, that outline the operation and maintenance policies, procedures and schedules for all key infrastructure.
		The relevant operation and maintenance policies and procedures are available at all facilities, personnel are trained in the procedures and training is kept current where appropriate.
		The operation and maintenance procedures contain sufficient information to address the complexity, criticality, condition and age of the infrastructure.
		<p>The maintenance procedures are linked to asset life cycle optimisation, safe and reliable performance of the infrastructure, service criticality and business risk and outline appropriate blends of:</p> <ul style="list-style-type: none"> ▼ Reactive maintenance. ▼ Preventive maintenance. ▼ Predictive maintenance.
		<p>The infrastructure investment/capital works requirements identified in the IOP are based on sound strategic service planning including:</p> <ul style="list-style-type: none"> ▼ Required levels of service (including future growth in customer base and/or demand and documented performance targets). ▼ Security of supply or service provisions (including inherent reliability, redundancy, alternative sources of supply or service, emergency management and business continuity). ▼ Whole of life cycle cost evaluation.
		<p>The IOP specifies future (life-cycle) expenditures based on forecast expenditure for:</p> <ul style="list-style-type: none"> ▼ Capital (new and replacement). ▼ Operations. ▼ Maintenance. ▼ Management and Administration.

Document reference	Requirement to be evaluated	Guidance
		The assignment of responsibility, to appropriate management and staff, is clearly articulated for the IOP implementation and on-going management, (including prioritising and programming).
		A review process is in place to ensure that the IOP and associated procedures are kept current.
WIC Reg Sched 1 cl.6(1)(c) and/or cl.13(1)(c)	The continuity of the water supply	Operational and maintenance procedures address both normal and abnormal (incident and emergency) conditions. The likelihood and consequences of asset failure are predicted. Other requirements included in the guidance above.
WIC Reg Sched 1 cl.6(1)(d) and/or cl.13(1)(d)	Alternative water supplies when the infrastructure is inoperable	Requirements included in the guidance above.
WIC Reg Sched 1 cl.6(1)(e) and/or cl.13(1)(e)	The IOP indicates the arrangements in relation to the maintenance, monitoring and reporting of standards of service	An appropriate quality/performance management system is outlined for monitoring and implementing the IOP, and the system is documented. The sophistication of the monitoring and control systems is proportional to the complexity of the scheme. The monitoring and control systems, where relevant, provide information on: <ul style="list-style-type: none"> ▼ Leakage assessment and reduction. ▼ Energy management. ▼ Security of facilities. ▼ Overflow events. ▼ Flows and/or demands. ▼ Warning of potential problems. ▼ Internal performance indicators. ▼ Regulatory performance indicators. The IOP documents the process for keeping records and reporting on operational and maintenance matters.

B Water quality plan audit template

The following audit template has been prepared to audit the adequacy of a licensee's Water Quality Plan in accordance with the requirements of Schedule 1 clause 7(1) of the *Water Industry Competition (General) Regulation 2008*. The audit template summarises the actions outlined in the 12 elements of the *Australian Drinking Water Guideline* (ADWG) (for drinking water) and the *Australian Guideline for Recycled Water* (AGWR) (for non-potable water). A licensee's Water Quality Plan for drinking water or non-potable water must also be consistent with the ADWG or AGWR (as the case may be).¹³

Auditing at the action level allows some objective assessment of the adequacy of a Water Quality Plan in meeting the 12 elements of the relevant framework. However auditing of the plan at the action level will rely in part on the auditor's interpretation of how well the action has been met by the licensee, which may introduce some inconsistency across auditors and licensees.

We recommend that certain aspects of the water quality plan are audited prior to construction as a minimum. This is in order to reduce the risk of costly adjustments to plans if they are found to be inadequate after construction. For further details on this recommendation please see Appendix G.

¹³ *Water Industry Competition (General) Regulation 2008*, Schedule 1, clauses 7(2) and 7(3).

Table B.1 Water quality plan (drinking water) (WQP (dw))

Document reference	Requirement to be evaluated	Guidance
The plan specifies how the 12 elements of the <i>Australian Drinking Water Guidelines</i> have been addressed and will be implemented^a		
WIC Reg Sched 1 cl.7(1)(a)	Element 1 The WQP (dw) shows a commitment to water quality management	<p>The organisation has a drinking water quality policy endorsed by the senior executive.</p> <p>The policy been communicated in such a way that it is easily understood and implemented by employees.</p> <p>The WQP (dw) documents the organisations regulatory and formal requirements for managing water quality.</p> <p>Responsibility for managing the regulatory requirements are allocated and communicated to the appropriate employees.</p> <p>The WQP (dw) includes a process for reviewing and updating the regulatory and formal requirements.</p> <p>The WQP (dw) outlines a process for identifying relevant stakeholders.</p> <p>The appropriate processes and practices are in place to ensure stakeholders are engaged and all activities and outcomes are documented.</p> <p>The WQP (dw) outlines the process for ensuring the stakeholder list is regularly updated.</p>
	Element 2 The WQP (dw) includes an assessment of the water supply system	<p>The organisation has assembled a team of people with appropriate knowledge and expertise on the water supply system (from catchment to consumer) who undertook an analysis of the system.</p> <p>The WQP (dw) includes a verified flow diagram of the water supply system from catchment to customer.</p> <p>All pertinent information and key characteristics of the water supply system are documented. The characteristics were considered in other relevant elements (ie, the risk assessment).</p> <p>The WQP (dw) outlines the process for periodically reviewing the water supply system analysis.</p> <p>The WQP (dw) defines and documents the processes for collecting and retaining historical data from source water(s), the treatment plant(s) and finished water supplied to customers (over time and following specific events).</p> <p>The WQP (dw) documents the process for identifying, listing and examining exceedances.</p> <p>The WQP (dw) outlines the processes for assessing data to identify trends and potential problems.</p>

Document reference	Requirement to be evaluated	Guidance
		<p>The WQP (dw) defines the approach and methodology to be used for hazard identification and risk assessment.</p> <p>The WQP (dw) identifies and documents hazards, sources and hazardous events for each component of the water supply system.</p> <p>The WQP (dw) includes an estimate of the level of risk for each identified hazard or hazardous event.</p> <p>The WQP (dw) evaluates the major sources of uncertainty associated with each hazard and hazardous event and outlines the actions considered to reduce uncertainty.</p> <p>The WQP (dw) determines and documents the significant risks and establishes the priorities for risk management.</p> <p>The WQP (dw) clearly defines the process for periodically reviewing and updating the hazard identification and risk assessment to incorporate any changes to the system.</p>
	<p>Element 3</p> <p>The WQP (dw) outlines the preventive measures for drinking water quality management.</p>	<p>The WQP (dw) identifies the existing preventive measures from source/catchment to customer for each significant hazard or hazardous event and estimates the residual risk.</p> <p>The WQP (dw) includes an evaluation of alternative or additional preventive measures where improvement is required.</p> <p>The WQP (dw) documents the preventive measures and strategies for addressing each significant risk.</p> <p>The WQP (dw) includes an assessment of preventive measures from source/catchment to customer and identifies the critical control points.</p> <p>The WQP (dw) establishes mechanisms for operational control at critical control points.</p> <p>The WQP (dw) documents the critical control points, critical limits and target criteria.</p>
	<p>Element 4</p> <p>The WQP (dw) outlines the operational procedures and process control for the scheme.</p>	<p>The WQP (dw) identifies the operational procedures required for processes and activities from source/catchment to consumer.</p> <p>All identified procedures are documented and compiled into an operations manual.</p> <p>The WQP outline the monitoring protocols for operational performance of the system, including the selection of operational parameters and criteria, and the routine analysis of results.</p> <p>The monitoring protocols are documented and have been compiled into an operational monitoring plan.</p> <p>The WQP (dw) documents the procedures for corrective action to control excursions in operational parameters.</p>

Document reference	Requirement to be evaluated	Guidance
		<p>The WQP (dw) establishes the rapid communication systems to deal with unexpected events.</p> <p>The WQP (dw) describes the processes in place to ensure that equipment performs adequately and provides sufficient flexibility and process control.</p> <p>The organisation has prepared a program for regular inspection and maintenance of all equipment, including monitoring equipment.</p> <p>The WQP (dw) outlines the processes and procedures in place to ensure that only approved materials and chemicals are used.</p> <p>The WQP (dw) documents the procedures for evaluating chemicals, materials and suppliers.</p>
	<p>Element 5</p> <p>The WQP (dw) outlines the process for verification of the drinking water quality.</p>	<p>The WQP (dw) outlines the characteristics to be monitored in the distribution system and in water supplied to the customer been determined.</p> <p>A sampling plan has been prepared and documented for each characteristic, including the location and frequency of sampling.</p> <p>The procedures for sampling and testing are fully documented.</p> <p>The WQP (dw) outlines the process for ensuring that the monitoring data is representative, reliable and fully validated.</p> <p>Where appropriate, the organisation has established a consumer complaint and response program including the appropriate training of employees.</p> <p>The WQP (dw) includes procedures for the daily review of water quality monitoring data and (where appropriate) consumer satisfaction.</p> <p>Internal and external reporting mechanisms been developed and documented. The mechanisms include the process for interpreting and recording results, allocation of responsibilities, timeframes for reporting.</p> <p>Procedures for corrective action in response to non-conformances or consumer feedback have been developed, documented and implemented.</p> <p>Rapid communication systems to deal with unexpected events have been established.</p>
	<p>Element 6</p> <p>The WQP (dw) includes details on the management of incidents and emergencies.</p>	<p>The WQP (dw) defines the communication protocols with the relevant (regulatory) agencies including a contact list of key people, agencies and businesses (both internal and external). This must include NSW health.</p> <p>A public and media communications strategy has been developed and is referenced in the WQP (dw).</p>

Document reference	Requirement to be evaluated	Guidance
		<p>The WQP (dw) identifies the potential incidents and emergency and documents the procedures and response plans, with the involvement of relevant agencies, documented. The plans reflect the events identified in the risk assessment.</p> <p>Employees have been trained in the emergency response plans and the emergency response plans are tested as appropriate.</p> <p>A procedure has been developed and documented for investigation of incidents or emergencies. The procedure includes the process for reviewing incidents or emergencies and making any necessary amendments to protocols.</p>
	<p>Element 7</p> <p>The WQP (dw) outlines employee training and awareness requirements.</p>	<p>The WQP (dw) outlines the mechanisms and communication procedures to increase employees' awareness of, and participation in managing water quality.</p> <p>The WQP (dw) includes a process for ensuring that employees, including contractors, maintain the appropriate experience and qualifications.</p> <p>The WQP (dw) outlines employee training needs. Appropriate resources are available to support any training programs.</p> <p>Processes and procedures are in place for documenting training and maintaining records of all employees training.</p>
	<p>Element 8</p> <p>The WQP (dw) outlines the process for community consultation, awareness and involvement.</p>	<p>The WQP (dw) includes an assessment of the requirements for effective community involvement.</p> <p>A comprehensive strategy for community consultation has been developed and is outlined in the WQP (dw).</p> <p>The communication strategy includes an active 2-way communication program to inform consumers and promote awareness of drinking water quality issues.</p>
	<p>Element 9</p> <p>The WQP (dw) outlines the validation process for the scheme.</p>	<p>The organisation able to demonstrate a commitment to increasing their knowledge and improving their management of the water supply system.</p> <p>The WQP (dw) outlines the methodology for validating processes and procedures to ensure that the system is effective at controlling hazards.</p> <p>There are established processes and practices in place for periodical revalidation of processes when changes in conditions occur.</p> <p>There is a documented process for validating the selection and design of new equipment and infrastructure to ensure continuing reliability.</p>

Document reference	Requirement to be evaluated	Guidance
	<p>Element 10</p> <p>The WQP (dw) outlines the process management of documentation and records as well as the reporting requirements.</p>	<p>The WQP (dw) outlines the process for documenting information pertinent to all aspects of water quality management.</p> <p>There is an appropriate document control system to ensure current versions of key documents are in use.</p> <p>The organisation has established a records management system and ensures that employees are trained to fill out records.</p> <p>The organisation has developed a procedure or process to periodically review documentation and revise as necessary.</p> <p>The WQP (dw) includes procedures for effective internal and external reporting.</p>
		<p>The WQP (dw) establishes processes and procedures for production of an annual report and for it to be made available to customers, regulatory authorities and stakeholders.</p>
	<p>Element 11</p> <p>The WQO outlines the process for long-term evaluation of results and the audit of the plan.</p>	<p>The WQP (dw) outlines the processes and practices for the collection and evaluation of long-term data to assess performance and identify problems.</p> <p>The WQP (dw) establishes the processes and practices for documenting and reporting results.</p> <p>The WQP (dw) outlines the protocols for internal and external auditing to be conducted.</p> <p>The WQP (dw) defines the process for documenting and communicating audit results to relevant stakeholders.</p>
	<p>Element 12</p> <p>The WQP outlines a process for review and continual improvement.</p>	<p>There is a process for senior executive review of the effectiveness of the management system and WQP (dw).</p> <p>The organisation has an appropriate process for evaluation of the need for change of the WQP (dw).</p> <p>There are developed processes and procedures for the continual improvement of the WQP (dw).</p> <p>There is a process for communicating and implementing continual improvement actions. The continual improvement process is monitored for effectiveness.</p>

^a <http://www.nhmrc.gov.au/publications/synopses/eh19syn.htm>.

Table B.2 Water quality plan (non-potable water) (WQP (npw))

Document reference	Requirement to be evaluated	Guidance
The plan specifies how the 12 elements of the <i>Australian Guidelines for Water Recycling</i> have been addressed and will be implemented^a		
WIC Reg Sched 1 cl.7(1)(b)	Element 1 The WQP (npw) shows a commitment to responsible use and management of recycled water quality.	<p>The organisation has a documented process for identifying and involving governmental agencies with responsibilities and expertise in protection of public health and the environment.</p> <p>The organisation has employed suitable expertise for the design, management and regulation of the recycled water system.</p> <p>The organisation has identified and documented its regulatory and formal requirements.</p> <p>The responsibilities for managing regulatory requirements are allocated and communicated to the appropriate employees.</p> <p>The organisation has a documented process for reviewing and updating the regulatory and formal requirements.</p> <p>The organisation has a documented process for identifying relevant stakeholders (government and public).</p> <p>The organisation has appropriate processes and practices in place to ensure stakeholders are engaged and all stakeholder activities and outcomes are documented. The process ensures that stakeholder responsibilities are identified and understood.</p> <p>There is a process in place to ensure the stakeholder list is regularly updated.</p> <p>The organisation has a recycled water quality policy endorsed by the senior executive.</p> <p>The policy has been communicated in such a way that it is easily understood and implemented by employees.</p>
	Element 2 The WQP (npw) includes an analysis of the recycled water system.	<p>The WQP (npw) clearly identifies the source(s) of the water.</p> <p>The intended end uses, routes of exposure, receiving environments, endpoints and effects are identified in the WQP (npw).</p> <p>Unintended and unauthorised end uses are identified and considered in the WQP (npw).</p> <p>The WQP (npw) documents pertinent information and key characteristics of the recycled water system consistent with the complexity of the system.</p> <p>The organisation assembled a team of people with appropriate knowledge and expertise on the recycled water system (from source to end use) to undertake the analysis of the system.</p>

Document reference	Requirement to be evaluated	Guidance
		<p>There is a verified flow diagram of the recycled water system from source to the application or receiving environment, including all sources and end uses.</p> <p>There is a documented process to periodically review the recycled water system analysis.</p> <p>The organisation has defined and documented the processes for the collection and retention of historical data about sewage, greywater or stormwater quality, as well as data from treatment plants and/or recycled water supplied to users (over time and following specific events). For brownfield schemes this data was used in the risk assessment.</p> <p>The organisation has documented the process for identifying, listing and examining exceedances.</p> <p>The organisation has processes in place for assessing data to identify trends and potential problems in the recycled water system.</p> <p>The organisation has developed and documented the approach and methodology to be used for hazard identification and risk assessment, considering both public and ecological health.</p> <p>The organisation has a documented process to periodically review and update the hazard identification and risk assessment to incorporate any changes.</p> <p>The organisation has identified and documented hazards, sources and hazardous events for each component of the recycled water system.</p> <p>The organisation has estimated the level of risk for each identified hazard or hazardous event.</p> <p>The major sources of uncertainty associated with each hazard and hazardous event have been evaluated and actions have been considered to reduce uncertainty.</p> <p>The organisation has determined the significant risks and established documented priorities for risk management.</p> <p>The organisation has developed a process for periodically reviewing and updating the hazard identification and risk assessment to incorporate any changes to the system.</p>
	<p>Element 3</p> <p>The WQP (npw) outlines the preventive measures for water quality management.</p>	<p>The organisation has identified existing preventive measures from source to customer for each significant hazard or hazardous event and estimated the residual risk.</p> <p>The organisation has completed an evaluation of alternative or additional preventive measures where improvement is required.</p>

Document reference	Requirement to be evaluated	Guidance
		<p>The organisation has documented the preventive measures and strategies for addressing each significant risk in a plan. This is to include identifying the log removal values expected for each preventive measure.</p> <p>The organisation has assessed the preventive measures throughout the recycled water system to identify the critical control points.</p> <p>The organisation has established mechanisms for operational control at critical control points.</p> <p>The organisation has documented the critical control points, critical limits and target criteria. This is to include identifying the log removal values expected for each critical control points.</p>
	<p>Element 4</p> <p>The WQP (npw) outlines the operational procedures and process control for the scheme.</p>	<p>The organisation has developed a process for identifying operational procedures required for processes and activities from source to end use.</p> <p>All the identified procedures have been documented and compiled into an operations manual.</p> <p>The organisation has developed monitoring protocols for operational performance of the system, including the selection of operational parameters and criteria, and the routine analysis of results.</p> <p>The monitoring protocols have been documented and compiled into an operational monitoring plan.</p> <p>The organisation has established and documented procedures for corrective action where operational parameters are not met.</p> <p>The organisation has established rapid communication systems to deal with unexpected events.</p> <p>There are processes in place to ensure that equipment performs adequately and provides sufficient flexibility and process control.</p> <p>The organisation has developed a program for regular inspection and maintenance of all equipment, including monitoring equipment.</p> <p>There are processes and procedures in place to ensure that only approved materials and chemicals are used.</p> <p>The organisation has documented procedures for evaluating chemicals, materials and suppliers.</p>

Document reference	Requirement to be evaluated	Guidance
	<p>Element 5</p> <p>The WQP (npw) outlines the process for verification of the water quality.</p>	<p>The organisation has determined the characteristics to be monitored in the recycled water system, the application site and the receiving environment (as appropriate). The monitoring of the characteristics should demonstrate the log removal values claimed in the preventive measures identified.</p> <p>A sampling plan for each characteristic has been established and documented, including the location and frequency of sampling. The monitoring data is representative and reliable.</p> <p>The procedures for sampling and testing are fully documented and staff are appropriately trained (where relevant).</p> <p>The organisation has established an inquiry and response program for users of the recycled ware. The program includes the appropriate training of employees.</p> <p>The organisation has developed procedures for the short term review of monitoring data and satisfaction of users of recycled water.</p> <p>Internal and external reporting mechanisms have been developed and documented by the organisation.</p> <p>The organisation has established and documented procedures for corrective action in response to non-conformances or feedback from users of recycled water.</p> <p>The organisation has in place rapid communication systems to deal with unexpected events.</p>
	<p>Element 6</p> <p>The WQP (npw) includes details on the management of incidents and emergencies.</p>	<p>Communication protocols have been developed with the relevant (regulatory) agencies defined and a contact list of key people, agencies and businesses (both internal and external). This must include NSW Health.</p> <p>The organisation has developed a public and media communications strategy.</p> <p>Potential incidents and emergencies have been identified and procedures and response plans documented, with the involvement of relevant agencies. The plans reflect the events identified in the risk assessment.</p> <p>Employees are trained in emergency response procedures and the plans are tested as appropriate.</p> <p>The organisation has developed procedures for the investigation of incidents or emergencies. The procedures outline the process for reviewing incidents or emergencies and making any necessary amendments to protocols.</p>

Document reference	Requirement to be evaluated	Guidance
	<p>Element 7</p> <p>The WQP (npw) outlines operator, contractor and end user awareness and training requirements.</p>	<p>The organisation has developed mechanisms and communication procedures to increase operator contractor and end user awareness of, and participation in managing recycled water quality and environmental protection.</p> <p>The organisation has a process in place for ensuring that employees, including contractors, and end users maintain the appropriate experience and qualifications.</p> <p>The organisation has developed a process for identifying employee training needs and there are appropriate resources available to support any training programs.</p> <p>There are processes and procedures for documenting training and maintaining records of all employees training.</p>
	<p>Element 8</p> <p>The WQP (npw) outlines the process for community awareness and involvement.</p>	<p>The organisation as assessed the requirements for effective involvement of users of recycled water and the community.</p> <p>The organisation has developed a comprehensive strategy for community consultation.</p> <p>The organisation's communication strategy includes an active 2-way communication program to inform users of recycled water and promote awareness of recycled water quality issues.</p> <p>The organisation has developed a process for providing information on unauthorised use as well as the benefits of recycled water to users and the community.</p>
	<p>Element 9</p> <p>The WQP (npw) outlines the validation, research and development processes for the scheme.</p>	<p>The organisation has developed validation processes and procedures to ensure that the system is effective at controlling hazards. The processes and procedures should include evaluation of scientific and technical information to demonstrate, as a minimum, that the log removal value claimed for each critical control point is valid. The demonstration may be theoretical or empirical (from a pilot plant or another scheme).</p> <p>The organisation has established processes and practices for periodical revalidation of processes when changes in conditions occur.</p> <p>The organisation has a process for validating the selection and design of new equipment and infrastructure to ensure continuing reliability.</p> <p>The organisation able to demonstrate a commitment to increasing their understanding of the recycled water system and to improving their management of the system.</p>

Document reference	Requirement to be evaluated	Guidance
	<p>Element 10</p> <p>The WQP (npw) outlines the process management of documentation and records as well as the reporting requirements.</p>	<p>The organisation has a process for documenting information pertinent to all aspects of recycled water quality management.</p> <p>The organisation has an appropriate document control system to ensure current versions of key documents are in use.</p> <p>The organisation has established a records management system and ensures that employees are trained to fill out records.</p> <p>The organisation has developed a procedure or process to periodically review documentation and revise as necessary.</p> <p>The organisation has established procedures for effective internal and external reporting.</p> <p>The organisation has established processes and procedures for the production of an annual report aimed at the users of the recycled water, regulatory authorities and stakeholders.</p>
	<p>Element 11</p> <p>The WQP (npw) outlines the process for long-term evaluation of results and the audit of the documentation.</p>	<p>The organisation has established processes and practices for the collection and evaluation of long-term data to assess performance and identify problems.</p> <p>The organisation has established processes and practices for documenting and reporting results.</p> <p>The organisation has established protocols for internal and external auditing to be conducted.</p> <p>The organisation has a process for documenting and communicating audit results to relevant stakeholders.</p>
	<p>Element 12</p> <p>The WQP (npw) outlines a process for review and continual improvement.</p>	<p>The organisation has developed a process for senior executive to review the effectiveness of the management system and evaluate the need for change.</p> <p>The organisation has developed processes and procedures for the continual improvement of the plans and processes.</p> <p>There is a process for communicating and implementing the continual improvement actions.</p> <p>The improvement process is monitored for effectiveness.</p>

^a <http://www.ephc.gov.au/taxonomy/term/39>.

C Sewage management plan audit template

The following audit template has been prepared to audit the adequacy of a licensee's Sewage Management Plan in accordance with the requirements of Schedule 1 clause 14(1) of the *Water Industry Competition (General) Regulation 2008*.

We recommend that certain aspects of the sewage management plan are audited prior to detailed design of the system. This is in order to reduce the risk of costly adjustments to plans if they are found to be inadequate after construction. For further details on this recommendation please see Appendix H.

In the absence of a guideline for the development of a Sewage Management Plan the general principles of undertaking an ecological and health risk assessment have been adapted from the *Australian Guidelines for Water Recycling* to guide the development of the Sewage Management Plan.

Consideration has also been given to the process for assessing the potential environmental impacts from sewerage systems outlined in the NSW Government document: *EIS Guideline for Sewerage Systems* though it is noted that these EIS requirements will be addressed as part of the development approval process.

IPART notes in adopting this audit template that there is an exemption from the requirement to prepare a Sewage Management Plan where an Environmental Protection Licence (EPL) is in place for the sewerage infrastructure under the *Protection of the Environment Operation Act 1997* (POEO Act) as the risks will be managed within the EPL framework.

Under the EPL framework sewage treatment schemes that involve the discharge or likely discharge of wastes or by-products to land or waters may have some regulatory oversight as a scheduled activity under the POEO Act, where they cause or are likely to cause environmental pollution. As such, IPART considers a large proportion of the high risk schemes will be regulated under the POEO Act and exempt from the requirement to prepare a Sewage Management Plan.

Table C.1 Sewage Management Plan

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl.14(1)(a)	The manner in which the health and ecological assessments will be undertaken and any concerns arising from any such assessment.	<p>The organisation has developed and documented the approach and methodology to be used for the ecological and health assessment incorporating hazard identification and risk assessment.</p> <p>At a minimum the process includes:</p> <ul style="list-style-type: none"> ▼ The development of a verified flow diagram of the sewage system from source to the receiving environment (including reticulation, treatment, disposal and by-product streams). ▼ The process for waste characterisation of the source of the sewage. ▼ Identification and characterisation of the proposed site and the receiving environment (ie, the sensitivity of the receiving environment) both for intended and unintended discharges. ▼ Identification of pertinent information and key characteristics of the sewerage system consistent with the complexity of the system. ▼ The identification and documentation of hazards, sources and hazardous events for each component of the sewerage system, including all events considered in the planning process and documented in approvals such as DAs. ▼ The methodology for estimating the level of risk for each identified hazard or hazardous event. ▼ The identification of existing preventive measures from source to disposal for each significant hazard or hazardous event and estimates of the residual risk, including all measures which were identified in planning approval conditions. <p>An evaluation of alternative or additional preventive measures where improvement is required.</p>

Document reference	Requirement to be evaluated	Guidance
		<ul style="list-style-type: none"> ▼ The assessment of preventive measures throughout the sewage system to identify the critical control points. ▼ The establishment of mechanisms for operational control at critical control points. ▼ The process for collecting baseline monitoring data for the site and the receiving environment to confirm the risk assessment. ▼ A process for determining the characteristics to be monitored in the sewage system and the receiving environment (as appropriate). ▼ The development of a sampling plan for each characteristic that encourages the collection of representative and reliable monitoring data. ▼ The procedure for the collection and retention of historical data about influent sewage as well as data from the effluent disposed of from the treatment plants and the receiving environment (over time and following specific events). ▼ A documented process for identifying, listing and examining exceedances. ▼ A documented process to periodically review and update the hazard identification and risk assessment to incorporate any changes. ▼ The process for consulting with relevant Government Agencies and the community concerning the proposed scheme. ▼ Development of incident notifications with NSW Health for health issues such as sewer overflows <p>The organisation has identified a team of people with appropriate knowledge and expertise on the sewerage system (from source to end use) to undertake the assessment of the system.</p>
WIC Reg Sched 1 cl.14(1)(b)	The arrangements for the disposal of waste from the infrastructure.	Requirements included in the guidance above.

D | Retail supply management plan audit template

The following audit template has been prepared to audit the adequacy of a licensee's Retail Supply Management Plan in accordance with the requirements of Schedule 2 clause 7A of the *Water Industry Competition (General) Regulation 2008*.

Table D.1 Retail supply management plan audit template

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 2 cl.7A (i)(a)	The Retail Supply Management Plan indicates the events and circumstances that could adversely affect the licensee's ability to supply water and/or provide sewerage services.	<p>The organisation has developed and documented the approach and methodology to be used for identifying the events and circumstances that could adversely affect their ability to supply water and/or provide sewerage services.</p> <p>The organisation has a documented process to periodically review and update the events and circumstances that could adversely affect their ability to supply water and/or provide sewerage services to incorporate any changes.</p> <p>The organisation has documented a list of the events and circumstances, in accordance with the approach and methodology that could adversely affect their ability to supply water and/or provide sewerage services.</p>
WIC Reg Sched 2 cl.7A(1)(b)	The Retail Supply Management Plan indicates the arrangements in relation to the probability of the occurrence of any such event or circumstance that could adversely affect the licensee's ability to supply water and/or provide sewerage services.	<p>The organisation has clearly identified the levels of service to customers. The level of service clearly defines the standard of service that customers can expect to receive from the organisation and is communicated to all customers.</p> <p>The organisation has estimated the probability of the occurrence of any such events or circumstance that could adversely affect their level of service.</p>
WIC Reg Sched 2 cl.7A(1)(c)(i)	The Retail Supply Management Plan indicates the arrangements in relation to the measures to be taken by the licensee to prevent the occurrence, or minimise the effect, of any such event or circumstance that could adversely affect the licensee's ability to supply water and/or provide sewerage services.	<p>The major sources of uncertainty associated with each event or circumstance has been evaluated and actions have been considered to reduce uncertainty.</p> <p>The organisation has determined the significant risks and established documented priorities for the management of those events or circumstances that could adversely affect their ability to supply water and/or provide sewerage services.</p>

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 2 cl.7A(1)(c)(ii)	The Retail Supply Management Plan indicates the arrangements in relation to the measures to be taken by the licensee to arrange alternative supplies of water and/or the provision of alternative sewerage services in response to any such event or circumstance that could adversely affect the licensee's ability to supply water and/or provide sewerage services.	The organisation has identified and developed procedures for access alternative supplies of water and/or the provision of alternative sewerage services as part of the management process of those events or circumstances that could adversely affect their ability to supply water and/or provide sewerage services.
WIC Reg Sched 2 cl.7A(1)(d)(i)	The Retail Supply Management Plan indicates the arrangements that the licensee has made to ensure that it complies with its code of practice for customer complaints and its code of practice for debt recovery, of small retail customers.	<p>The organisation has identified the necessary arrangements to comply with the code of practice for customer complaints and the code of practice for debt recovery.</p> <p>The codes of practice for managing customer complaints and debt recovery are readily accessible by customers and customers are informed of their provisions.</p>
WIC Reg Sched 2 cl.7A(1)(d) (ii)	The Retail Supply Management Plan indicates the arrangements that the licensee has made in relation ensuring it complies with the marketing code of conduct and transfer code of conduct.	Where relevant, the organisation has established procedures to comply with the provisions of the marketing code of conduct and the transfer code of conduct.

E | New Infrastructure Audit

Before new infrastructure¹⁴ can commence commercial operation the WICA licensee must provide the Minister with a report from an IPART approved auditor confirming the infrastructure can operate:

- ▼ safely
- ▼ in accordance with the licensee's licence plans
- ▼ in compliance with the legislative requirements (including the licence, WICA and Regulation).

This template is **not** a comprehensive list of the requirements which the auditor has to check to be able to write the report to the Minister. We have not provided a comprehensive list of requirements because each scheme will be different and require the auditor to use their expertise in the field to determine what is required. However, this is an indication of the minimum requirements that would need to be covered in the audit.

¹⁴ New infrastructure does not include infrastructure that extends or expands existing infrastructure, unless its design, construction or operation involves different technology to that used in connection with the existing infrastructure or is inconsistent with the infrastructure operating plan, water quality plan and/or sewage management plan (as is relevant) for the existing infrastructure.

Table E.1 New Infrastructure

Document reference	Requirement to be evaluated	Guidance
WIC Act 10(4) (a) & 13(2) (a) And Network Operator and Retail Supply Licence B1	The Licence Holder must have the technical, financial and organisational capacity to carry out the activities authorised by this Licence. If the Licence Holder ceases to have this capacity, it must report this to IPART immediately.	<p>The organisation can demonstrate the level of technical and organisational resourcing and the capacity of those resources have not diminished since the licence was awarded.</p> <p>The organisation has developed and implemented appropriate resource plans which identify personnel requirements for safe operation of the infrastructure. Personnel requirements would include skill sets and appropriate levels of staffing.</p> <p>A Statutory Declaration from the nominated representative of the applicant to the effect that the applicant is in a position to meet the applicable financial and prudential requirements, and that they are not aware of any factor which would affect the ability of the applicant to securely finance the activities to be performed under the licence over the following 12 months.</p> <p>The organisation has a procedure to identify if there is insufficient capacity to carry out the licensed activity and the procedure includes notification of IPART.</p> <p>The organisation has a procedure to ensure IPART is informed immediately if the capacity is not retained.</p>
WIC Reg Sched 1 cl 2(1)	The licensee must not bring any new water or sewage infrastructure into commercial operation without the written approval of the Minister.	The organisation can demonstrate that all new infrastructure commenced commercial operation after receiving written approval of the Minister.
WIC Reg Sched 1 cl 2(2) (b)	The infrastructure is capable of operating safely.	The organisation can demonstrate that the infrastructure can operate without causing harm to public health and the environment and complies with the requirements of other relevant legislation such as the Occupational Health and Safety Act.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl 2(2) (b)	The infrastructure is capable of operating in accordance with its infrastructure operating plan and its water quality plan or sewage management plan, as the case requires.	<p>The organisation can demonstrate that the plans are being implemented, for example, the procedures referenced in the plans are being used by the operators and the operators are trained in the procedures.</p> <p>The organisation can show that the practices adopted on site are covered by the plans and the on-site practices are not contradictory to the documented procedures.</p>
WIC Reg Sched 1 cl. 3(a), (b)	<p>The water or sewerage infrastructure is properly designed and constructed, operated in a safe and reliable manner and maintained in a proper condition, having regard to:</p> <p>(a) the purposes for which it is licensed, and</p> <p>(b) the licence conditions.</p>	See specific requirements to be evaluated below for licence conditions.
WIC Reg Sched 1 cl. 3(c)	The water or sewerage infrastructure is properly designed and constructed, operated in a safe and reliable manner and maintained in a proper condition, having regard to any publicly available standards or codes relating to its design, construction, operation and maintenance.	<p>The organisation has established a procedure for identifying and keeping up to date with any publicly available standards and codes. These may include documents produced by Standards Australia, Water Services Association Australia, regulatory agencies such as the EPA and Health, a relevant public utility, product manufacturers and suppliers.</p> <p>The organisation has established procedures to consider the requirements of all identified standards and codes and to determine if the requirements are relevant for the safe and reliable design, construction and operation of the specific water industry infrastructure.</p> <p>The organisation has established procedures to comply with the standards and codes which are deemed relevant to the specific water industry infrastructure.</p>
WIC Reg Sched 1 cl. 6(2) (a) and WIC Reg Sched 1 cl. 13(2) (a)	The infrastructure operating plan is fully implemented and kept under regular review and all of the licensee's activities are carried out in accordance with that plan.	<p>The relevant staff members are aware of the requirements of the plan and have evidence of implementation, such as up to date checklists and registers for maintenance, training, inductions, monitoring, incidents and emergencies.</p> <p>The organisation has a procedure for reviewing the plan on a regular basis.</p>

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl. 8	<p>The water meters connected to a licensee's water main comply with the requirements of the Plumbing and Drainage Code of Practice.</p> <p>The licensee has ensured the water meter is properly maintained and periodically tested, and the water meter is read at least every 4 months, and written notice of each meter reading is sent to the relevant licensed retail supplier.</p>	The organisation has a procedure to check all water meters (both customer's and the licensee's water meters) comply with the requirements and have ongoing maintenance and meter readings.
WIC Reg Sched 1 cl. 11 And WIC Reg Sched 1 cl. 15	Customer's installations are not connected to the licensee's water main or sewer main unless the installation complies with the Plumbing and Drainage Code of Practice.	The organisation has a procedure for obtaining a plumbing certificate of compliance from Office of Fair Trade through customers regarding compliance of their internal plumbing.
Netw. Op. Licence cl.A1	A network operator and specified authorised persons may construct, operate and maintain specified infrastructure for specified purposes within specified areas.	<p>The organisation and the authorised third parties have constructed, operated and/or maintained the water industry infrastructure for the authorised purposes and within the area of operations only.</p> <p>The infrastructure is not used for an unauthorised purpose.</p> <p>The water industry infrastructure constructed, operated and/or maintained by the organisation or an authorised third party does not extend outside the area of operations.</p>

Document reference	Requirement to be evaluated	Guidance
Netw. Op. Licence cl. B2.1 or B3.1 (as relevant)	The licensee has obtained /maintained appropriate insurance.	<p>The organisation has provided a report from an independent insurance broker that holds an Australian financial services licence (AFSL) under Part 7.6 of the <i>Corporations Act 2001</i> (Cth), and the report includes providing the ABN and AFSL number.</p> <p>The auditor is to check with IPART whether IPART has received a report and certificates of currency that meet the requirements of the licence obligation.</p>
Netw. Op. Licence cl. B2.2	The licensee provided a report to IPART from an Insurance Expert certifying the level of insurance is appropriate and a copy of each certificate of currency of insurance obtained.	
Netw. Op. Licence cl. B2.2	<p>The insurance report must:</p> <ol style="list-style-type: none"> 1. identify the key risks of undertaking the activities authorised under this licence 2. set out the types and levels of insurance obtained by the Licence Holder in relation to the activities being undertaken 3. provide reasons as to why the types and levels of insurance are appropriate for the size and nature of the activities being undertaken, and 4. if any risks arising from undertaking the activities remain uninsured, provide reasons as to why. 	
Netw. Op. Licence cl. B3.3	The licensee provided a certificate of currency to IPART within 10 days of any change in the level, type or period of insurance held by the licensee for the authorised activities.	The organisation has evidence to demonstrate it provided such a certificate when required.
Netw. Op. Licence cl. B4	The licensee must comply with NSW Health requirements which are agreed to by IPART.	<p>The organisation can show they have developed a relationship with NSW Health. This can be in the form of an MOU or communications protocol.</p> <p>The organisation has a register to record NSW Health/IPART requirements if they come in, and there is evidence of compliance with the requirements.</p> <p>NSW Health, with the agreement of IPART, has required that notifiable events and response protocols (in a document such as an incident and emergency response plan) are agreed with NSW Health before a scheme commences commercial operation.</p>

Document reference	Requirement to be evaluated	Guidance
Netw. Op. Licence cl. B6	<p>The licensee provided up-dated information to IPART within 14 days of changes to:</p> <ul style="list-style-type: none"> (a) the water source (b) the licensed retail supplier or public water utility that has access to the infrastructure services provided by the infrastructure or (c) any other water infrastructure to which the infrastructure is connected. 	<p>In the case of any of these changes, the organisation has provided the relevant information to IPART within 14 days of the change.</p>
Netw. Op. Licence cl. B9	<p>Delineating responsibility – interconnections</p> <p>If the water industry infrastructure is connected to any other water industry infrastructure, the licensee must make arrangements in relation to the responsibilities of the parties responsible for the water industry infrastructure. (This only applies when a water industry code of conduct has not been established).</p> <p>The arrangements are to be agreed in writing between the licensee and the other parties prior to commencing commercial operation.</p> <p>The arrangements must address the following matters:</p> <ul style="list-style-type: none"> (a) responsibility for the repair, replacement or maintenance of any pipes, pumps, valves, storages or other infrastructure connecting the water industry infrastructure to any other water industry infrastructure (b) responsibility for water quality (c) liability in the event of the unavailability of water (d) liability in the event of infrastructure failure (e) responsibility for handling customer complaints. 	<p>The organisation has identified whether a code of conduct needs to be established.</p> <p>Where relevant, the arrangements have been established, documented and various responsibilities undertaken by the relevant parties.</p> <p>The arrangements address the relevant matters.</p> <p>In the absence of the Water Industry Code of Conduct, the licensee must have relationships established with the relevant parties to deal with issues such as customer complaints. This relationship should be confirmed in a written document such as a Memorandum of Understanding or written agreement. In the case of handling customer complaints, the arrangements need to be consistent with the notifiable events identified in an incident and emergency response plan agreed to with NSW Health.</p>

F Operational audit template

The primary objective of an operational audit is to provide a periodic independent assessment of a licensee's compliance with all of the relevant obligations under the licence and the relevant legislation. This audit focuses on compliance with obligations that are relevant once the licensee has started commercial operations. Audits of pre-commencement obligations are undertaken separately.

The risk based audit approach enables IPART to adjust the audit scope and frequency in line with the calculated risk of non-compliance. Licence obligations that are higher risk will be subjected to more detailed and frequent examination compared to lower risk licence obligations.

The operational audit template will have to be amended to suit each scheme. For example an operational audit may examine infrastructure performance, water quality and/or sewage management as well as a range of other licence conditions. Some licences may contain non-standard conditions imposed by the Minister and these must be included in the audit scope by the auditor.

The intention is that, the operational audit template will examine:

- ▼ the implementation of the various plans and the ongoing operation of the licence activity being audited
- ▼ any other licence requirements applicable to the licensee.

For operational audits, the auditor must check that any outstanding items from previous licence plans audits have been addressed and audited for adequacy before assessing the implementation of the plans. For example, there are aspects of the requirements under AGWR which may not have to be developed at commencement of commercial operation in order for the infrastructure to initially operate safely (such as the calibration of monitoring equipment which can be safely developed and implemented within the first 6 to 12 months of commercial operation).

Table F.1 Network Operator Operational Audit

Document reference	Requirement to be evaluated	Guidance
General requirements		
WIC Act section 14(3)	A network operator must pay the annual licence fee determined by the Minister.	The organisation has paid the annual fee or has received an exemption from fee payment from the Minister.
WIC Reg Sched 1 cl. 1(1)	A network operator must provide the Minister or IPART with information as directed by the Minister or IPART in relation to licensee's activities under licence and must provide it in the time specified in the direction.	In the case a direction was given, the organisation provided the information requested in the specified timeframe.
Netw. Op. Licence cl. A1	A network operator and specified authorised persons may construct, operate and maintain specified infrastructure for specified purposes within specified areas.	<p>The organisation and the authorised third parties have constructed, operated and/or maintained the water industry infrastructure for the authorised purposes and within the area of operations only.</p> <p>The infrastructure is not used for an unauthorised purpose.</p> <p>The water industry infrastructure constructed, operated and/or maintained by the organisation or an authorised third party does not extend outside the area of operations.</p>
Netw. Op. Licence cl. B1	The licensee has maintained the technical, financial and organisational capacity to carry out the licensed activities. If the licensee ceases to have this capacity it must notify IPART immediately.	<p>The organisation has developed and implemented appropriate resource plans which identify personnel requirements for safe operation of the infrastructure. Personnel requirements would include skill sets and appropriate levels of staffing.</p> <p>The organisation provides a Statutory Declaration from the nominated representative of the applicant to the effect that the applicant is in a position to meet the applicable financial and prudential requirements, and that they are not aware of any factor which would affect the ability of the applicant to securely finance the activities to be performed under the licence over the following 12 months.</p> <p>The organisation has a procedure to identify if there is insufficient capacity to carry out the licensed activity and the procedure includes notification of IPART.</p>
Netw. Op. Licence cl. B3.1	The licensee has maintained appropriate insurance.	The organisation has evidence to demonstrate it has insurance which is sufficient for the size and nature of the activities authorised under the licence and demonstrate certificate of currency was provided.

Document reference	Requirement to be evaluated	Guidance
Netw. Op. Licence cl. B3.2	The licensee provided, where relevant, a report to IPART from an Insurance Expert certifying the level of insurance is appropriate.	The organisation has evidence to demonstrate it provided such a report when requested.
Netw. Op. Licence cl. B3.3	The licensee provided a certificate of currency to IPART within 10 days of any change in the level, type or period of insurance held by the licensee for the authorised activities.	The organisation has evidence to demonstrate it provided such a certificate when required.
Netw. Op. Licence cl. B5	The Licence Holder must prepare and submit reports in accordance with the applicable Reporting Manual issued by IPART.	The organisation has procedures for developing all the required reports. All required reports were provided to the relevant parties in the specified format and timeframe nominated in the Reporting Manual.
Netw. Op. Licence cl. B6	The licensee provided up-dated information to IPART within 14 days of changes to: (a) the water source (b) the licensed retail supplier or public water utility that has access to the infrastructure services provided by the infrastructure or (c) any other water infrastructure to which the infrastructure is connected.	In the case of any of these changes, the organisation has provided the relevant information to IPART within 14 days of the change.
Netw. Op. Licence cl. B10	The licensee must provide IPART with at least 28 days written notice, if a third party listed as an Authorised Person in the licence ceases or proposes to cease providing services authorised by the licence. The notice is to include details of how the services previously undertaken by the third party will now be provided.	The organisation has provided appropriate notice to IPART if a third party has ceased or proposed to cease providing services authorised by the licence. The notice included the details of continuing service provision.
WIC Reg Sched 1 cl. 5	A network operator must comply with any water industry code of conduct, marketing code of conduct and transfer code of conduct.	The organisation has identified if any code of conduct is relevant to its operation and has ensured compliance in the case the code of conduct is relevant.

Document reference	Requirement to be evaluated	Guidance
Health requirements		
WIC Act section 18	A network operator must comply with any direction of the Minister to take specified action to reduce or eliminate a risk to public health or public safety arising from certain activities.	There is evidence the organisation has complied with any direction of the Minister.
WIC Reg Sched 1 cl. 1(2)	A network operator must immediately notify certain persons of any incident in the conduct of its activities that threatens, or could threaten, water quality, public health or safety.	<p>The organisation has up-to-date incident and emergency procedures and evidence of implementation of these procedures where relevant.</p> <p>The organisation has developed its procedures in line with the requirements of IPART's incident reporting guidelines.</p>
Netw. Op. Licence cl. B4	The licensee must comply with any requirements of NSW Health which IPART has notified the licensee of in writing.	The organisation has a register to record NSW Health/IPART requirements if they come in, and there is evidence of compliance with the requirements.
Environmental requirements		
WIC Reg Sched 1 cl. 4	<p>The licensee has complied with the requirements of:</p> <p>(a) the <i>Environmental Planning and Assessment Act 1979</i> and any environmental planning instruments under that Act, and</p> <p>(b) the <i>Protection of the Environment Operations Act 1997</i> and any regulations under that Act.</p> <p>in relation to the protection of the environment, where those requirements apply in respect of the licensee's activities under the licence.</p>	<p>There have been no prosecutions against the licensee or authorised third party for the licensed activities.</p> <p>The licensee and any authorised third party have not breached any environmental protection licences or water pollution licences issued for the licensed activities.</p>
Infrastructure Operating Plan		
WIC Reg Sched 1 cl. 3(a), (b)	<p>The water or sewerage infrastructure is properly designed and constructed, operated in a safe and reliable manner and maintained in a proper condition, having regard to:</p> <p>(a) the purposes for which it is licensed, and</p> <p>(b) licence conditions.</p>	See specific requirements to be evaluated below for licence conditions.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl. 3(c)	The water or sewerage infrastructure is properly designed and constructed, operated in a safe and reliable manner and maintained in a proper condition, having regard to any publicly available standards or codes relating to its design, construction, operation and maintenance.	<p>The organisation has established a procedure for identifying and keeping up to date with any publicly available standards and codes. These may include documents produced by Standards Australia, Water Services Association Australia, regulatory agencies such as the EPA and Health, a relevant public utility, product manufacturers and suppliers.</p> <p>The organisation has established procedures to consider the requirements of all identified standards and codes and to determine if the requirements are relevant for the safe and reliable design, construction and operation of the specific water industry infrastructure.</p> <p>The organisation has established procedures to comply with the standards and codes which are deemed relevant to the specific water industry infrastructure.</p>
WIC Reg Sched 1 cl. 6(2) (a) and WIC Reg Sched 1 cl. 13(2) (a)	The infrastructure operating plan is fully implemented and kept under regular review and all of the licensee's activities are carried out in accordance with that plan.	<p>The relevant staff members are aware of the requirements of the plan and have evidence of implementation, such as up to date checklists and registers for maintenance, training, inductions, monitoring, incidents and emergencies.</p> <p>The organisation has a procedure for reviewing the plan on a regular basis.</p>
WIC Reg Sched 1 cl. 6(2) (b) and WIC Reg Sched 1 cl. 13(2) (b)	If the Minister has directed, amendments to the licensee's infrastructure operating plan, such amendments were completed in accordance with the Minister's direction.	The organisation has a procedure for amending and implementing the infrastructure operating plan if the Minister directs a change.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl. 6(3) And WIC Reg Sched 1 cl. 13(3) And Netw. Op. Licence cl. B8	<p>If any significant change is made to its infrastructure operating plan (or the Minister or IPART demands it), the licensee either:</p> <ul style="list-style-type: none"> ▼ provides the Minister or IPART with a report, prepared by an approved auditor regarding the adequacy of the plan and the condition of its infrastructure having regard to the purposes for which it was licensed; or ▼ pays the Minister's or IPART's cost of investigation the adequacy of the plan or condition of the infrastructure. 	<p>The organisation has engaged an approved auditor to provide a report on the infrastructure operating plan and the condition of the infrastructure, every time there has been a significant change to the plan or if IPART or the Minister requested it.</p> <p>A significant change may include:</p> <ul style="list-style-type: none"> ▼ changes to the risk assessment which include the addition of risks which require controls to be introduced to manage the risk to an acceptable level ▼ changes to procedures which impact the quality and/or quantity of water produced by the infrastructure ▼ extensions or expansions of existing infrastructure, without adding "new infrastructure" as defined in the Act. <p>(This only applies if the infrastructure is deemed not to qualify under the definition of "new infrastructure" in WIC Reg Sched 1cl. 2).</p> <p>The updating of contact details and other administrative updates are not considered to be a significant change to the plan.</p>
WIC Reg Sched 1 cl. 8	<p>The water meters connected to a licensee's water main comply with the requirements of the Plumbing and Drainage Code of Practice.</p> <p>The licensee has ensured the water meter is properly maintained and periodically tested, and the water meter is read at least every 4 months, and written notice of each meter reading is sent to the relevant licensed retail supplier.</p>	<p>The organisation has a procedure to check all water meters (both customer's and the licensee's water meters) comply with the requirements and have ongoing maintenance and meter readings.</p>
WIC Reg Sched 1 cl. 11 And WIC Reg Sched 1 cl. 15	<p>Customer's installations are not connected to the licensee's water main or sewer main unless the installation complies with the Plumbing and Drainage Code of Practice.</p>	<p>The organisation has a procedure for obtaining a plumbing certificate of compliance from Office of Fair Trade through customers regarding compliance of their internal plumbing.</p>

Document reference	Requirement to be evaluated	Guidance
Netw. Op. Licence cl. B9	<p>If the water industry infrastructure is connected to any other water industry infrastructure, the licensee must make arrangements in relation to the responsibilities of the parties responsible for the water industry infrastructure. (This only applies when a water industry code of conduct has not been established.)</p> <p>The arrangements are to be agreed in writing between the licensee and the other parties prior to commencing commercial operation.</p> <p>The arrangements must address the following matters:</p> <ul style="list-style-type: none"> (a) responsibility for the repair, replacement or maintenance of any pipes, pumps, valves, storages or other infrastructure connecting the water industry infrastructure to any other water industry infrastructure (b) responsibility for water quality (c) liability in the event of the unavailability of water (d) liability in the event of infrastructure failure (e) responsibility for handling customer complaints. 	<p>The organisation has identified whether a code of conduct needs to be established.</p> <p>Where relevant, the arrangements have been established, documented and various responsibilities undertaken by the relevant parties.</p> <p>The arrangements address the relevant matters.</p>
Water Quality Plan		
WIC Reg Sched 1 cl. 7(4)(a)	The water quality plan is fully implemented and kept under regular review and the licensee's activities are carried out in accordance with that plan.	<p>The relevant staff members are aware of the requirements of the plan and have evidence of implementation, such as up to date checklists and registers for water quality monitoring, testing, training, inductions, incidents and emergencies and community/end user awareness.</p> <p>The organisation has a procedure for reviewing the plan on a regular basis.</p>
WIC Reg Sched 1 cl. 7(4)(b)	If the Minister so directs, amendments to the licensee's water quality plan are made in accordance with the Minister's direction.	The organisation has a procedure for amending and implementing the water quality plan if the Minister directs a change.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 1 cl. 7(5) And Netw. Op. Licence cl. B8	<p>If any significant change is made to its water quality plan (or the Minister or IPART demands it), the licensee either:</p> <ul style="list-style-type: none"> ▼ provides the Minister or IPART with a report, prepared by an approved auditor regarding the adequacy of the plan; or ▼ pays the Minister's or IPART's cost of investigating the adequacy of the plan. 	<p>The organisation has engaged an approved auditor to provide a report on the water quality plan every time there has been a significant change to the plan or if IPART or the Minister requested it.</p> <p>A significant change may include:</p> <ul style="list-style-type: none"> ▼ changes to the risk assessment which include the addition of risks which require controls to be introduced to manage the risk to an acceptable level ▼ changes to the location (within the process) or operation of critical control points ▼ addition of an authorised end use. <p>The updating of contact details and other administrative updates are not considered to be a significant change to the plan.</p>
WIC Reg Sched 1 cl. 9	The licensee under a licence for water infrastructure to supply drinking water must ensure that the water supplied is fit for human consumption, complies with any licence conditions, and complies with any requirements under the <i>Public Health Act 1991</i> in relation to the supply of safe drinking water.	<p>The organisation has a water quality plan which has been audited and found to adequately address the 12 elements of the <i>Australian Drinking Water Guidelines</i>.</p> <p>The organisation has evidence of the implementation of the audited water quality plan.</p> <p>The organisation has evidence of complying with any relevant direction received from the Minister for Health, the Director General or Chief Health Officer of NSW Health under the Public Health Act.</p> <p>The organisation has not committed an offence under the Public Health Act.</p>
WIC Reg Sched 1 cl. 10	The licensee under a licence for water infrastructure to supply non-potable water for a particular purpose must ensure that the water supplied is fit for that purpose and complies with any licence conditions.	<p>The organisation has a water quality plan which has been audited and found to adequately address the 12 elements of the <i>Australian Guidelines Water Recycling</i>.</p> <p>The organisation has evidence of the implementation of the audited water quality plan.</p>
Netw. Op. Licence cl. B7	<p>The licensee, when undertaking any monitoring required, has kept the following records:</p> <ul style="list-style-type: none"> ▼ The date(s) on which the sample was taken, the time(s) at which the sample was collected, the point or location at which the sample was taken, and the name of the person who collected the sample. ▼ The analyses of samples were carried out by NATA accredited laboratory or other independent body acceptable to NSW Health. 	<p>The organisation has monitoring procedures which cover these requirements and the organisation provides evidence of implementation of these procedures.</p>

Document reference	Requirement to be evaluated	Guidance
Netw. Op. Licence cl. B10	If the licensee proposes to distribute water for an end-use which is not set out in its water quality plan, the licensee must notify IPART in writing at least 3 months prior to commencing the distribution.	The organisation has notified IPART in a timely manner if it intends to add an end-use for which it does not require a licence variation. If the addition of the end-use does require a licence variation the organisation has submitted a variation in a timely manner.
Sewage Management Plan		
WIC Reg Sched 1 cl. 14(3)(a)	The sewage management plan is fully implemented and kept under regular review and the licensee's activities are carried out in accordance with that plan.	The relevant staff members are aware of the requirements of the plan and have evidence of implementation, such as up to date checklists and registers for monitoring, testing, training, incidents and emergencies. The organisation has a procedure for reviewing the plan on a regular basis.
WIC Reg Sched 1 cl. 14(3)(b)	If the Minister so directs, amendments to the licensee's sewage management plan are made in accordance with the Minister's direction.	The organisation has a procedure for amending and implementing the sewage management plan if the Minister directs a change.
WIC Reg Sched 1 cl. 14(4) And Netw. Op. Licence cl. B8	If any significant change is made to its sewage management plan (or the Minister or IPART demands it), the licensee either: ▼ provides the Minister or IPART with a report, prepared by an approved auditor regarding the adequacy of the plan; or ▼ pays the Minister's or IPART's costs of investigating the adequacy of the plan.	The organisation has engaged an approved auditor to provide a report on the sewage management plan every time there has been a significant change to the plan or if IPART or the Minister requested it. A significant change may include: ▼ changes to the risk assessment which include the addition of risks which require controls to be introduced to manage the risk to an acceptable level ▼ changes to the disposal location or method. The updating of contact details and other administrative updates are not considered to be a significant change to the plan.

Table F.2 Retail Supplier operational audit

Document reference	Requirement to be evaluated	Guidance
WIC Act section 14(3)	A retail supplier must pay the annual licence fee determined by the Minister.	The organisation has paid the annual fee or has received an exemption from fee payment from the Minister.
WIC Act section 18	A retail supplier must comply with any direction of the Minister to take specified action to reduce or eliminate a risk to public health or public safety arising from certain activities.	There is evidence the organisation has complied with any direction of the Minister.
WIC Act section 50	A retail supplier to small retail customers must be a member of an approved ombudsman scheme. The supplier must comply with any decision of the ombudsman relating to a dispute or complaint.	The organisation has joined the relevant ombudsman scheme. If a decision has been made by the ombudsman, the organisation has complied with the decision.
WIC Reg Sched 2 cl. 1(1)	A retail supplier must provide the Minister or IPART with information as directed by the Minister or IPART in relation to licensee's activities under licence and must provide it in the time specified in the direction.	In the case a direction was given, the organisation provided the information requested in the specified timeframe.
WIC Reg Sched 2 cl. 1(2)	A retail supplier must immediately notify certain persons of any incident in the conduct of its activities that threatens, or could threaten, water quality, public health or safety.	The organisation has up-to-date incident and emergency procedures and evidence of implementation of these procedures where relevant.
WIC Reg Sched 2 cl. 2 (1)(a), (b), (c)	A retail supplier must implement any government policy on social programs for the supply of water and sewerage services and must ensure the details are forwarded to its customers at least once a quarter. The supplier must provide a report to IPART and relevant Government Department each quarter with certain details of the implementation.	The organisation has established a procedure for identifying and keeping up to date with any government policy in this area. The organisation has established procedures to comply with the government policy and also to provide the quarterly reports.
WIC Reg Sched 2 cl. 3	Any notice the retail supplier is required to send its customers must include or be accompanied by information (in certain languages) about available community translation services.	All notices sent to customers contain the required information.
WIC Reg Sched 2 cl. 4 (1)	A retail supplier must; establish and comply with a code of practice for customer complaints; provide copies of the code to IPART, the Minister and the ombudsman; inform its customers of the code, the ombudsman's existence and the procedure for referring complaints to the ombudsman; and provide periodic reports to the Minister and IPART about customer complaints and disputes to the ombudsman.	The organisation has established the code of practice, produced copies and reports to the relevant parties and informed its customers of the code and procedure of referral.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 2 cl. 4(2)	A retail supplier's code of practice for customer complaints must conform to the requirements of ISO 10002-2006.	The organisation has evidence of the code's compliance with the standard. This may include accreditation or checklists.
WIC Reg Sched 2 cl. 5	A retail supplier must establish and comply with a code of practice for debt recovery; provide copies of the code to IPART, the Minister and the ombudsman; and inform its customers of the provisions of the code. The code must provide for deferment of payments in cases of financial hardship.	The organisation has a code of practice for debt recovery which provides for deferment of payments. The organisation has evidence of implementation of the code. The organisation has produced copies of the code to the relevant parties and informed its customers of the provisions of the code.
WIC Reg Sched 2 cl. 6	A retail supplier must comply with any water industry code of conduct, marketing code of conduct and transfer code of conduct.	The organisation has identified if any code of conduct is relevant to its operation and has ensured compliance in the case the code of conduct is relevant.
WIC Reg Sched 2 cl. 7	The licensee has complied with the requirements of: (a) the <i>Environmental Planning and Assessment Act 1979</i> and any environmental planning instruments under that Act, and (b) the <i>Protection of the Environment Operations Act 1997</i> and any regulations under that Act. In relation to the protection of the environment, where those requirements apply in respect of the licensee's activities under the licence.	There have been no prosecutions against the licensee or authorised third party for the licensed activities. The licensee and any authorised third party have not breached any environmental protection licences or water pollution licences issued for the licensed activities.
WIC Reg Sched 2 cl. 8 (2)(a)	The retail supply management plan is fully implemented and kept under regular review and all of the licensee's activities are carried out in accordance with that plan.	The relevant staff members are aware of the requirements of the plan and have evidence of implementation, such as up to date checklists and registers. The organisation has a procedure for reviewing the plan on a regular basis.
WIC Reg Sched 2 cl. 8 (2) (b)	If the Minister so directs, amendments to the licensee's retail supply management plan are made in accordance with the Minister's direction.	The organisation has a procedure for amending and implementing the retail supply plan if the Minister directs a change.
WIC Reg Sched 2 cl. 8(3)	If any significant change is made to its retail supply management plan (or the Minister or IPART demands it), the licensee provides the Minister or IPART with a report, prepared by an approved auditor regarding the adequacy of the plan.	The organisation has engaged an approved auditor to provide a report on the retail supply management plan every time there has been a significant change to the plan or if IPART or the Minister requested it. The updating of contact details and other administrative updates are not considered to be a significant change to the plan.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Sched 2 cl. 9	A retailer of non-potable water must inform any customer to which such water is supplied as to the authorised purposes in relation to that water. A retailer must not supply such water to a customer for an unauthorised purpose (unless the customer will treat it so it is fit for an authorised purpose).	The organisation has evidence of informing its customers of the authorised uses of the water. This may include customer contracts, educational pamphlets and seminars, and call centre records. The organisation has procedures for checking that customers are not using supplied water for unauthorised purposes.
WIC Reg Sched 2 cl. 10 (1)	A retailer must not enter into water supply contracts under which it assumes obligations that it is unable to meet, or advertise that it is willing to enter into such contracts, having regard to specified matters.	The organisation's water supply contracts do not claim to provide services that the retailer cannot meet. Any advertising or formal advising undertaken by the retailer regarding the obligations under its water supply contracts does not claim to provide services that the retailer cannot meet.
WIC Reg Sched 2 cl. 10(2)	A retail supplier must not enter into a water supply contract with a customer unless the premises to which the water is to be supplied are connected to, or readily connectible to, a water main to which the licensee has access.	The organisation's customers are all within an area which is able to be connected to a water main which the licensee can access. The organisation can provide a plan showing the location of all customers and associated supply infrastructure.
WIC Reg Schedule 2, cl 11	A retail supplier must not terminate the supply of water to any of its customers within the whole or any part of its area of operations unless it has given IPART and the Minister at least 14 days' written notice.	The organisation has procedures in place for the termination of supply to its customers and the procedures include a notification process which involves 14 days written notice.
WIC Reg Schedule 2, cl 12	A retail supplier must ensure its customers are kept informed of any water restriction that applies to them in any bill or other correspondence it sends to them while the restriction is in force.	The organisation's billing and consultation processes have the capacity to inform customers of any water restrictions. This may be in the form of a place on the bill and on the licensee's website.
WIC Reg Schedule 2, cl 13	A retail supplier must have an internet website on which certain matters are available for inspection by members of the public.	The organisation has a website which is accessible to the public, and it is clear what information the website contains and is easily navigable.
WIC Reg Schedule 2, cl 14(1)	A retail supplier must not supply water to a small retail customer otherwise than under a water supply contract.	The organisation has procedure in place to identify all small retail customers and to set up water supply contracts with these customers.
WIC Reg Schedule 2, cl 14(2)	A retail supplier's water supply contracts must address certain matters.	The water supply contract addresses all the items detailed in the Table in WIC Reg Schedule 2, cl 14:

Document reference	Requirement to be evaluated	Guidance
		<p>Table</p> <ul style="list-style-type: none"> ▼ The name and address of the customer. ▼ The location of the premises to which water is to be supplied. ▼ The date on and from which (and, if applicable, the date until which) water is to be supplied. ▼ The licensee's current charges for the supply of water. ▼ The way in which the customer will be notified of any change in the licensee's charges for the supply of water. ▼ The availability of payment assistance, discounts and rebates under any government policy with respect to social programs for the supply of water. ▼ The information to be included in any bill for the supply of water, which must include information as to past and present water consumption. ▼ The length of the billing period for any such bill. ▼ The time allowed for payment of any such bill and the manner in which payment may be made. ▼ The procedures available for dealing with disputed bills, including procedures for reconciling under- or over-charging. ▼ The charges applicable to overdue accounts and dishonoured payments. ▼ The charges applicable to connecting the customer's premises to the relevant water main. ▼ Any other charges that may be applicable. ▼ The arrangements for responding to requests by customers for meter testing. ▼ A description of the customer's connection point to the relevant water

Document reference	Requirement to be evaluated	Guidance
		<p>main.</p> <ul style="list-style-type: none"> ▼ The identity of the service provider by means of whose infrastructure water is to be supplied to the consumer. ▼ The licensee's postal address and telephone number. ▼ The arrangements under which access may be gained to the customer's premises for meter inspection and other purposes. ▼ The arrangements to be made in the event that the customer vacates the premises to which the licensee supplies water. ▼ The allocation of responsibility for maintaining and testing water meters. ▼ The water source (or water sources) from which the licensee derives its supply of water. ▼ The rate at which water is to be available for supply to the customer's premises, whether generally or during specified periods. ▼ The minimum pressure at which water is to be supplied. ▼ The purposes for which the water may be used. ▼ The precautions that have been taken to prevent cross-contamination with other water. ▼ The precautions that the customer must take to prevent cross-contamination with other water and contamination of any water source. ▼ The circumstances in which water may not be available for supply to the customer's premises, the notice that will be given to customers and the arrangements that are in place for the supply of water in those circumstances.

Document reference	Requirement to be evaluated	Guidance
WIC Reg Schedule 2, cl 14(3)	A retail supplier's water supply contracts must provide that the licensee must not do certain things as a consequence of a customer's non-payment of a debt.	The water supply contracts must restrict the licensee from disconnecting the customer's premises from the licensee's water main, or reducing the flow of drinking water from that main below that necessary for basic sustenance and hygiene, as a consequence of the customer's non-payment of a debt.
WIC Reg Schedule 2, cl 14(4)	A retail supplier that proposes to supply water to a small retail customer on terms that are different from those set out in the licensee's standard water supply contract must notify the customer of the various differences before the customer enters into the contract.	The organisation has a procedure for customer consultation in the case the terms of supply are different from the standard water supply contract. The procedure includes a hold point where the customer acknowledges the consultation prior to entering the different contract.
WIC Reg Schedule 2, cl 14(5)	Before entering into a contract to supply water to a small retail customer, a retail supplier must provide the customer with a disclosure notice that specifies certain matters.	<p>The organisation has disclosure statement which contains the following, also the organisation has a procedure to ensure the disclosure statement is provided to small retail customers before the contract is entered into:</p> <ul style="list-style-type: none"> (a) the customer's name, and the address of the premises to be supplied (b) the date on which supply is to commence (c) the fees and charges that will be payable in respect of the supply (d) the circumstances in which the customer's premises may be disconnected from the water main (e) the licensee's procedures for handling customer complaints (f) the existence of any government-funded rebates for which the customer may be eligible, and (g) where the customer can obtain a copy of the contract.
Retail Supply Licence cl. A1	<p>Activities authorised including:</p> <ul style="list-style-type: none"> ▼ Specified water industry infrastructure ▼ Authorised purposes ▼ Specified persons ▼ Specified area of operations. 	The organisation and the authorised third parties have supplied water for the authorised purposes and within the area of operations only.

Document reference	Requirement to be evaluated	Guidance
Retail Supply B1	The licensee has maintained the technical, financial and organisational capacity to carry out the licensed activities. If the licensee ceases to have this capacity it must notify IPART immediately.	<p>The organisation has developed and implemented appropriate resource plans which identify personnel requirements for safe supply of water. Personnel requirements would include skill sets and appropriate levels of staffing.</p> <p>The organisation undertakes financial audits of the licensed activities at a frequency appropriate for the organisation's exposure to financial risk.</p> <p>The organisation has a procedure to identify if there is insufficient capacity to carry out the licensed activity and the procedure includes notification of IPART.</p>
Retail Supply Licence cl. B3.1	The licensee has maintained appropriate insurance.	The organisation has evidence to demonstrate it has insurance which is sufficient for the size and nature of the activities authorised under the licence.
Retail Supply Licence cl. B3.2	The licensee provided, where relevant, a report to IPART from an Insurance Expert certifying the level of insurance is appropriate.	The organisation has evidence to demonstrate it provided such a report when requested.
Retail Supply Licence cl. B3.3	The licensee provided a certificate of currency to IPART within 10 days of any change in the level, type or period of insurance held by the licensee for the authorised activities.	The organisation has evidence to demonstrate it provided such a certificate when required.
Retail Supply Licence cl. B4	The licensee must comply with any requirements of NSW Health which IPART has notified the licensee of in writing.	The organisation has a register to record NSW Health/IPART requirements if they come in, and there is evidence of compliance with the requirements.
Retail Supply Licence cl. B5	The Licence Holder must prepare and submit reports in accordance with the applicable Reporting Manual issued by IPART.	<p>The organisation has procedures for developing all the required reports.</p> <p>All required reports were provided to the relevant parties in the specified format and timeframe nominated in the Reporting Manual.</p>

Document reference	Requirement to be evaluated	Guidance
Retail Supply Licence cl. B6	<p>The licensee provided up-dated information to IPART within 14 days of changes to:</p> <ul style="list-style-type: none"> (a) the water source (b) the licensed network operator or public water utility from whose infrastructure the licensee supplies water to its customers (c) whether or not any of the licensee's customers are small retail customers (d) details of any order by which the licensee is declared a retailer of last resort. 	In the case of any of these changes, the organisation has provided the relevant information to IPART within 14 days of the change.
Retail Supply Licence cl. B7	If any change is made to its plan (or the Minister or IPART demands it), the licensee provides the Minister or IPART with a report, prepared by an approved auditor regarding the adequacy of the plan.	The organisation has engaged an approved auditor to provide a report if IPART or the Minister requested it.
Retail Supply Licence cl. B8	The licensee must obtain sufficient quantities of water to supply its customers from a source other than a public utility.	The organisation is able to demonstrate that some of the water is sourced from other than a public utility and that this amount is sufficient.

G Technology assessment template

The technology assessment is essentially part of the water quality plan audit (as outlined in Appendix B). An early assessment of parts of the water quality plan will help determine whether the proposed infrastructure will provide water which is fit for purpose. We consider that an early assessment of this type prior to the construction of the scheme will reduce the risks of building infrastructure that does not provide fit and proper water. Significant costs may be incurred to fix the problem.

Table G.1 Technology Assessment

Document reference	Requirement to be evaluated	Guidance
Element 2 of AGWR	A flow diagram which identifies each component of the treatment train and conveyance infrastructure, from the source to the end use.	<p>This is to include all:</p> <ul style="list-style-type: none"> ▼ sources – intentional and unintentional (eg. Stormwater in the sewer system) ▼ storages/buffering reservoirs ▼ treatment steps (eg, Screening, sedimentation tank, clarifier, etc) ▼ pipelines ▼ waste streams ▼ end users (final end users, not necessarily the customer, and should include intentional and unintentional). <p>It is not to be a detailed engineering drawing or Process Instrumentation Diagram, but has to have sufficient information about the treatment train to undertake a risk assessment, as required in Element 2 of AGWR.</p>
Element 3 of AGWR	All the critical control points in the process for the control of pathogens and in some cases chemical contaminants, including detailing the identification process of the CCPs and the characteristics of the treatment step.	<p>This will be the output from the Hazard Analysis Critical Control Point process to be undertaken as outlined in Element 3 of AGWR.</p> <p>The reasons for particular barriers being identified as CCPs needs to be articulated clearly and needs to be consistent with the approach in AGWR.</p> <p>The characteristics of the treatment technologies need to be detailed to ensure the log reduction values and supporting documentation is relevant. This should include such information as the manufacturer, model type, operating capacity and any other technology specific information which might be relevant. It could also include peer reviewed literature.</p>
Element 2 of AGWR	Microbial and chemical water treatment performance targets, that is, the log reduction values (LRV) or percentage removal in the case of chemicals that are being claimed for each critical control point. It should also include the operating parameters of the treatment processes.	The required LRV and/or the percentage removal in the case of chemicals will be the output of the quantitative risk assessment in Element 2 of AGWR, and detailed in Chapter 3 and 4 of AGWR.

Document reference	Requirement to be evaluated	Guidance
Element 9 of AGWR	<p>Validation of treatment processes used as CCPs</p> <p>Pre-validated processes</p> <p>Supporting documentation for the claimed LRV and/or percentage removals for the specific critical control points.</p>	<p>Theoretical values can be supported by the documentation in the AGWR. However, for high exposure schemes treatment processes will have to be validated.</p> <p>Treatment technologies which have been pre-validated must provide the supporting material such as performance testing reports.</p> <p>Research can be used to demonstrate that the treatment technology can provide the defined log reduction values, this should be summarised and adequately referenced. The information should include the testing methodology, the model and make of the technology and any relevant calculations. This can include peer-reviewed scientific literature.</p>
Element 9 of AGWR	A validation plan to prove the LRV and the percentage removals for the treatment technology.	If there is insufficient existing scientific data to demonstrate the capability of the technology, the licensee has to provide a detailed validation plan. This plan will have to detail the investigations the licensee intends to undertake to validate the system-specific operational procedures, critical limits and target criteria to ensure the effective operation and control of the system.

H Sustainability assessment template

The land application area sustainability assessment is essentially part of the sewage management plan audit (as outlined Appendix C). An early assessment of the following aspects of the plans will assist in determining whether the proposed infrastructure will be able to dispose of treated effluent in a sustainable manner. We consider that an early assessment of this type prior to construction of the scheme will reduce the risk of building a scheme that does not sustainably dispose of the effluent and the potentially significant costs that may be involved in correcting the problem.

Table H.1 Land Application Area Sustainability Assessment Template

Requirement to be evaluated	Guidance
The water balance calculations for the scheme, covering all disposal paths, including production of recycled water and disposal to land and water.	<p>The water balance is to cover the life of the scheme until it reaches ultimate capacity if it is a staged development.</p> <p>The water balance should take into account diurnal and seasonal variations if applicable.</p>
A land capability assessment where there is disposal to land, and hence the sustainable rate of application of treated effluent.	<p>This includes a soil capacity assessment to determine the nutrient and hydraulic load a particular parcel of land is capable of receiving without causing runoff or environmental harm.</p> <p>Consideration of the impacts on ground water.</p>
The type of treatment infrastructure and whether this infrastructure can provide adequate removal of contaminants to enable the sustainable application of treated effluent.	<p>Outline all the treatment process steps, but a detailed engineering drawing is not required.</p> <p>This should include the design criteria used in determining the treatment system such as the BOD, SS, N and P.</p> <p>Provide evidence of the expected removal of contaminants. This may be in the form of results from other sites, or scientific literature.</p>
The capacity of storage and buffering infrastructure of the scheme, including wet weather storage capacity.	<p>Detail the storage to be provided and how it will be operated to ensure the buffering capacity required will be provided in case of wet weather and also mechanical or electrical failure in dry weather.</p>

I | Audit report template

Report content and layout

The following pages are a template outlining what we require in an audit report as a minimum. Auditors do not have to use the formatting of the template, as we expect they will use their own formatting protocols. The template only provides the content and layout of what is needed.

Report writing style

The final audit report may be publicly available, hence the auditors must write reports in a manner that is appropriate for publication. This means the writing style should be concise, accessible and professional, and not inflammatory. Reports should also not contain any specific material that could pose security issues for the relevant licensee. However this should be balanced with the need to provide enough detail to support the awarding of an audit grade.

1 | Executive Summary

In the summary the auditor is to provide an audit opinion on the adequacy of the plans OR the compliance of the licensee, depending on the audit type.

The audit opinion should include a statement that:

- ▼ the auditor has seen sufficient evidence on which to base their conclusions
- ▼ the audit findings accurately reflect the professional opinion of the auditor
- ▼ the lead auditor and team members have noted what this guideline and the audit deed requires when conducting the audit, determining audit findings and preparing the report
- ▼ the audit findings have not been unduly influenced by the licensee and/or any of its associates.

This summary will also highlight the major findings of the audit and any major recommendations.

For any non-compliances or inadequacies the auditor should discuss the risk which a non-compliance poses to public health, environment, customer relations, operations or financial areas of the business.

2 Introduction

This is the template for the audit report for WICA audits. Please tailor the report to the audit type (ie, licence plans audit or operational audit, etc).

Auditors do not have to use the formatting of the template, as we expect they will use their own formatting protocols. The template only provides the content and layout of what is needed.

2.1 Objectives

Statement of the objective of the audit. For example, for a licence plans audit the objective is to assess the adequacy of the licence plans in meeting the requirements of the legislation.

2.2 Licensee's infrastructure, systems and procedures

A brief description of the licensee's infrastructure, systems and procedures.

2.3 Audit method

2.3.1 Audit scope

Identify the scope of the audit as not all clauses are audited each audit.

2.3.2 Audit standard

Identify the audit standard used in the audit, including describing any limitations to the audit findings.

2.3.3 Audit steps

Summarise the audit steps undertaken in the audit process, including the parties involved and responsibilities for each step.

2.3.4 Audit team

Identify the audit team and the roles of each member.

2.3.5 Audit grades

Provide the audit grade definitions used in assessing the licensee's performance against the requirements.

2.4 Regulatory regime

This section should discuss the regulatory framework the utility operates under. This will cover areas such as the utility's Act and Regulation, the operating licence, environmental legislation, Memoranda of Understanding, etc.

3 Licence chapter title – Example: Water Quality Plan

There will be an audit report chapter for each part of the audit. The following titles will apply to each chapter.

3.1 Summary of findings

When “non-full” grades are awarded, this section must include a summary of the requirement and findings. Full details of the audit findings must be in Appendix A. A hypothetical example of a summary is:

Clause 3.1 – Adequate compliance

X Licensee has to develop and implement a water quality plan consistent with AGWR. X Licensee has started the development of the system, but the system is yet to be reviewed and endorsed by the Executive and so has not been implemented officially. However, most aspects of the system are already in place in practice as it has been using the water quality system for a number of years.

3.2 Review of actions

Where an auditor found gaps or inadequacies in plans or assessments in the draft audit report, this section should outline any inadequacies and state the reasons for this assessment.

In the final audit report this section should also describe any actions taken by the licensee in response to the inadequacies raised in the draft report.

3.3 Opportunities for improvement

If the auditor sees an area where an improvement could be made to ensure compliance is maintained, the auditor can identify this as an “opportunity for improvement”. The licensee can decide whether to implement an opportunity.

A Detailed audit findings

The following table shows the minimum requirements for the write up of the audit assessment. Most readers will focus in the body of the report, the appendix is there for reference if the reader is interested in the details of a specific finding.

Table A.1 Detailed audit findings – hypothetical example

Clause	Requirement	Grade	Risk	Target for full compliance	Evidence sighted	Reasons for grade
2.1	Licensee must implement water quality plan.	Either, full, high, moderate or non-compliant	Describe risk posed to public health and environment by a non-compliance	Discussion of what must be provided to be awarded full compliance	Reference documents and systems provided as evidence	Discussion of evidence and how it demonstrates compliance or how it falls short of target. Including an assessment of the reliability of the licensee’s data and reporting.

