



Independent Pricing and Regulatory Tribunal

# **State Water Corporation Operational Audit 2010/11**

Report to the Minister

**Water — Compliance Report**

December 2011





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## Executive Summary

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) has completed the audit of State Water Corporation (State Water) compliance with the requirements of its 2008-2013 operating licence (the licence). This audit covers the period from 1 July 2010 to 30 June 2011. IPART engaged t-cAM consulting (t-cAM) to assist with the 2010/11 operational audit.

### Overview of audit findings

State Water was established in 2004 and commenced operating under an operating licence in 2005. Since this time State Water has worked to develop systems in accordance with the licence requirements.

Historically State Water has achieved a sound level of compliance with its operating licence showing continual improvement in the audit grades (see section 3 of this report for an overview of its historical compliance). State Water's level of compliance has improved further in 2010/11.

Significant progress has been made in areas such as bulk water delivery operations, asset management and performance indicator reporting. Improvements in compliance for obligations relating to environmental management, memoranda of understanding requirements and customer rights/consultation were also noted.

High compliance grades were achieved in the asset management and complaint and dispute resolution sections of the operating licence.

In summary, this audit found that State Water achieved:

- ▼ **Full compliance** with all responsibilities relating to the memoranda of understanding with various government departments.
- ▼ **High to Full compliance** with its requirements relating to asset management.
- ▼ **High to Full compliance** with all requirements relating to customer's rights and consultation.
- ▼ **High to Full compliance** with its obligations relating to complaints and dispute resolution.
- ▼ **Full compliance** with all requirements relating to water delivery operations.

- ▼ **Full compliance** with all requirements relating to the environment.
- ▼ **Full compliance** with all its performance indicators.
- ▼ **Full compliance** with all obligations relating to pricing.

**Table 1 Summary of State Water's 2010/11 compliance**

Licence Clause	No. of Auditable obligations	Compliance Grade Awarded	
		Full	High
Part 2.3 – Memoranda of Understanding	11	11	
Part 3 – Asset management	5	1	4
Part 4 – Customers rights and consultation	22	21	1
Part 5 - Complaint and dispute resolution	15	14	1
Part 6 – Water delivery operations	18	18	
Part 7 – The environment	7	7	
Part 8 – Performance indicators	23	23	
Part 9 - Pricing	1	1	
<b>Total</b>	<b>102</b>	<b>96</b>	<b>6</b>

State Water's compliance with each section of the licence is discussed in further detail in subsequent sections of this report. A copy of the auditor's report is included in Appendix A.

In the course of the audit, the auditor identified a potential water quality issue for the Fish River Water Supply Scheme (FRWS) that in the auditor's opinion may present a risk to public health if not addressed. The water quality issue related to the possibility of cross connecting the drinking water supply with the raw water supply in order to maintain the water service to customers. Although no evidence was found that State Water had cross connected its drinking water and raw water systems, we consider that its existing procedures are inadequate to manage such an event if it was ever required in the future.

Water quality obligations relating to the FRWS do not currently form part of State Water's operating licence. The matter was therefore referred to NSW Health, the agency with prime responsibility for regulating drinking water quality in NSW. NSW Health has met with State Water to discuss the issue and identify any immediate actions to manage any potential risk to public health.

We intend to follow up the auditor's recommendations and NSW Health to see that these matters are being addressed. Further we will consider whether it is appropriate to recommend changes to State Water operating licence to the Minister for Primary Industries as part of the end of term review of State Water's operating licence. This review is scheduled to commence in July 2012.

In the interim, we support the recommendation made by the auditor relating to the FRWS (see IPART recommendations 1-5 below)



## IPART's Recommendations

We have made a number of recommendations, based on the auditor's key recommendations, relating to drinking water quality. These are recommendations 1 to 5 which aim to ensure drinking water supplied to customers in the FRWS is delivered in a manner that is consistent with the ADWG. The remaining 2 recommendations relate to the continuing implementation of State Water's asset management system and the availability of a code of practice on debt management.

### IPART's key recommendations

#### Recommendation

- 1 Implement a management plan for the FRWS which is consistent with the Framework for Management of Drinking Water Quality (as outlined in the Australian Drinking Water Guidelines). (Refer to section 2.)
- 2 Undertake a complete review of the drinking water monitoring program for the FRWS. In particular, the statistical robustness and the choice of monitored parameters needs to be improved. (Refer to section 2.)
- 3 Analyse and present data in a format that reflects current practice in reporting data on water quality. (Refer to section 2.)
- 4 Review and revise the maintenance procedures and processes to take full account of the maintenance of water quality in the management of supply interruptions in the FRWS. (Refer to section 2.)
- 5 Review the procedures that currently permit (if authorised by a team leader/ Manager) the cross connecting non-potable to potable mains in the FRWS to ensure that customers do not receive unfit water or, are otherwise appropriately informed. (Refer to section 2.)
- 6 Continue to implement its asset management system in accordance with their scheduled program. (Refer to section 2.1.)
- 7 Make the 'Code of Practice and Procedure on Debt Management' available to the public. (Refer to section 2.3.)

In addition to recommendation 4, IPART will review the currently agreed water quality performance indicators for the FRWS with State Water to ensure they are consistent with the monitoring program for the scheme.

The auditor has also identified a number of opportunities where compliance with the licence could be enhanced, or where State Water's practices and procedures could be improved (for a full list of these recommendations see Appendix B).

In response to recommendations 1-5, we will closely liaise with NSW Health and State Water to ensure that these matters are being appropriately addressed. State Water will be requested to provide us with a status report before 31 March 2012. The status report will set out the actions and timelines to address all of the key recommendations as well as the improvement opportunities. We will also review State Water's progress in addressing the key IPART recommendations as part of the 2011/12 operational audit.

# 1 Introduction and Scope

State Water was established on 1 July 2004 as a State Owned Corporation which delivers bulk water to rural and regional NSW. State Water owns, maintains, manages and operates major infrastructure to deliver bulk water to approximately 6,300 licensed water users on the state's regulated rivers. State Water is also responsible for environmental flows. These roles and responsibilities, as well as State Water's objectives are prescribed by the *State Owned Corporations Act 1989*, the *State Water Corporation Act 2004* and the operating licence issued to State Water under Part 2 of the Act.

IPART has undertaken a comprehensive audit of all licence conditions (including low risk obligations). The 2010/11 audit is the third audit of compliance with State Water's current licence with expires on 30 June 2013.

## 1.1 Purpose and structure of this report

The purpose of this report is to inform the Minister for Primary Industries of our findings in relation to State Water's performance against its audited licence obligations for the audit period and to set out our recommendations in response to these findings.

- ▼ Chapter 1 explains the scope of the audit review, and the process followed in undertaking the audit.
- ▼ Chapter 2 presents a summary of the audit findings and recommendations.
- ▼ Chapter 3 summarises the progress by State Water to address and implement recommendations from previous audits.

## 1.2 Audit Scope

This audit covers the period from 1 July 2010 to 30 June 2011. The 2010/11 audit scope required a review of all sections of the licence:

- ▼ Memoranda of Understanding (section 2.3) - requires State Water to maintain agreements with the Department of Water and Energy [now the NSW Office of Water, NOW], the Department of Primary Industry [now the Department of Industry and Investment, I&I] and the Department of Energy and Climate Change [now the Office of Environment and Heritage, OEH].
- ▼ Asset Management (Section 3) - obligations relating to State Water's asset management, asset management system reporting and augmentation of water management works. Clauses 3.2 and 3.3 were excluded from the audit.
- ▼ Customers Rights and Consultation (section 4) - obligations with respect to the community and customer consultation, customer contracts and the code of practice and procedure on debt management.
- ▼ Complaint and Dispute Resolution (section 5) - obligations for establishing and maintaining internal and external dispute resolution procedures and processes as well as the processes with respect to complaints made to other bodies.
- ▼ Water Delivery Operations (section 6) - obligations regarding water infrastructure operations, management of allocated water, water conservation, supply constraints, water metering, water balances and the Fish River water balance and system yield. Clause 6.7.1 (b) was excluded from the audit.
- ▼ The Environment (section 7) - obligations to the management of the environment in relation to State water's activities.
- ▼ Performance Indicators (section 8).
- ▼ Pricing (Section 9).

### 1.3 The audit process

We engage t-cAM consulting, in conjunction with iConnexx, (t-cAM) as the auditor to assist with the 2010/11 audit of State Water. The auditor was required to undertake the following tasks:

1. liaise with NSW Health to obtain that agency's views on State Water's licence compliance and whether any licence obligations should receive special focus as part of the audit
2. prepare an information request (questionnaire) for State Water setting out all information requirements prior to the audit interviews
3. conduct audit interviews to discuss the audit clauses and supporting information with State Water staff
4. assess the level of compliance achieved by State Water against each of the obligations of the licence set out in IPART's risk-based audit scope, providing supporting evidence for this assessment and reporting compliance according to IPART's established compliance scoring methodology
5. assess and report on progress by State Water in addressing any comments made by the relevant Minister and/or recommendations endorsed by IPART from previous audits, providing supporting evidence for these assessments
6. verify the calculation of performance indicators associated with requirements of the relevant operating licence and undertake an assessment of any underlying trends in performance arising from these indicator
7. provide drafts of the audit report to IPART and seek and address comments from State Water and IPART regarding the draft audit findings
8. prepare a final report on the findings of the audit.

As part of the audit process we sought submissions from the public on any matter related to the operating licences prior to commencement of audit interviews. We advertised for public submissions in the Sydney Morning Herald, Daily Telegraph, Newcastle Herald and The Land on 3 August 2011. We did not receive any submissions from the public.

t-cAM held a phone conference with NSW Health prior to the audit interview. The auditor also consulted NSW Health about the findings of the audit. NSW Health confirmed it was satisfied with the consultation through the audit. NSW Health is particularly interested in the findings relating to the supply of drinking water to Fish River customers which is discussed in further detail in next section of the report.

The auditor adopted an audit methodology consistent with ISO 14011 "Guidelines for Environmental Auditing" for this audit. These guidelines set out a systematic approach to defining the requirements of the audit, which ensure that it is conducted in accordance with an established and recognised audit protocol.

We held an inception meeting with the auditor and State Water representatives on the first day of the audit on 21 September 2011. At this meeting a mutual understanding and expectations of the requirements of the audit were established and protocols for the conduct of the audit were also set out. All parties adhered to the agreed protocols throughout the audit.

Audit interviews were conducted on the 21 and 22 of September 2011 at State Water's offices. Field visits were not conducted as part of this audit.

State Water's compliance with the relevant requirements of the operating licence was assessed according to the compliance grades outlined in chapter 1 of the t-CAM report (Appendix A).

## 2 Overview of audit findings and recommendations

Presented below is a summary of the auditor's findings and recommendations for each of the audited clauses and sub-clauses of the licence.

For each of the clauses we have included a table comparing State Water's performance in audits since the commencement of its operating licence. Following the table we discuss those clauses where State Water received less than full compliance and the auditor's reasoning for the grade. Finally we outline the recommendations to address the issues that have resulted in less than full compliance that we support.

During the course of the performance indicators audit, the auditor raised concerns relating to the water quality sampling protocols and the maintenance of water fit for purpose with regards to the Fish River Water Scheme (FRWS). This issue is outside the scope of the operating licence.

The only requirement in the licence that relates to the FRWS is that State Water must prepare a water balance and system yield for this supply, report these to IPART and publish these documents (Clause 6.7). Schedule 1 of the licence also includes 5 performance indicators for the FRWS.

While the auditor awarded Full Compliance for these requirements because State Water had met the relevant licence conditions, the auditor identified that the indicators examined for the Fish River Water Scheme are not reflective of good industry practice for the monitoring of drinking water quality as outlined in the Australian Drinking Water Guideline (ADWG).

In addition, the auditor identified an issue during the audit interview, when State Water discussed the possibility of cross connecting its raw water and potable drinking water mains for the FRWS. This issue is detailed in the attached auditor report.

Subsequent to the consultant finalising this audit report, we met with State Water. At the meeting State Water explained that the FRWS includes 2 pipelines that run next to each other. Prior to 2009, both of the pipelines carried treated water. If one pipeline required maintenance it was able to be safely cross connected to the other pipeline to minimise the disruption to supply. State Water advised that this practice ceased in 2009 when one of the pipelines was converted to supplying raw water (untreated water). Although the audit found no evidence that the pipelines have been cross connected since 2009 we note that State Water's written procedures permits cross connections if authorised by a team leader/Manager.

We consider that State Water's current procedures and practices for the FRWS are inadequate and inconsistent with the ADWG. State Water was unable to provide clear evidence of its procedures or protocols for ensuring that customers receiving untreated water are appropriately notified nor was there confirmation of how water was dealt with in the pipeline once it became charged with non-potable water. State Water should update its procedures to ensure they are consistent with the ADWG.

It should be noted that State Water's licence does not include any existing obligations related to drinking water quality from the FRWS. As the issue is outside the scope of the licence, we referred the matter to NSW Health for their attention. NSW Health has primary responsibility for regulating drinking water quality in NSW. NSW Health has met with State Water to discuss the issues and identify any immediate actions to manage any potential risk to public health.

While NSW Health is primarily responsible for this issue, we intend to follow up the auditor's recommendations to see that these matters are being addressed. Further we will consider whether it is appropriate to recommend changes to State Water operating licence to the Minister for Primary Industries as part of the end of term review of State Water's operating licence. This review is scheduled to commence in July 2012.

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In relation to these matters the auditor has recommended that:

- ▼ *Unplanned supply interruptions:* State Water must refine its maintenance procedures and processes to take full account of the maintenance of water quality in the management of unplanned supply interruptions in the FRWS.
- ▼ *Cross connections and water quality:* The practice of cross-connecting non-potable sources to potable lines in an effort to manage supply should be reviewed and revised to ensure that customers do not receive unfit water and, when required, are adequately informed.
- ▼ *Management of the system:* State Water should implement a management plan for the FRWS which is at least compliant with the Framework for Management of Drinking Water Quality (as outlined in the Australian Drinking Water Guidelines).
- ▼ *Adequacy of drinking water monitoring program:* State Water must undertake a complete review and revision of the overall drinking water monitoring program for the FRWS. In particular, the statistical robustness and the choice of monitored parameters need to be improved.
- ▼ *Analysis and presentation of results:* State Water should analyse and present data in a more meaningful fashion reflecting current practice in drinking water quality data reporting (suggested data representations are provided in the body of the report).

We support the auditor's recommendations. In summary, State Water should:

- 1 Implement a management plan for the FRWS which is consistent with the Framework for Management of Drinking Water Quality (as outlined in the Australian Drinking Water Guidelines).
- 2 Undertake a complete review of the drinking water monitoring program for the FRWS. In particular, the statistical robustness and the choice of monitored parameters need to be improved.
- 3 Analyse and present data in a format that reflects current practice in reporting data on water quality.
- 4 Review and revise the maintenance procedures and processes to take full account of the maintenance of water quality in the management of unplanned supply interruptions in the FRWS.
- 5 Review the procedures that currently permit (if authorised by a team leader/ Manager) the cross connecting non-potable to potable mains in the FRWS to ensure that customers do not receive unfit water or, are otherwise appropriately informed. (Refer to section 2.)

## 2.1 Memoranda of Understanding

Part 2 of the licence outlines State Water's responsibilities and functions. The only auditable section of this part of the licence is section 2.3 which discusses the memoranda of understanding that State Water is required to establish with NOW, I&I and OEH. The licence specifies the aim of the MOU and what it is to contain.

The auditor found that State Water either had MOUs in place or was working towards establishing them and demonstrated **full compliance** with the 5 licence sub-clauses audited under section 2.3 of the licence.

**Table 2.1 Summary of compliance with the memoranda of understanding part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
2.3	Memoranda of Understanding	Low-Full	High-Full	High-Full	High-Full	High-Full	Full

## 2.2 Asset Management

Part 3 of the operating licence outlines State Water's obligations relating to asset management. Only section 3.1 and 3.4 of the licence were audited as the actions in 3.2 and 3.3 were not applicable to the period being audited.

In this section 5 clauses were audited. The audited clauses were awarded **high and full compliance** respectively by the auditor. High compliance was awarded to 4 of the sub-clauses, the reason for award of a less than full compliance grade is discussed below.

**Table 2.2 Summary of compliance with the Asset Management part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>3</b>	<b>Asset Management</b>						
3.1	Asset Management Obligation	-	Full	Full	Full	Full	High
3.4	Augmentation of Water Management Works	-	Full	Full	Full	Full	Full

### Asset Management Obligation

The auditor awarded high compliance for the clause audited under this section. The main reason for the award of 'high' rather than 'full' compliance was because the asset management system is not yet complete. The auditor acknowledged the progress that State Water had made in establishing a 'best practice' system but felt that full compliance could not be awarded for this clause until the asset management system was complete and operational.

State Water has a programme for the completion and implementation of the asset management system and continues to work towards its goals as outlined. In response the auditor supported State Water's program and made no new recommendations.

IPART notes that the award of a high compliance grade appears inconsistent with the award of full compliance grades in previous years. The compliance grade for 2010/11 should not be compared to previous grades. More importantly the grade should not be interpreted as a statement that State Water's performance has deteriorated. State Water made further significant progress in 2010/11 towards developing a comprehensive, high quality asset management system. However, we support the auditor's reasoning and award of a high compliance grade.

To address the issue of consistency of audit opinion and grading we are currently working to develop an audit guideline for the annual public water utility audits.

IPART recommends that State Water:

- 6 Continues to implement their asset management system in accordance with their scheduled program. (Clause 3.1 (a) to (d).)

### 2.3 Customer's rights and consultation

State Water's obligations of consultation with communities and customers by means of various committees and councils are covered by part 4 of the operating licence. This part of the licence also covers items such as customer contracts, customer service charters and the code of practice and procedure on debt management.

State Water achieved **full compliance** with the 21 of the 22 audited clauses. **High compliance** was awarded for the remaining clause.

In addition to the auditor's findings we note that State Water failed to provide IPART with one of the quarterly reports detailing customer assistance. The report was however provided to the Minister and all other quarterly reports were provided to IPART.

**Table 2.3 Summary of compliance with the Customer's rights and consultation part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>4</b>	<b>Customers' Rights and Consultation</b>						
4.1	Community Consultative Committee	Full	Full	Full	Full	Full	Full
4.2	Valley based Customer Service Committees (excluding Fish River customers)	High-Full	High-Full	High-Full	Full	Full	Full
4.3	Customer Service Charter	Full	Full	Full	Mod-Full	Full	Full
4.4	Fish River Customer Council	Full	Full	Full	Full	Full	Full
4.5	Customer Contracts (Fish River Customers only)	-	-	Full	Full	Full	Full
4.6	Code of Practice on Debt Management	High-Full	High-Full	High-Full	Full	Mod-High	High - Full

The auditor made 2 key recommendations in areas that received a full compliance grade.

The first recommendation relates to the engagement of one of the Community Consultative Committee members. The recommendation was made in response to negative feedback from a member of the Community Consultative Committee. The response was in conflict with evidence, provided by State Water and on balance State Water was awarded full compliance with the licence clause. However, the auditor recommended that State Water consult with the member to develop mechanisms to achieve more effective engagement, in this instance.

Since the auditor has awarded full compliance for this obligation, we consider that this recommendation represents an opportunity for improvement for State Water to consider (refer to section 2.9).

The second recommendation relates to the availability of a translation facility for State Water customers. State Water only provides information in English and makes no facility available for translation services. The auditor recommended that State Water implement a translation service equivalent to that provided by other State Government Agencies and appropriately advise customers of the service's availability.

Given the auditor has again awarded full compliance for this obligation, we consider that this recommendation represents an opportunity for improvement for State Water to consider (refer to section 2.9).

### Code of practice and procedure on debt management

The auditor awarded high compliance for clause 4.6.3 relating to the public availability of a code of practice and procedure on debt management. We note that information regarding the process for debt management is contained on State Water's website however it is good industry practice to have the information available as a code.

In response to the issues the auditor recommended that State Water:

- ▼ Develop an appropriate 'Code of Practice and Procedure on Debt Management' and a policy with respect to availability of the Code of Practice and Procedure on Debt Management. The Code should be fully articulated to its customers. (Clause 4.6.3)

We support the auditor's recommendations, with minor amendments

- 7 [Make a copy of the 'Code of Practice and Procedure on Debt Management' available to the public. \(Clause 4.6.3\)](#)

## 2.4 Complaint and Dispute Resolution

State Water's obligations with regard to internal and external dispute resolution processes and complaints to other bodies are outlined in Part 5 of the operating licence.

State Water achieved **full compliance** with 14 of the 15 obligations audited. The remaining obligation was awarded **high compliance**. The reasons for the award of less than full compliance grades are discussed below.

**Table 2.4 Summary of compliance with the Complaint and Dispute resolution part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>5</b>	<b>Complaint and Dispute Resolution</b>						
5.1	Internal Complaints and Dispute Handling procedure	Low-Full	High-Full	High-Full	Mod-Full	High-Full	High – Full
5.2	External Dispute resolution procedure	High-Full	Full	Full	High-Full	Full	Full
5.3	Complaints to other bodies	Full	Full	Full	High-Full	Full	Full

### Internal Dispute Resolution Process

High compliance was awarded to sub-clause 5.1.1 which requires State Water's to have procedures in place to deal with complaints by "...Customers and the community against State Water". Upon review of State Water's procedures the auditor found no reference to 'the community' and only to customers. The auditor's report notes that this is a minor matter and has included a recommendation to amend the internal complaints handling procedures to indicate that they relate both to customers and the community.

State Water has provided evidence to show its current complaint handling procedure applies equally to customers and the community. State Water acknowledges that the wording of the procedure could be changed to makes its application to both paying and non-paying customers clearer. We consider that the auditor's recommendation represents an opportunity for improvement for State Water to consider.

## 2.5 Water Delivery Operations

Part 6 of the operating licence discusses State Water's obligations relating to its Water Deliver Operations. It contains sections covering, water infrastructure operations, management of allocated water, water conservation, supply constraints, water metering, water balances and Fish River water balance and system yield.

State Water achieved **full compliance** with all 17 obligations audited

**Table 2.5 Summary of compliance with the Water Deliver Operations part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>6</b>	<b>Water Delivery Operations</b>						
6.1	Water Infrastructure Operations	-	-	-	Full	Full	Full
6.2	Management of Allocated Water	-	-	-	Full	Full	Full
6.3	Water Conservation	Full	Full	Full	Full	Full	Full
6.4	Supply Constraints	Full	Full	Full	Full	Full	Full
6.5	Water Metering	Mod-Full	Mod-High	Mod-High	Mod-Full	High-Full	Full
6.6	Water Balances	Mod	High	High	Full	High-Full	Full
6.7	Fish River Water Balance and System Yield	Full	Full	Full	Full	High-Full	Full

## 2.6 The Environment

Part 7 of the operating licence details State Water's obligations in the area of the environment and specifically the requirements of the Environment Management Plan.

State Water achieved **full compliance** with the 8 obligations audited.

**Table 2.6 Summary of compliance with The Environment part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>7</b>	<b>The Environment</b>						
7.1	Environment Management Plan	Full	High-Full	High-Full	High-Full	High-Full	Full

## 2.7 Performance Indicators

Part 8 of the operating licence outlines State Water's obligations relating to maintaining record systems and reporting of its performance indicators which are further detailed in Schedule 1 of the operating licence.

**Full compliance** was awarded to State Water's performance relating to the obligations in part 8 as well as the requirements of schedule 1.

**Table 2.7 Summary of compliance with the performance indicators part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>8</b>	<b>Performance Indicators</b>						
8.1	Performance Indicators – Record systems	Low-Full	Low-Full	Low-Full	Low-Full	Low-Full	Full
8.2	Performance Indicators – Reporting	Full	Full	Full	Full	Full	Full
8.3	Performance Indicators – Provide IPART with physical and electronic access to records	Full	Full	Full	Full	Full	Full
8.4	Performance Indicators – Make report available to the public	Full	Full	Full	Full	Full	Full

## 2.8 Pricing

This section of the licence contains State Water's pricing obligations to ensure the level of fees applied does not exceed that determined as acceptable by IPART.

The auditor awarded **Full compliance** with this obligation after a schedule of fees and charges were reviewed.

**Table 2.8 Summary of compliance with the pricing part of the licence**

Clause	Summary of Requirement	Compliance Grading					
		2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>9</b>	<b>Pricing</b>						
	Fees and charges applied in accordance with the maximum prices and methodologies determined by IPART	Full	Full	Full	Full	Full	Full

## 2.9 Opportunities for improvement

The auditor has identified a number of potential opportunities where State Water's compliance with the licence could be enhanced, or its practices and procedures could be improved. These opportunities are considered in Appendix B.

We expect State Water to consider all recommendations and suggestions in the auditor's report. State Water will be requested to consider the benefits of implementing such actions and to provide a status report to us by 31 March 2012.

The status report will also set out the actions and timelines to address the key IPART's recommendations detailed in this report. We will review State Water's progress in addressing the key recommendations as part of the 2011/12 operating licence audit.

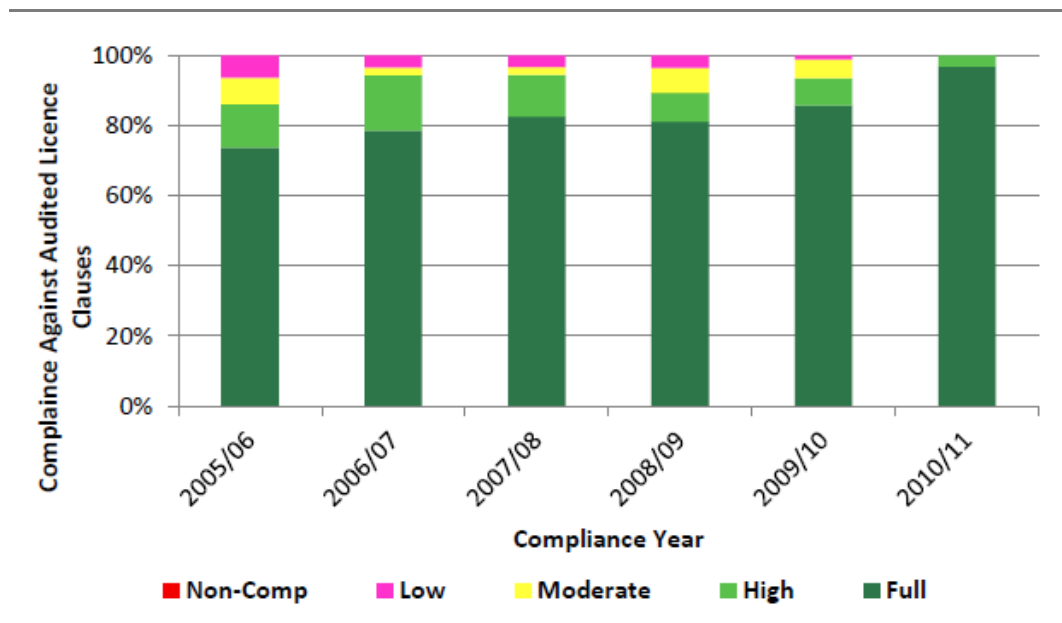


### 3 Recommendations from previous audits

#### 3.1 Comparison with previous years performance

State Water’s overall performance in 2010/11 continues the sound performance improvements in recent audits. Figure 3.1 below gives an overview of State Water’s compliance with the audited clauses

**Figure 3.1 An overview of State Water’s compliance history**



Because State Water is subject to a full audit of all clauses in the licence each year, Figure 3.1 provides a good illustration of the trend in State Water’s performance over time.

State Water’s strong commitment to improving compliance is readily apparent in Figure 3.1. Many of State Water’s compliance shortcomings in past audits reflected discrepancies between practices that existed prior to State Water formation. State Water has systematically addressed these matters and improved its performance to meet the requirements of the licence.

### 3.2 Recommendations from previous audits

The 2009/10 audit report identified licence areas where State Water's performance was assessed as less than high compliance. It also located areas where performance could be improved, even though high grades of compliance were awarded. We made recommendations to address these issues.

**Table 3.1 Summary of progress to address previous recommendations**

	<b>Recommendation</b>	<b>Progress</b>
R1	Ensure that the 'Minor Consumer Agreement – Conditions of Supply', which is in place for 600 minor customers of the Fish River scheme makes an explicit reference to the quality of water to be supplied.	<p>Not Completed.</p> <p>Internal distribution of First Draft of revised contract for comment occurred on 19 August 2011: 'Minor Consumer's Agreement for the Fish River Scheme'.</p> <p>While progress is being made, the speed of progress seems somewhat slow. We will continue to monitor progress with this recommendation.</p>
R2	Update the format of the 1 September 2010 report to IPART to provide further information in relation to its complaints resolution process, specifically a discussion on how complaints were resolved, a description of the success of the complaint resolution process and reasons where resolution was not possible.	<p>Completed.</p> <p>The report provided to IPART includes a profile of compliant and compliant management outcomes and customer feedback program outputs. Referenced information included items that were audited including example record sheets, survey forms and a customer compliant resolution satisfaction survey program output indicating a near doubling of customer satisfaction over the 4 surveys conducted across the year.</p>
R3	Clarify with IPART the definition of a supply interruption as it applies to the Fish River Scheme.	<p>Completed.</p> <p>State Water have refined their definitions but following detailed investigation there is some question as to State Water's interpretation of interruptions with respect to water quality incidents or deficiencies. This has been made the subject of a revised recommendation in 2010/11.</p>
R4	Clarify the rules relating to daily minimum flow targets; and obtain evidence of NOW's approval of the rules used for reporting performance against daily minimum flow targets.	<p>Completed.</p> <p>This issue has been adequately addressed. Minor refinements have been identified as a point for further improvement.</p>
R5	Provide a report to IPART before 31 March 2011 which provides process and timeframes to address recommendations which follow-up on the outstanding matters arising from the 2008/09 audit.	<p>Completed.</p> <p>Report provided on time, Letter to IPART CEO/Chairman 30 March, Operational Audit 2009/2010 – Actions to Address Recommendations. Addresses all issues, identifies responsibilities and program delivery outputs and dates.</p>



## **Appendices**



A | Operating Licence Audit – Auditor’s report





t-cAM Consulting

*in association with*



## **Final Report**

# **State Water Corporation Operational Audit 2010/11**

prepared for the

**Independent Pricing & Regulatory Tribunal**

December 2011





# Final Report

## State Water Corporation Operational Audit 2010/11

prepared for the  
Independent Pricing & Regulatory Tribunal

December 2011

Rev No.	Date	Title	QA checked by	Authorised by
1	14 Oct 2011	First Draft		
2	18 Oct 2011	First Draft	AD, CB	TC
3	4 Nov 2011	Second Draft	AD, CB	TC
4	29 Nov 2011	Final Draft	AD, CB	TC
5	22 Dec 2011	Final Report	TC	TC

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# Executive Summary

## Introduction

t-cAM Consulting, in association with iConneXX Pty Ltd (t-cAM team), conducted a detailed audit of State Water's compliance against all clauses of its Operating Licence required for auditing for the 2010/11 year (ending 30 June 2011), on behalf of the Independent Pricing and Regulatory Tribunal of NSW (IPART).

A Glossary and Dictionary of terms used in this report is provided in Appendix 1.

## Overall Performance

State Water has continued to improve its compliance with licence requirements and has managed its resources in 2010/11 to achieve predominantly **Full Compliance** with the Operating Licence, although some clauses were assigned a **High Compliance**, as discussed below.

## Water Quality in the Fish River Water Scheme

We have concerns that there is a gap in regulatory requirements for the operation of the Fish River Water Scheme (FRWS). This scheme supplies water to Oberon, Lithgow, the Sydney Catchment Authority, Delta Electricity and about 300 individual residential customers. Our investigations indicate there is insufficient regulatory oversight (i.e. there is no explicit licence requirement) to ensure that water supplied to residential consumers of this scheme is fit for purpose. This has important implications for public health and is further discussed in Chapter 8.

## Key Findings and Recommendations by Licence Part

State Water's approach to the audit was professional and the Corporation's performance continued the improving trend from 2009/10.

Key Findings and Key Recommendations against each Licence part, are set out in the following paragraphs. A number of Secondary Recommendations have also been developed. These do not relate directly to 2010/11 compliance, rather, they constitute opportunities for improvement and are discussed in the body of this report.

## Recommendations from 2009/10 audit

State Water made satisfactory progress against all of the audit recommendations from 2009/10 and has been rated as in **Full Compliance**. The only concern the auditor has, is with the length of time it is taking to address Recommendation 1 – Development of the revised contracts for the minor customers in the Fish River Water Scheme.

## **State Water's Responsibilities – Part 2 (MOUs)**

State Water achieved **Full Compliance** in meeting its Licence requirements relating to Memoranda of Understanding in 2010/11.

### ***State Water's Responsibilities – Key Recommendations***

There are no key recommendations relating to this section.

## **Asset Management – Part 3**

In evaluating State Water's progress against all aspects of what constitutes a sound Asset Management System, the auditor revisited the Asset Management criteria in the licence and took account of current industry practice in evaluating Asset Management performance. The criteria applied generally followed the criteria applied by State Water in its own independently commissioned performance gap analysis conducted within the audit year and produced similar results.

The compliance rating for 2010/11 should not be compared to previous ratings. More importantly, the rating should not be interpreted as a statement that State Water's performance has deteriorated. In fact, in 2010/11, State Water made further significant progress in developing a comprehensive, high quality asset management system.

When audited against the Licence requirements, utilising the revised criteria, State Water demonstrated **High to Full Compliance** in relation to the audited requirements related to Asset Management. High compliance was assigned as implementation of the asset management system is not yet sufficiently complete, specifically with regard to progress in data collection and validation.

We have made no recommendations relating to this part of the Licence because we consider State Water's current efforts to complete the asset management system to be adequate and appropriate. Achievement of Full compliance is, therefore, only a matter of time.

### ***Asset Management – Key Recommendations***

There are no key recommendations relating to this licence part.

## **Customer's Rights and Consultation - Part 4**

We considered that State Water exhibited **High to Full Compliance** for the audited clauses of this Licence part for 2010/11.

### ***Customer's Rights and Consultation – Key Recommendations***

- R 4.1 Consult with its CCC members to develop mechanisms to achieve more effective engagement.
- R4.2 Develop an appropriate 'Code' and a policy with respect to availability of the Code of Practice and Procedure on Debt Management. The Code should be fully articulated to its customers.
- R4.3 State Water should implement a translation service equivalent to that provided by other State Government Agencies and appropriately advise customers of the service's availability.

## **Complaint and Dispute Resolution - Part 5**

State Water achieved **Full to High Compliance** in meeting these Licence requirements. A High Compliance was awarded because of the following matter:

- Clause 5.1.1 requires that the internal complaints handling procedures should relate to “receiving, responding to and resolving complaints by Customers and the community against State Water”. State Water’s procedures only relate to customers (addressed in Secondary Recommendation R 5.1)

### ***Complaint and Dispute Resolution – Key Recommendations***

R 5.1 Amend internal complaints handling procedures to indicate that they relate to both customers and the community.

## **Water Delivery Operations - Part 6**

State Water achieved **Full Compliance** in meeting these Licence requirements. State Water has comprehensive, well rounded and sophisticated management strategies in place.

### ***Water Delivery Operations – Key Recommendations***

There are no key recommendations relating to this licence part.

## **The Environment - Part 7**

We awarded State Water **Full Compliance** in meeting these Licence requirements. This is an improvement over last year’s result.

### ***The Environment Key Recommendations***

There are no key recommendations relating to this licence part.

## **Performance Indicators - Part 8**

We assessed **Full Compliance** for State Water’s performance against the clauses of part 8 of the Licence in 2010/11, though in auditing the reported results we found cause for some concern. The indicators that we examined suggest that water quality considerations are not the prime concern in the supply of potable water to the FRWS. We have addressed the key issues in the following recommendations and we have provided further comment in Chapter 8.

### ***Performance Indicators – Key Recommendations***

- R 8.1 *Unplanned supply interruptions*: State Water must refine its maintenance procedures and processes to take full account of the maintenance of water quality in the management of unplanned supply interruptions in the FRWS.
- R 8.2 *Cross connections and water quality*: The practice of cross-connecting non-potable sources to potable lines in an effort to manage supply should be reviewed and revised to ensure that customers do not receive unfit water and, when required, are adequately informed.



- R 8.3 *Management of the system:* State Water should implement a management plan for the FRWS which is at least compliant with the Framework for Management of Drinking Water Quality (as outlined in the Australian Drinking Water Guidelines).
- R 8.4 *Adequacy of drinking water monitoring program:* State Water must undertake a complete review and revision of the overall drinking water monitoring program for the FRWS. In particular, the statistical robustness and the choice of monitored parameters need to be improved.
- R 8.5 *Analysis and presentation of results:* State Water should analyse and present data in a more meaningful fashion reflecting current practice in drinking water quality data reporting (suggested data representations are provided in the body of the report).

### Pricing - Part 9

We awarded State Water **Full Compliance** in meeting these Licence requirements.

#### Pricing – Key Recommendations

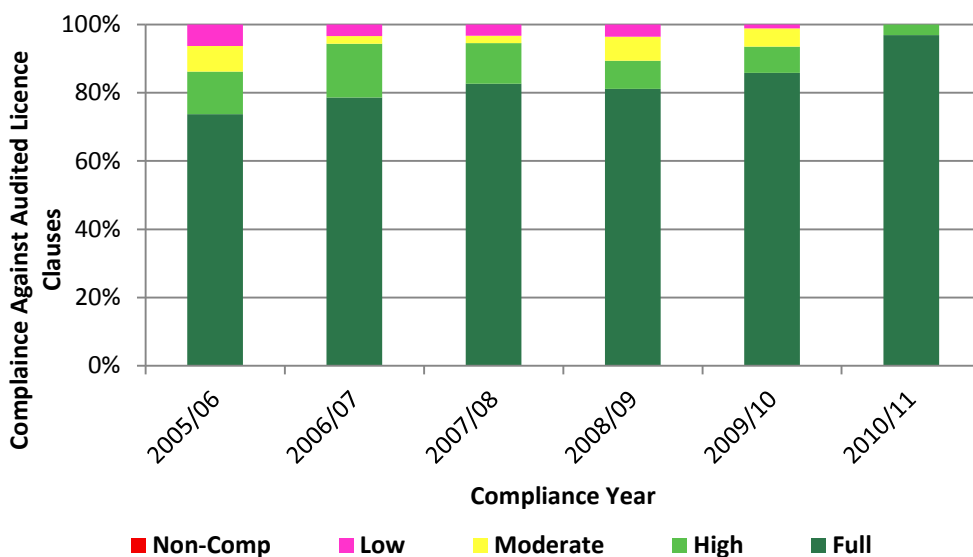
There are no key recommendations relating to this licence part.

## Comparison with previous year’s performance

State Water’s overall performance in 2010/11 continues the sound performance improvements in recent audits.

Because State Water is subject to a full audit of all clauses in the Licence each year, Figure ES-1 provides a good illustration of the trend in State Water’s performance over time. We have presented further discussion of historical performance in Appendix 11.

Figure ES-1 An overview of State Water’s Compliance History



In compiling this compliance history, we have reviewed previous audits. We noticed that many compliance shortcomings in past audits reflected a discrepancy between long time past practices that existed in prior to State Water coming under the current regulatory

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framework and the more stringent licence requirements they are now subject to. Over the past four audits, State Water has systematically addressed these matters and lifted its performance to meet the requirements of the licence.

State Water's strong focus on compliance is readily apparent in Figure ES-1.

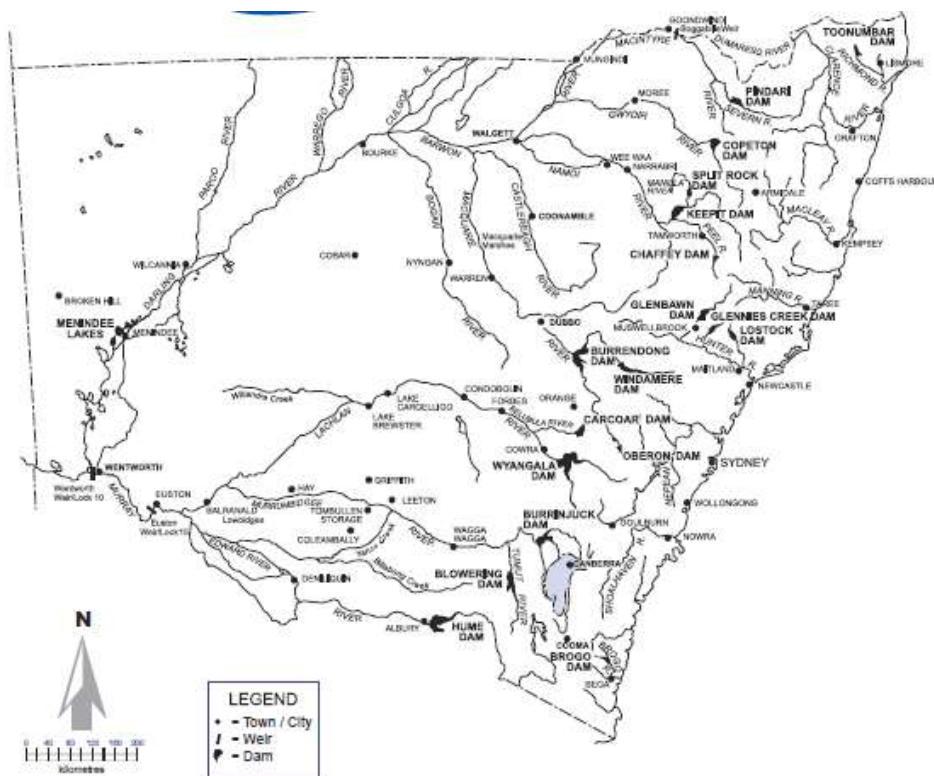
# 1 Introduction

## State Water Corporation

State Water Corporation (State Water) is New South Wales' rural bulk water delivery agency. State Water owns, maintains, manages and operates major infrastructure to deliver bulk water to approximately 6,300 licensed water users on the state's regulated rivers along with associated environmental flows. Historically, this has involved delivery of an average 5,500 GL annually, but in the recent extreme drought conditions, diversions have fallen to as low as 1,110 GL.

State Water was established as a stand-alone State Owned Corporation (SOC) on 1 July 2004, under the provisions of the *State Owned Corporations Act 1989*, by the *State Water Corporation Act 2004*. Before this, State Water was part of the Department of Energy, Utilities and Sustainability and before that, Department of Land and Water Conservation

Figure 1-1 State Water's Operations



Source: State Water Corporation

## Regulatory Structure

State Water's water distribution operations are variously regulated by State Government agencies as outlined below:

- The NSW Government has granted an Operating Licence to State Water under the *State Water Corporation Act 2004*.
- The Independent Pricing and Regulatory Tribunal (IPART) recommends the conditions of State Water's Operating Licence to the NSW Government, conducts periodic audits of performance against the Operating Licence and establishes some of State Water's prices for providing services.
- The NSW Office of Water (NoW) regulates water use in NSW. NoW was formerly part of the former Department of Environment, Climate Change and Water (DECCW). Before that, NoW was the Department of Water and Energy (DWE).
- The Dam Safety Committee (DSC) regulates dam safety. Since the DSC is a small organisation, many of its administrative facilities and functions are provided by NoW.

## Operating Licence

State Water's first Operating Licence was issued in 2005 for a period of three years. The current licence was issued in 2008 and applies until 30 June 2013. The Operating Licence specifies the minimum standards of service or performance that must be met by State Water in relation to its operations.

The licence is available from State Water's website: <http://www.statewater.com.au>

Part 11 of the Licence provides that IPART (or its appointee) may undertake an Operational audit of State Water's performance against the requirements of the Licence each year.

## Audit Scope

The Operating Licence specifies that the operational audit is to consider all clauses in the Licence. Accordingly, our report details State Water's compliance with all clauses in the licence in 2010/11. Our report also considers any follow up from recommendations in the prior year audit findings. These comprise Ministerial Requests for some action by State Water. Details are provided in Appendix 2.

## Audit Methodology

It was a requirement of this assignment that the operational audit adopted a methodology consistent with ISO 14011 'Guidelines for Environmental Auditing'. This guideline provides a systematic approach to defining the requirements of the audit, planning, interpreting Licence Conditions, collecting audit evidence, objectively assessing the evidence, and reporting in a clear and accurate manner. It also ensures that the audit has been conducted in accordance with an established and recognised audit protocol. The audit methodology that we have applied is discussed further at Appendix 12.

## Change to our audit process

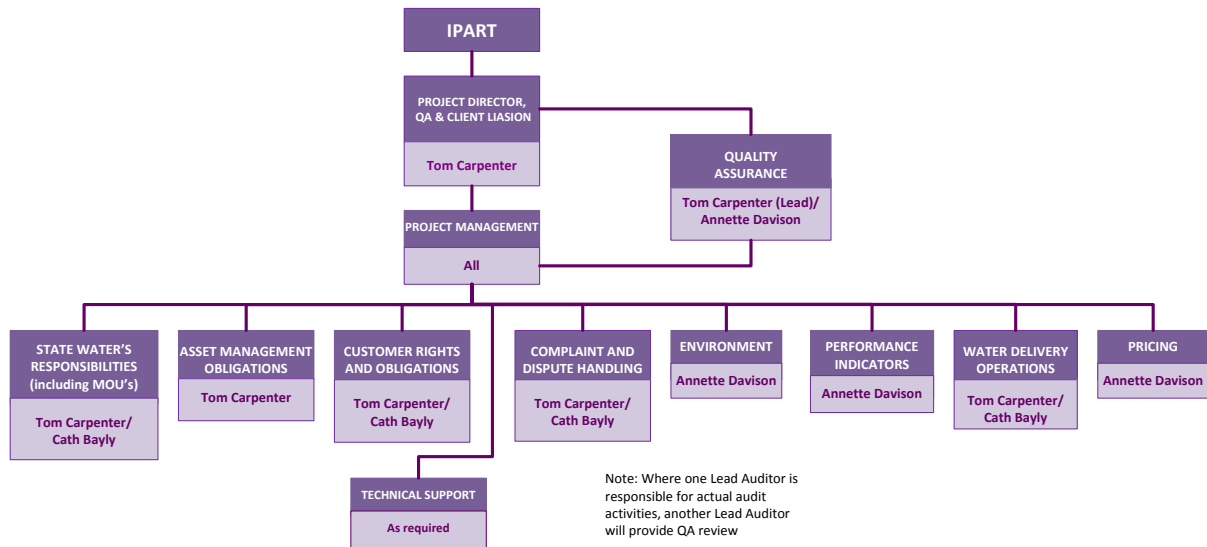
We constantly seek to improve our auditing performance. Last year our entire audit team sat in on all audit meetings, bringing multiple skill sets to our audits. Using this approach we identified some utility-wide overarching issues in the utilities that we audited.

This year, we have included an international auditor in our team to improve the perspective of the team and bring international experience to our audits.

## Audit Team

The audit team consisted of IPART accredited auditors drawn from **t-cAM Consulting** and **iConneXX Pty Ltd** as shown in Figure 1-2.

Figure 1-2 Structure and Responsibilities of the Audit Team



## Compliance Assessment Grades

The table below sets out the ratings used to grade compliance in this audit. These grades are consistent with compliance grades provided by IPART and range from Full Compliance to Non Compliance.

Term	Meaning
Full Compliance	All requirements of the condition have been met.
High Compliance	Most requirements of the condition have been met with some minor technical failures or breaches.
Moderate compliance	The major requirements of the condition have been met.
Low compliance	Key requirements of the condition have not been met but minor compliance achievements have been demonstrated.
Non compliance	The requirements of the condition have not been met.
Insufficient information	Relevant, suitable or adequate information to make an objective determination of compliance was not available.
No requirement	The requirement of this condition falls out of the audit period or there is no auditable requirement.
Statement of Compliance (S of C)	Compliance with the requirements of the condition has been certified by State Water. Clauses marked S of C are not subject to independent audit this year.

## Structure of this Report

This chapter provides some background and information on State Water, the scope of this audit and a discussion of audit methodology. Chapters 2 to 10 discuss compliance for each of the Licence parts assessed.

In the appendices, we have provided:

- A Glossary of abbreviations, terms used and definitions (Appendix 1)
- State Water's responses to issues raised at the 2009/10 audit (Appendix 2)
- Detailed audit findings for each section of the Licence that we audited (Appendices 3-10)
- An analysis of current performance with that of past audits (Appendix 11)
- Our audit methodology (Appendix 12)

## Licence Part Compliance Reporting

The reporting of compliance for each Licence part is structured as follows:

### (1) Within the body of this report:

<b>Licence requirement</b>	Comment on the objective of the Licence part.
<b>Factors affecting compliance</b>	A synopsis of factors that may have impacted compliance but were not within the control or influence of the utility. These may be ongoing or one-off events. They may have resulted in a discontinuity between historical performance and current performance.
<b>Licence part compliance</b>	Summary of compliance against the Licence part.
<b>Discussion</b>	A discussion of conclusions drawn, key sources of evidence or other information that provides insight into the reasoning for the level of compliance assigned, especially where this relates to more than one Licence clauses.
<b>Recommendations</b>	
– <b>Key Recommendations</b>	Deal with improvements that relate to compliance with the conditions specified in the Licence part. They may also relate to conditions which, in the auditor’s view, threaten future compliance with the licence requirement.
– <b>Secondary Recommendations</b>	Secondary Recommendations addressing alternative or improved methodologies, processes or practices that could lead to gains in efficiency or effectiveness in compliance. State Water is expected to give due consideration to these secondary recommendations.

### (2) Within the Table of Detailed Audit Findings for the 2009/10 Recommendations in Appendix 2

<b>Rec. Ref. No.</b>	The number of the Recommendation in the Audit Report for 2009/10.
<b>Recommendation from 2009/10 Audit</b>	The wording of the clause and (where relevant) any specific aspect that was the subject of audit or ‘Requirement’.
<b>Risk</b>	An indication of the possible consequence (in grade and nature) if the requirements of the clause were not met.
<b>Target for Full Compliance</b>	An indication, or target, of the performance or information required for Full Compliance.
<b>2010/11 Audit Grade</b>	The auditor’s assessment of the level of compliance achieved by the agency
<b>Auditor Commentary</b>	Auditor commentary and supporting evidence on the reported level of compliance.

**(3) Within the Table of Detailed Audit Findings in the Appendices:**

<b>Clause</b>	The number of the clause in the Licence part being audited.
<b>Requirement</b>	The wording of the clause and (where relevant) any specific aspect that was the subject of audit.
<b>Risk</b>	An indication of the possible consequence (in grade and nature) if the requirements of the clause were not met.
<b>Target for Full Compliance</b>	An indication, or target, of the performance or information required for Full Compliance.
<b>Compliance Rating</b>	The auditor's assessment of the level of compliance
<b>Audit Commentary</b>	Commentary and supporting evidence on the reported level of compliance.



## 2 State Water's Responsibilities – Part 2

### Summary of Licence Part Requirements

Part 2 of the Licence requires State Water to use its best endeavours to maintain Memoranda of Understanding (MOU) with its principal regulators, namely the Water Administration Ministerial Corporation (now represented by the NoW, for water management), NSW Department of Primary Industries (now the Department of Industry and Investment, I&I, for fisheries management) and the Department of Environment, Climate Change and Water (now the Office of Environment and Heritage, OEH, for environmental management).

### Factors Affecting Compliance

In relation to the finalisation of the MoU with the OEH, the recent election resulted in some delays in terms of getting the MoU finalised and confusion on how the environmental matters were going to be dealt with and their responsibilities. It is clear from the evidence provided that State Water has not been derelict in its duties to liaise with OEH and review the MoU, although the MOU does now need to be finalised.

There were no known external issues that may have substantially impacted on State Water's performance with respect to this Licence part.

### State Water's Responsibilities – Compliance

Our audit covered 5 components of clause 2.3 (2.3.1, 2.3.2 and 2.3.4 – 2.3.6). Overall, we assessed State Water to have demonstrated **Full Compliance** with the requirements of this part of the Licence. The 2009/10 audit found that reviews of MoUs with OEH and DII were delayed. We consider that these matters have been substantively addressed since the review of the MoU with DII is now complete and the review of the MoU with OEH has been agreed by both parties.

While not a compliance matter, we note that the MOU with NoW requires quarterly meetings. Only 3 meetings were held in the 2010/11 year. Compliance and supporting commentary for specific Clauses in this Licence part are shown in Appendix 3.

### Discussion

This part of the Licence is designed to clarify and explain expectations between State Water and specific government regulatory partners through clearly articulated Memoranda of Understanding (MoU). The Licence requires certain things to be in place to give effect to the MoU and the MoU are specifically required to at least capture this information, including State Water's good faith implementation of those requirements.

In managing the MoUs, we see the strengths of State Water as having diligent staff, being able to implement the MoUs on the ground, and forging good partnerships with its regulatory partners. However, during the course of the MoU audit, several documents were reviewed and a lack of consistency in document control and style was identified which could lead to errors due to version control deficiencies. As an overarching comment, it would be useful for the organisation

to review how it manages its report and other document templates (including document histories and document control) to achieve consistency.

There are a few additional minor shortcomings, but, based on the findings of this audit, the utility appears to be managing its MoU obligations quite well. State Water appears to be improving the way it administers its MoUs and the obligations within those MoUs. For instance, the partnership between I&I NSW and State Water is cemented in the production of an annual report specifically relating to the MoU and achievements of the two organisations for the preceding year.

While we consider that State Water has met the 2009/10 audit recommendation of having reviewed the OEH MoU, it now needs to ensure that it finalises the draft MoU with OEH as a matter of urgency. Further, we recommend that the 'Execution' section (signatures) of the MoU clearly states the positions of the signatories i.e. that the person signing for the OEH is at Director-General (DG) level or at least is reasonably representative of a DG as can be expected given the current flux of this department. Having someone not at DG level (or equivalent) sign the document could mean that State Water would not fulfil its obligation under this licence clause. We suggest that the OEH MoU should be placed on State Water's website as soon as it is finalised.

Regarding the MoU with NoW, the MoU requires the Strategic Liaison Group (SLG) to have at least quarterly meetings (MOU section 6(d), page 11) but only 3 were held in the 2010/11 year. This does not impact on compliance since clause 2.3 does not require State Water to comply with the MOUs, but it does require that State Water report its compliance with MOUs to IPART. However, we recommend that this matter should be addressed during the 2011/2012 year.

## Recommendations

### Key Recommendations

We have no key recommendations for this part of the Licence.

### Secondary Recommendations

We suggest that State Water consider the following matters:

- SR 2.1 *Compliance with the terms of MOU:* We note that the MoU with NoW requires the SLG to have at least quarterly meetings (section 6(d), page 11) but only 3 were held in the audit period. This aspect will need to be addressed for the 2011/12 year.
- SR 2.2 *Document Control and Consistency:* As an overarching comment, it would be useful for the organisation to review how it applies its report and other document templates (including document histories and document control) to achieve consistency.
- SR 2.3 *Communication:* State Water could use its Twitter account to inform followers when relevant documents, such as the MOU, have been posted on the website.
- SR 2.4 *OEH MoU:* The current definition of IPART in the Definitions and Interpretation section (page 4) is incorrect and should be Independent Pricing and Regulatory Tribunal, not the Independent Regulatory and Pricing Tribunal as currently written.

## 3 Asset Management – Part 3

### Summary of Licence Part Requirements

Part 3 of the Licence establishes an asset management framework and requires an audit of this framework to be undertaken during the term of the licence as agreed with IPART. This part also requires State Water to consider demand management strategies by customers when planning augmentation of water management works.

### Factors Affecting Compliance

We consider that no external factors substantially impacted on State Water's ability to comply with the requirements of this Licence part.

### Asset Management – Compliance

Our audit covered 2 clauses in part 3, (clauses 3.1 and 3.4). We assessed State Water's performance as demonstrating **High to Full Compliance** with the audited requirements of this part of the Licence in 2010/11.

Despite significant progress in developing the asset management system, we awarded High Compliance for all parts of clause 3.1 because the asset management system is not yet complete. We recognise the continuing efforts that State Water has devoted to this task and we have made no recommendations relating to this part of the Licence.

Supporting commentary for specific clauses in Part 3, Asset Management, are provided in Appendix 4.

### Discussion

State Water has a comprehensive plan for the implementation of a robust asset management system across the organisation. It has made considerable strides to introduce a system that is best practice. While significant progress has been made, the asset management system is not yet complete.

The licence requires that State Water must ensure that its Assets are managed in a manner consistent with:

- (a) its obligations in the Licence and all applicable laws, policies and guidelines with which State Water must comply, including the requirements of the NSW Dams Safety Committee;
- (b) the principles of the NSW Government's Strategic Management Framework and the NSW Government's Total Asset Management (TAM) Policy and Guidelines;
- (c) achieving the lowest cost of service delivery across the whole life of the Assets; and
- (d) identifying business risks related to the Assets and managing them to a commercially acceptable level.

We have interpreted the wording "assets are managed in a manner consistent with" to mean a requirement that the asset management system is complete and operational in line with the specified frameworks and current industry practice. We acknowledge that the development of a

comprehensive asset management system is a long term project and we recognise the very good work that State Water has done to develop a very robust asset management system. However, we were unable to award a compliance grade higher than “High”. In particular, data collection and validation is somewhere between 25% and 50% complete. This means there is a significant level of uncertainty surrounding the outputs of the system as these are directly related to any issues or deficiencies in the input data. This level of uncertainty will diminish over time as the data is collected and verified.

The results were consistent with the findings of State Water’s own gap analysis of its performance, carried out independently of this audit earlier in the audit year.

Given State Water’s current program for addressing the issues (or gaps) in their system, we expect that the asset management system will soon be at a level consistent with current best appropriate practice in the industry.

## **Recommendations**

### **Key Recommendations**

We have no key recommendations for this part of the Licence.

### **Secondary Recommendations**

We have no secondary recommendations for this part of the Licence.

## 4 Customer's Rights and Consultation – Part 4

### Summary of Requirements

Part 4 of the Licence establishes a Community Consultative Committee (CCC), various valley-based Customer Service Committees (CSC), a Customer Service Charter and Customer Contracts (for Fish River customers), and debt management processes. These provisions enable customer representatives to be kept informed of any changes to the service and ensure that a forum is provided for State Waters customers so that they can be involved in setting the strategic direction of the business.

### Factors Affecting Compliance

We consider that no external factors substantially impacted on State Water's ability to comply with the requirements of this Licence part.

### Customer's Rights and Consultation – Compliance

Overall, we assessed that State Water exhibited **Full to High Compliance** for the clauses of this Licence part for 2010/11. State Water has continued its good work in most areas covered by this part of the licence. While full compliance was awarded for consultation with and provision of information to the CCC, we have developed a recommendation to resolve competing claims concerning this matter as discussed below. Availability of the Code of Practice and procedure on debt management (Clause 4.6.3) received only **High compliance** due to implementation issues.

Compliance and supporting commentary for specific clauses of this part may be found in Appendix 5.

### Discussion

By and large, the processes discussed under this clause relating to Customer Service Committees appear to be well integrated into the organisation's activities and appear to be working well for both the CSC members and State Water. We found a strong management focus on customer issues. We received a good response to our request for feed-back from State Water CSC members (15 replies). This feed-back indicated that State Water was relating well with CSCs and addressing most key issues of interest to these committees.

Conversely, we had only one response to our request for feed-back from members of the CCC and this response was quite negative. While one poor response that seems to be in conflict with other available evidence, as provided by State Water, is insufficient to justify other than Full compliance, the issue needs to be addressed to avoid potential future compliance issues.

We have, therefore, formulated a recommendation that State Water should work to resolve any outstanding differences with this CCC member and achieve more effective engagement with the CCC generally.

The availability of the Code of Practice and Procedure on Debt Management can be improved by it being fully articulated and in a form suitable to cater to all potential customers in a form

suitable to their likely needs, in line with other Government agencies. It also needs to be easily accessible. Additionally, there is no translation facility available for customers (for this or for any other dealings State Water might have with customers requiring such services). While translation services may only be considered as 'good practice' rather than a compliance failure, the auditor notes that the Australian Bureau of Statistics reports 26% of the NSW population speaks a language other than English at home.

## Recommendations

### Key Recommendations

We recommend that State Water:

- R 4.1 Consult with its CCC members to develop mechanisms to achieve more effective engagement.
- R4.2 Develop an appropriate 'Code of Practice and Procedure on Debt Management' and a policy with respect to availability of the Code of Practice and Procedure on Debt Management. The Code should be fully articulated to its customers.
- R4.3 State Water should implement a translation service equivalent to that provided by other State Government Agencies and appropriately advise customers of the service's availability.

### Secondary Recommendations

We recommend that State Water:

- SR 4.1 To ensure that State Water are protected from any claims regarding supplying privileged or confidential information to the consultative committees (CCC and CSCs), compile a brief policy document which outlines the extent of information that can be supplied to these committees, therefore ensuring that the General Manager of Strategy and Government Relations and other staff members can safely and correctly disseminate information to the CCC representative members.
- SR 4.2 State Water should consider ways of informing its 'minor' Fish River customers that their interests are considered to be represented on the CSC by the Lithgow and Oberon Council representatives and provide details to them of how they might input to the CSC via these representatives.

## 5 Complaint and Dispute Resolution – Part 5

### Summary of Licence Part Requirements

Part 5 of the Operating Licence requires State Water to establish and maintain robust complaint handling procedures and effective dispute resolution processes.

### Factors Affecting Compliance

There are no substantive factors that have impacted on State Water's performance against part 5 of the Licence in 2010/11.

### Complaint and Dispute Resolution – Compliance

Our audit covered all parts of the 3 clauses in part 5, (clauses 5.1 – 5.3). We assessed State Water's performance against this part of the Licence as **Full to High Compliance** for 2010/11.

The area for which High Compliance was assessed is as follows:

- Clause 5.1.1 requires that the internal complaints handling procedures should relate to "receiving, responding to and resolving complaints by Customers and the community against State Water". State Water's procedures only relate to customers.

This is a relatively minor matter which we have addressed with a recommendation. Compliance and supporting commentary for the individual clauses in this part are outlined in Appendix 6.

### Discussion

In managing customer and consumer rights, we found a strong management focus on customer issues, and a proactive continuous improvement process to develop appropriate processes for complaints handling. State Water has undertaken self-auditing to ensure that implemented processes are working from the customer's perspective.

The Corporation has already made some major improvements in this area. State Water had a recommendation from the last audit to review their current procedures against the Australian Standard. This prompted a review of the existing processes against the standard, resulting in a number of improvement activities to address some identified deficiencies. State Water has consequently undertaken significant steps to address the identified deficiencies and have embraced a continuous improvement ethos in the complaint and dispute resolution area.

The main improvements have included:

- Improving complaint and dispute handling procedures to align with the Australian Standard, Customer Satisfaction - Guidelines for complaints handling in organisations ISO 10002-2006
- Updating close out procedures to ensure complaint tickets are only closed when the matter is fully resolved from the customers perspective
- Improving descriptions of how complaints are resolved

- Undertaking surveys to review how well State Water has resolved complaints
- Surveying customers to understand how well State Water is perceived to be handling complaints
- Ongoing improvement actions such as developing training manuals to assist new staff members.

While significant improvements have been made, the report provided needs to document the close-out the improvement program activities more effectively.

As noted earlier, Clause 5.1.1 requires complaints handling procedures refer (and therefore apply) to both customers and community and the State Water procedure only refers to customers. Evidence was produced that staff were not differentiating in practice, however strict adherence to the procedure would allow for this to occur, and it has been an issue with other agencies in the past.

Clause 5.2.6 requires a pamphlet that explains how the External Dispute Resolution Scheme or Industry Scheme operates and how it can be accessed. While State Water's pamphlet provides qualitative information about the EWON scheme and where to find information on EWON and how it operates, it does not detail how the EWON process works. Given customers can find the particulars of the process utilising the information provided; this has not been recorded as a licence breach. However, an opportunity for improvement has been made for State Water to review the adequacy of the information provided.

## **Recommendations**

### **Key Recommendations**

We recommend that State Water:

- R 5.1 Amend internal complaints handling procedures to indicate that they relate to both customers and the community.

### **Secondary Recommendations**

We recommend that State Water consider:

- SR 5.1 Amend the pamphlet that explains the External Dispute Resolution Scheme to include information on how the EWON scheme operates or provide better referencing to where this information may be found.
- SR 5.2 A number of improvements were identified as part of the review against the standard. As part of the continuous improvement process it would be useful to close out this process completely by updating the report with a summary of completion (i.e. reporting completion against the improvement tasks).



## 6 Water Delivery Operations – Part 6

### Summary of Licence Part Requirements

This part of the Licence deals with State Water's activities of water management infrastructure operation and delivery of water to customers. It also covers the water conservation, meter compliance and water balances

### Factors Affecting Compliance

There are no substantive factors that have impacted on State Water's performance against Part 6 of the Licence in 2010/11.

### Water Delivery Operations – Compliance

Our audit covered all 7 clauses in part 6, (clauses 6.1 – 6.7, except clause 6.5.3). We assessed State Water's performance against all clauses of this Part as **Full Compliance** for 2010/11. Compliance and supporting commentary for individual Clauses in Part 6 of the Licence, Water Delivery Operations, are outlined in Appendix 7.

### Discussion

In managing delivery of water to its customers whilst taking into account the environmental considerations, the strengths of this utility are:

- Strong management focus on continuous improvement including the CARM pilot in Murrumbidgee, development of asset hierarchies in preparation for a new Asset Management System, development of proactive works programs;
- Prudent support of operations staff capability and accountability through the "Cluster" arrangement of operations staff and training program for valleys other than their own;
- Alignment of operations activities and approaches across the valleys;
- Well established processes for the management of water delivery.

State Water has in place a fairly robust system for monitoring river flows and managing supply of water to customers whilst balancing environmental and service requirements. There is a program of continuous improvement in place with the metering program, pilot program for real time modelling in the Murrumbidgee scheme and the review of business needs with respect to the new asset and financial systems solution. Although some sound programs have been in place for the last 15 years the organisation recognises that there is a need for further refinement and have chosen a pragmatic approach to proving the concept using a pilot scheme.

The change in operations coordination has assisted State Water in reducing potential risks from operator errors or resource constraints. Ongoing training of staff for operations in other schemes will also help to reduce the risks inherent in using systems that required specialised operator knowledge and judgement. Overall, corporate system improvements will assist in the

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management of accurate and appropriate asset information and the team should be commended for their efforts in developing asset hierarchies and asset class relevant maintenance programs.

## **Recommendations**

### **Key Recommendations**

There are no key recommendations for this part of the licence

### **Secondary Recommendations**

We have no secondary recommendations for this part of the Licence

## 7 The Environment – Part 7

### Summary of Licence Part Requirements

In the exercise of its functions, State Water has a considerable impact on the environment. Part 7 of the Licence is designed to ensure that its environmental performance is consistent with current environmental management practice. The Licence requires the establishment of a robust framework and reliable and auditable application of that framework through development and business-wide implementation of an Environment Management Plan.

### Factors Affecting Compliance

Under Clause 7.1.7, State Water is required to report its performance against, or compliance with, among other things, the State Water Management Outcomes Plan (SWMOP). The SWMOP was created under Section 6 of the *Water Management Act 2000* (NSW) and is an instrument that applies across the State and not to State Water as an entity. However, the SWMOP is no longer in effect as it was created in 2002, lasted until 2007 and has not been replaced. State Water is not in a position to report against a non-existent plan. We consider that there are no other substantive factors that have impacted on State Water's performance against Part 7 of the Licence in 2010/11.

### The Environment – Compliance

Our audit covered all auditable parts of the 7 parts of clause 7.1 in part 7, (clauses 7.1.1 – 7.1.7, except clauses that had no requirement for 2010/11). We assessed **Full Compliance** for State Water's performance against all clauses of section 7 of the Licence in 2010/11. Compliance and supporting commentary for the individual clauses in this part are outlined in Appendix 8.

### Discussion

State Water's performance in the environment area has improved from one High Compliance last year to overall Full Compliance this year. State Water has undertaken some innovations in the environmental management area including the introduction of a 'Green Team' and undertaking a Carbon Footprint Baseline study for Scope 1, 2 and 3 emissions under the *National Greenhouse Emissions Reporting Act 2007* (Cth).

We consider the strengths of State Water in the area of environmental management are:

- Strong focus on environmental obligations and issues;
- Willingness to set stretch targets for improvement in environmental performance (e.g. undertaking a Carbon Footprint Baseline study for Scope 1, 2 and 3 emissions under the *National Greenhouse Emissions Reporting Act 2007* (Cth));
- Very good staff awareness and diligence; and
- Very good 'buy-in' across its state-wide operations (e.g. the 'Green Team' does not just consist of staff from the Sydney office).

We would suggest that State Water sets a milestone for achieving ISO 14001 certification as a means of external verification and acknowledgement of its overall environmental management practices.

## Recommendations

### Key Recommendations

There are no key recommendations for this part of the licence.

### Secondary Recommendations

We suggest that State Water consider:

- SR 7.1 *FRWS*: Under EMP objective 2, for the FRWS, the percentage compliance with the Australian Drinking Water Guidelines is not considered the best performance measure for understanding management of the scheme. This issue is discussed in more detail under Performance Indicators (Clause 8, part 3. Water Quality).
- SR 7.2 *Future Checks of Environmental Practice Implementation*: Given that State Water views its EMP as an overarching document that reflects its environment management practices corporation-wide, for future audits, it is recommended that a site audit be undertaken to check how instruments under the plan, such as the Wyangala Site Action Plan, are implemented in practice.
- SR 7.3 *Environment Management Plan*: Consider including a direct Operating Licence clause and sub-clause cross-reference to each action in the EMP. This action could be achieved by including a separate 'Operating Licence Cross-reference' column in the EMP after the 'Performance Measure' column.
- SR 7.4 *Environment Management Plan*: While the brief and targeted nature of the EMP is to be applauded, it is felt that for completeness, the *Protection of the Environment Operations Act 1997* (NSW) should have been included in the 'Statutory Framework' section on page 4, since it is a key piece of environmental protection legislation for State Water's operating context. It is suggested that this legislation be covered up front in the document when the EMP is next revised.
- SR 7.5 *DOC 15552*: Note that the correct reference for the Australian Drinking Water Guidelines should be NHMRC/NRMMC (National Health and Medical Research Council/Natural Resource Management Ministerial Council) (2004).
- SR 7.6 *DOC 15552*: That water quality awareness (i.e. the need for diligence in water sampling and chain of custody requirements to ensure confidence in the results) is included as part of the training requirements for water quality sampling.
- SR 7.7 *Training*: A training register was viewed during the interview showing dates and attendees for particular types of training. It is suggested that training should be integrated into existing systems if possible to optimise currency maintenance of

training records and requirements. State Water's Facility Maintenance Management System could be the vehicle for capturing training as training can be linked to work orders (i.e. via the training prerequisites for undertaking a particular job).

- SR 7.8 *Training:* State Water does not currently include an assessment in the training induction material to test whether inductees understand the content. It is suggested that a small assessment is added to the induction process to review whether people have understood the content of the training.

## 8 Performance Indicators – Part 8

### Summary of Licence Part Requirements

In the exercise of its functions, it is important for any utility to have appropriate performance indicators on which its performance can be assessed. Consequently, part 8 of the Licence is designed to ensure that State Water's performance can be monitored for the level and type of services it supplies to its customers. The Licence requires that not only does State Water report on the relevant indicators but that it has a robust record, document and analysis framework to support the reporting of indicators.

The only requirement in the licence related to the FRWS is that State Water must prepare a water balance and system yield for this supply, report these to IPART and publish these documents (Clause 6.7). Schedule 1 of the licence also includes 5 performance indicators for the FRWS. We awarded Full Compliance for these requirements because State Water had met the relevant licence conditions. However, there appears to be a gap associated with oversight of the 'fitness for purpose' of the quality of the drinking water supplied by the FRWS (Schedule 1, Part B, 2. Water Quality specifically and within Asset Management indicators at Schedule B, Part B, 1. Asset Management). This issue currently presents a regulatory gap for drinking water supplied by the FRWS, which will need to be reviewed and addressed.

### Factors Affecting Compliance

Floods during December 2010 impacted on the focus of staff in having to deal with the emergency situations as well as the preparation of Ministerial correspondence associated with the flooding. There have been no other external factors that have significantly impacted on State Water's ability to meet its obligations under this part of the Licence.

### Performance Indicators – Compliance

Our audit covered all four auditable parts in part 8, (clauses 8.1 – 8.4). We assessed State Water's performance at **Full Compliance** against the clauses of part 8 of the Licence in 2010/11. However, there are several recommendations provided which must be viewed as caveats on the compliances awarded.

State Water's attention to detail appears to have improved since last year's audit in which inconsistencies and lack of detail in reporting systems were noted.

Compliance and supporting commentary for the individual clauses in this part are outlined in Appendix 9.

### Discussion

Overall, State Water reporting against its indicators is improving. In 2009/2010, State Water achieved a range of compliance from Low to Full - largely as a result of insufficient recording systems to specifically measure performance against the identified indicators and also errors in the calculation and reporting of performance data. During 2010/2011, State Water has addressed the issues noted, to the auditor's satisfaction, resulting in an improvement to overall Full

compliance. However, in the area of drinking water quality, there are several recommendations for improvement, which are noted below.

In managing the area of performance indicators, we consider that State Water's strengths are the diligence of staff and the strong focus on requirements of this section.

While not a compliance matter, we are concerned that indicators examined for the FRWS are currently not reflective of the importance of producing and maintaining potable water and, as noted above, currently represent a regulatory gap for drinking water supplied from the FRWS. Further, it is not clear whether customers receiving untreated water are appropriately notified or how the pipeline is managed on the occasions it becomes charged with raw i.e. non-potable, water.

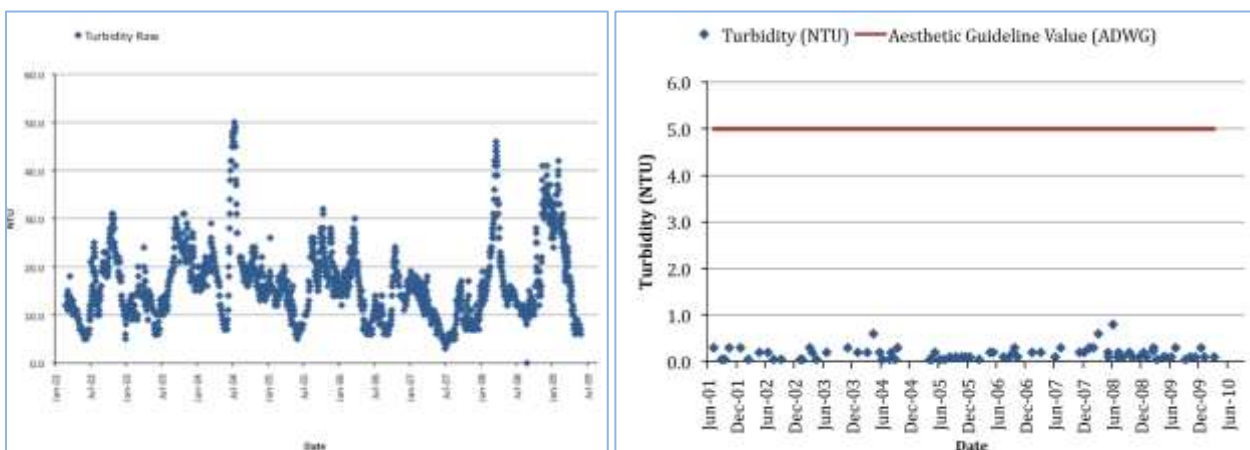
State Water has some good systems in place for managing its data requirements and with recent training in these systems, it is anticipated that the minor issues noted, will be addressed for future audits and will help to improve State Water's performance in this area into the future.

In developing its drinking water monitoring program, State Water should look for guidance from such sources as:

- NHMRC, NRMCC (2011) *Australian Drinking Water Guidelines Paper 6 National Water Quality Management Strategy*. National Health and Medical Research Council, National Resource Management Ministerial Council, Commonwealth of Australia, Canberra (October 2011) (ADWG, 2011);
- Australian Guidelines for Water Quality Monitoring and Reporting 2000; and
- NSW Health Drinking Water Monitoring Program 2005 (based on guidance in the ADWG).

Also, State Water should now be analysing and presenting data in a more meaningful fashion reflecting current practice in drinking water quality data reporting. Historical trend analyses (tabulated and graphical representation) need to be provided. An example of a complying representation of data for turbidity in raw water and for fluoride analysis in treated water 'at tap' is provided below (Figure 1).

**Figure 8.1. Example of historical trend analyses – turbidity in raw water (left), and treated water (right) (not from the same water supply systems).**



## Recommendations

Our recommendations that follow have been provided in the context of improving the surety of the quality and safety of drinking water supplied through FRWS. We recognise that these recommendations do not pertain to compliance with operating licence requirements. However, we consider that they are in line with current water industry best practice and the intent of the ADWG and so have been given the emphasis that comes with inclusion as formal recommendations.

### Key Recommendations

We recommend that State Water:

- R 8.1 *Unplanned supply interruptions:* State Water must review and revise its maintenance procedures and processes to take full account of the protection of water quality (not just water quantity) in the management of unplanned supply interruptions in the FRWS.
- R 8.2 *Cross connections and water quality:* The issue of cross-connecting non-potable sources to potable lines in an effort to manage supply should be reviewed and revised to ensure that customers do not receive unfit water and, when required, are adequately informed.
- R 8.3 *Management of the system:* State Water should implement a management plan for the FRWS which is at least compliant with the Framework for Management of Drinking Water Quality (as outlined in the Australian Drinking Water Guidelines). We understand that State Water has commenced the development of a HACCP plan for the scheme (which is applauded) and we recommend, as part of that plan, that a cross-reference table be developed to show how the plan meets the 12 elements, 32 components and 76 actions of the Framework for Management of Drinking Water Quality.
- R 8.4 *Adequacy of drinking water monitoring program:* The letter from FRWS to IPART which provides information on the sampling locations for the FRWS is dated 2005. There should be a complete review and revision of the overall drinking water monitoring program for the FRWS to include (but not limited to) the following elements:

Appropriate choice of parameters and attention to detail in reporting units: For instance, parameters such as chlorine residual are of use in determining fitness for purpose of drinking water at the customer connection or the handover point where State Water's responsibility for quality terminates.

Statistical robustness: This means that features of the program should include sample numbers and locations which match the customers served, the sampling locations represent appropriate zones, and sampling frequency allows for any issues to be picked up and dealt with in a timely fashion,

Clarification of the type of monitoring i.e. operational and/or verification



monitoring.

- R 8.5 *Analysis and presentation of results:* State Water should analyse and present data in a more meaningful fashion reflecting current practice in drinking water quality data reporting (See Figure 1 above).

Currently the colour unit in the data reported by State Water is represented as 'CU' when the normal unit is the Hazen Unit or 'HU'. Colour may also be represented by True Colour Units or TCU - the numerical values are identical to Hazen Units. At the moment, it is unclear whether there is a typographical error in the units and the unit should be TCU or HU.

### **Secondary Recommendations**

We suggest that State Water consider:

- SR 8.1 *Training in CRM database:* Training in CRM should help to improve the use of the ticketing system and should be reviewed in the 2011-2012 audit period for success.
- SR 8.2 *IPART Performance Indicators Reporting Procedure (DOC10/2861):* While the requirements of previous recommendation R9.1 from the 2009/10 audit has been met, the procedure provided as evidence against R9.1 (DOC10/2861) will need to be finalised and implementation will need to be checked at the next audit. Changes to the incident notification forms (DOC11-18080) will also need to be reviewed to reflect appropriate data capture for unplanned and planned supply interruptions.
- SR 8.3 *Reporting of suspensions:* It would be helpful to have a tag or other unique identifier in WAS to allow the originator of the suspension to be identified (i.e. NoW or State Water)

## 9 Pricing – Part 9

### Summary of Licence Part Requirements

Part 9 of the licence is designed to ensure that State Water complies with the appropriate pricing framework to ensure consistency with IPART determinations. The licence requires the application of appropriate fees and other charges for services and reliable and auditable application of that framework.

### Factors Affecting Compliance

There have been no external factors that have significantly impacted on State Water's ability to meet its obligations under this Licence Part.

### Pricing – Compliance

Our audit covered the single clause 9. We assessed State Water's performance at **Full Compliance** against this clause of the Licence in 2010/11. Compliance and supporting commentary for the individual clauses in this part are outlined in Appendix 10.

### Discussion

State Water is well prepared for the changes in pricing regulation which will occur post 2014 when the Australian Competition and Consumer Commission (ACCC) takes over responsibility for bulk water pricing under the provisions of the *Water Management Act 2007* (Cth). There is some debate whether IPART may also have some function in regulating pricing for some of the State Water managed assets (effectively as an agent of the ACCC). State Water's understanding of future changes to its operating context should stand it in good stead for future acquittal of its pricing obligations whether under an ACCC only or ACCC and IPART regulatory regime.

### Recommendations

#### Key Recommendations

There are no key recommendations for this part of the licence.

#### Secondary Recommendations

There are no secondary recommendations for this part of the licence.

# Appendix 1 – Glossary and Dictionary

## Abbreviations/Acronyms

Abbreviation/Acronym	Description
ADWG (2004)	Australian Drinking Water Guidelines (2004), National Health and Medical Research Council and Agriculture and Resource Management Council
ADWG (2011)	2011 amendment to ADWG (2004)
Act	State Water Corporation Act 2004 (NSW).
AEW	Adaptive Environmental Water
AOMS	Assets and Operations Maintenance System
AS	Australian Standard
CAIRO	Computer Aided Improvements to River Operations
CARM	Computer Aided River Management
CCC	Community Consultative Committee
CDSS	Catchment Decision Support System
CIS	Customer Information System
CMA	Catchment Management Authority as listed in Schedule 1 of the <i>Catchment Management Authorities Act 2003</i>
CRM	Customer Relationship Management
CSC	Customer Service Committees
CWP	Cold Water Pollution
DEC	Former Department of Environment and Conservation – now OEH
DECC	Former Department of Environment and Climate Change – now OEH
DECCW	Former Department of Environment, Climate Change and Water – now OEH

<b>Abbreviation/Acronym</b>	<b>Description</b>
DEUS	Former Department of Energy, Utilities and Sustainability – covered part of the former DLWC
DLWC	Former Department of Land and Water Conservation (NSW) then changed to DWE
DIPNR	Former Department of Infrastructure, Planning and Natural Resources (NSW) – now covered by Department of Planning, OEH, NSW Office of Water (NoW) and Department of Industry and Investment NSW
DMP	Drought Management Plan
DPI, DII	Department of Primary Industries, now the Department of Industry and Investment
DSC	Dam Safety Committee constituted under section 7 of the <i>Dam Safety Act 1978</i>
DWE	Department of Water and Energy – now covered by NSW Office of Water (NoW)
EMP	Environmental Management Plan
EPA	Environment Protection Authority (NSW) – Now part of the Office of Environment and Heritage (OEH)
ESD	Ecologically Sustainable Development
EWON	Energy and Water Ombudsman NSW
FRWS	FRWS Water Supply Scheme
GEMP	Government Energy Management Plan
GIS	Geographical Information Systems
GL	Gigalitre (1 thousand megalitres)
State Water, SWC	State Water Corporation
IPART	Independent Pricing and Regulatory Tribunal (NSW)
ISO	International Standards Organisation
IT	Information Technology

<b>Abbreviation/Acronym</b>	<b>Description</b>
iWAS	Internet Water Accounting System
kL	Kilolitre (1 thousand litres)
Km	Kilometre
ML	Megalitre (1 million litres)
MOU	Memorandum of Understanding
MNF	Minimum Night Flows
M&R	Monitoring and Reporting
NATA	National Analytical Testing Authority
NoW	NSW Office of Water.
NPR	National Performance Report (published by the National Water Commission and the parties to the National Water Initiative).
NSW Health	NSW Department of Health
OEH	Office of Environment and Heritage (formerly DECCW, the NSW Environmental Regulator)
pa	Per annum
pH	A measure of the acidity of a solution related to the concentration of hydrogen ions.
QA	Quality Assurance
RERP	Rivers Environmental Restoration Program
RFQ	Request for Scope of Work and Quote (sent by IPART on 5 July 2011)
SCADA	Supervisory Control and Data Acquisition – a computer based system to monitor and control the operation of infrastructure
SEDA	Sustainable Energy Development Authority
SLA	Service Level Agreement

<b>Abbreviation/Acronym</b>	<b>Description</b>
SLG	Strategic Liaison Group
State Water	State Water Corporation
TAM Guidelines	Total Asset Management Guidelines
TAMP	Total Asset Management Plan
WAS	Water Accounting System
WML	Water Management Licence
WRAPP	Waste Reduction and Purchasing Policy
WSAA	Water Services Association <i>of Australia</i>
WSP	Water Sharing Plan
WTP	Water Treatment Plant

## General Terms and Definitions

Term	Meaning
the Act	The State Water Corporation Act 2004 (NSW)
Area of Operations	As specified in Section 15 of the Act and described in Schedule 2 of the Operating Licence.
Audit period	1 July 2010 to 30 June 2011.
Auditor	t-cAM Consulting, supported by and iConneXX Pty Ltd
Commencement Date of Operating Licence	1 July 2008.
End of Term Review	A review of the Operating Licence to be commenced on or about 1 July 2012.
Function	Means a power, authority or duty.
Minister	The Minister responsible for administering the provisions of the <i>State Water Corporation Act 2004</i> .
Operating Licence or licence	The Licence issued by the Governor of NSW to State Water for the provision of services between 1 July 2008 and 30 June 2013.
Water Management Supply Work Approvals and Licences	A Supply Work Approval or Water Management Licence granted to State Water under the <i>Water Act, 1912</i> (NSW) or <i>Water Management Act 2000</i> (NSW).

## Appendix 2 Recommendations from 2009/10 audit

The following table sets out State Water's responses to recommendations and suggested improvement opportunities contained in the 2009/10 Operational Audit.

Appendix 2 Recommendations for Licence Parts from 2009/10 audit Detailed Audit Findings					
Rec. Ref No.	Recommendation from 2009/10 Audit	Risk	Target for Full Compliance	2010/11 Audit Grade	Auditor Commentary
1	Ensure that the 'Minor Consumer Agreement – Conditions of Supply', which is in place for 600 minor customers of the Fish River scheme makes an explicit reference to the quality of water to be supplied.	<b>High</b> These contracts define the performance requirements of State Water in delivering services to its customers.	Issue clarified and contracts contain relevant reference to water quality	<b>Full</b>	References occur in FRWS CSC to revision of the minor customer contracts. Internal distribution of First Draft of revised contract for comment occurred on 19 August 2011: ' <i>Minor Consumer's Agreement for the Fish River Scheme</i> ' While progress is being made, the speed of progress seems somewhat slow.
2	Update the format of the 1 September 2010 report to IPART to provide further information in relation to its complaints resolution process, specifically a discussion on how complaints were resolved, a description of the success of the complaint resolution process and reasons where resolution was not possible.	<b>Medium</b> Failure to resolve customer disputes leads to unnecessary inconvenience and expense for all parties.	Updated format of report	<b>Full</b>	IPART confirmed that it was satisfied with the additional information provided in the revised report. The report provided to IPART includes a profile of compliant and compliant management outcomes and customer feedback program outputs. Referenced information included items that were audited including example record sheets, survey forms and a customer compliant resolution satisfaction survey program output indicating a near doubling of customer satisfaction over the four surveys conducted across the year.
3	Clarify with IPART the definition of a supply interruption as it applies to the Fish River Scheme.	<b>LOW</b> There are few incidents and they are fully articulated.	Revised reporting in place	<b>FULL</b>	State Water have refined their definitions but following detailed investigation there is some question as to State Water's interpretation of interruptions with respect to water quality incidents or deficiencies. This has been made the subject of a revised recommendation in 2010/11 (R8.1).



<b>Appendix 2 Recommendations for Licence Parts from 2009/10 audit Detailed Audit Findings</b>					
<b>Rec. Ref No.</b>	<b>Recommendation from 2009/10 Audit</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Audit Grade</b>	<b>Auditor Commentary</b>
4	Clarify the rules relating to daily minimum flow targets; and obtain evidence of NOW's approval of the rules used for reporting performance against daily minimum flow targets.	<b>LOW</b> Administrative process	Compliance with reporting requirements	<b>FULL</b>	This issue has been adequately addressed. Minor refinements have been identified as a point for improvement (SR8.2)
5	Provide a report to IPART before 31 March 2011 which provides process and timeframes to address recommendations which follow-up on the outstanding matters arising from the 2008/09 audit.	<b>LOW</b> Administrative process	Compliance with reporting requirements	<b>Full</b>	Report provided on time, Letter to IPART CEO/Chairman 30 March, Operational Audit 2009/2010 – Actions to Address Recommendations. Addresses all issues, identifies responsibilities and program delivery outputs and dates.

## Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
<b>2.3</b>	<b>Memorandum of Understanding</b>				
<b>2.3.1</b>	State Water must use its best endeavours to maintain a Memorandum of Understanding (MoU) with each of the Directors-General of DWE, DPI and DECC for the term of the Licence.	Low Risk. Arrangements between State Water and other regulators.	State Water has used its best endeavours to maintain a Memorandum of Understanding (MoU) with each of the Directors-General of DWE, DPI and DECC for the term of the Licence.	<b>Full</b>	Following departmental restructure, the responsibilities of the organisations relevant to the MoU reside with NoW, Industry and Investment NSW (I&I NSW) and the Office of Environment and Heritage (OEH).
	(a) MoU with OEH [DECC]; This aspect was graded as High Compliance in the 2009-10 audit because the MoU review was overdue.			<b>Full</b>	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Regulatory Analyst and Manager Water Delivery (by video link from Dubbo) 22 September 2011.</p> <p>MoU between the Department of Environment and Conservation and State Water Corporation signed by Lisa Corbyn DG DEC and Abel Immaraj CEO State Water Corporation on 26/10/05 and 3/11/05 respectively.</p> <p>Draft Memorandum of Understanding Office of Environment and Heritage (formally Department of Environment, Climate Change and Water) and State Water Corporation (<i>Memorandum of understanding with NSW Office of Environment &amp; heritage DOC11-11246.DOC</i>)</p> <p><b>Email</b> State Water to Office of Environment <b>Received-Date:</b>20110609: <b>Received-Time:</b>3:51:00 AM: <b>Sent-Date:</b>20110609: <b>Sent-Time:</b>3:51:14 AM</p> <p><b>Subject:</b> Email to Office of Environment seeking their comments on the MOU between office of environment and State Water</p> <p>TRIM-Embedded:Name="Memorandum of understanding with NSW Office of Environment &amp; heritage.DOC" (<i>E-mail to Office of Environment seeking their comments on the MOU between office of environment and</i></p>

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p><i>State Water DOC11-11891.VMBX</i></p> <p>Email train between OEH and State Water for progression of finalisation of the MoU (<i>Clause 2.3.2 Email - MOU - OEH - Aug.11.htm</i>)</p> <p>Minutes and meeting details between State Water and OEH (then DECCW) (<i>Meetings with Office of Water and OEH for IPART DOC11-15032.PDF</i>)</p>
					<p><b>Comment</b></p> <p>The MoU was reviewed during 2010-11. The draft version sighted showed that 'track changes' were dated within the audit scope. The draft document was exchanged with OEH on 9 June 2011 and is awaiting finalization and signatures (evidence provided as email communication trails between State Water and OEH).</p> <p>The MoU recognises OEH's role as the environmental regulator and agency responsible for environmental protection and conservation of natural and cultural heritage, and State Water's responsibility to address the water quality, river health and aquatic biodiversity impacts of its operations within Section 1, Introduction.</p> <p>From a practical perspective, the Strategic Liaison Group (SLG) meets 3 or 4 times per year. Most of the content of the MoU gets dealt with on a valley-by-valley basis. An OEH member is included in the Customer Service Committees (CSCs) to allow for practicalities of water releases to be scheduled and discussed.</p> <p>OEH runs similar committees as part of the Water Safety Plans (WSPs – constituted under the <i>Water Management Act 2000</i> (NSW)) for those valleys. Environmental Water Advisory Groups (EWAGs) are now in existence for each of the existing WSPs. From a practical perspective, meetings of the EWAGs have been counted as giving force to meetings under the MoU.</p> <p>From an external perspective, the recent election resulted in some delays in terms of getting the MoU finalised and clarification of dealing with how environmental matters should be dealt with and their responsibilities. There have been no issues of dispute that have needed to be resolved.</p> <p>Given that State Water has exchanged the MoU and acceptance by OEH is beyond its control, we have assessed that full compliance is appropriate</p>

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>for this requirement.</p> <p><b>OFI – Document Control:</b> Consistency in templates and document history needs to be addressed for all documents produced by the organisation. (The auditor acknowledges some of these systems are in place, the issue is their application and use based on the evidence presented).</p> <p><b>OFI:</b> While it is considered that State Water has met the 2009/10 audit recommendation of having now reviewed the OEH MoU, State Water now needs to ensure that it finalises the draft MoU with OEH as a matter of urgency. Further, it is recommended that the 'Execution' section (signatures) of the MoU clearly states the positions of the signatories i.e. that the person signing for the OEH is a Director-General level or at least is reasonably representative of a DG as can be expected given the current nebulous state of the heads of this department. Having someone not of a DG level sign the document could mean that State Water would not fulfil its obligation under this licence clause.</p>
	(b) MoU with DII [DPI];			Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Regulatory Analyst and Manager Water Delivery (by video link from Dubbo) 22 September 2011.</p> <p>Memorandum of Understanding between Industry and Investment NSW and State Water dated 16 June 2011 (downloaded from website). Meeting minutes from Annual Meeting on 6/9/2010 (Minutes from Annual Meeting with Industry and Investment MOU meeting September 2010 DOC11-12393.DOC).</p> <p>A summary and review of activities conducted under the Memorandum of Understanding between NSW Department of Primary Industries and State Water Corporation ANNUAL REPORT 2010/2011 (Clause 2.3.2 Final Annual Report for 2010 - 2011 from Department of Primary Industries.DOC)</p> <p>Email from State Water to IPART 1 September 2011 3:22 pm for transmittal of 2010-2011 IPART Report (1Sept11 Email to IPART.pdf)</p>
					<p><b>Comment</b></p> <p>A new MoU was finalised on 16 June 2011. The purpose and scope of the MoU is stated at Section 2 and roles at Section 4. The MoU commenced</p>

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>on 1 July 2011.</p> <p>An Interagency Agreement as part of the MoU, details specifically what tasks might be undertaken between I&amp;I and SW as well as the schedule of rates included in the back of the MoU.</p> <p>Two officers are nominated one each from I&amp;I and SW. During the interview, the auditor cross-referenced the DPI representative for the EMP review from the KMH report (see Section 7).</p> <p>Section 10 of the MoU clearly states that the authorised signatory from I&amp;I NSW is the proper representative of the DG of I&amp;I NSW.</p> <p>Annual meetings were in place previously and will still be in force in the new MoU. Annual meetings have been found to be sufficient from a formal perspective as up to date information is provided through good will and relationships between the officers of each organisation. I&amp;I produces a specific annual report which outlines key partnerships between I&amp;I and State Water.</p>
	(c) MoU with NoW [DWE].			Full	<p><b>Evidence</b></p> <p>MoU between Department of Water and Energy and State Water Corporation 30 June 2009 (downloaded from website 12/9/2011)</p> <p>14 February 2011 SLG Meeting Minutes (Strategic Liaison Group - Minutes - 14 February 2011 DOC11-13641.DOC); 20 April 2011 13640 SLG Meeting Minutes (Strategic Liaison Group - Minutes - 20 April 2011 DOC11-13640.DOC). 29 November 2010 agenda sighted at interview.</p>
					<p><b>Comment</b></p> <p>Section 2 and 4 set out the purpose, scope and roles of the two agencies.</p> <p>Section 6(f) of the MoU states that the next review of the MoU shall be no later than 30 June 2012, therefore the MoU is current but a review should occur in this 2011/2012 year.</p> <p><b>OFI:</b> Note that the MoU requires the SLG to have at least quarterly meetings (section 6(d), page 11) but only 3 were held in the audit scope. This aspect will need to be addressed for the 2011/2012 year.</p>

<b>Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
<b>2.3.2</b>	The purpose of the MoUs is to form the basis for cooperative relationships between the parties to the MoU, in particular:	Low Risk. Arrangements between State Water and other regulators.	The purpose of the MoUs is to form the basis for cooperative relationships between the parties to the MoU, in particular:	<b>Full</b>	As above.
<b>2.3.2 (a)</b>	the MoU with NoW [DWE] is to: (i) recognise the roles of NoW [DWE] in regulating water access, use and management and State Water in releasing water and managing assets; and (ii) address the co-ordination of Functions and associated responsibilities between DWE and State Water in undertaking their respective roles;	As above	the MoU with NoW [DWE] has the features set out in the obligation.	<b>Full</b>	<b>Evidence</b> Interview with Manager Natural Assets and Sustainability, Regulatory Analyst and Manager Water Delivery (by video link from Dubbo) 22 September 2011. MoU between Department of Water and Energy and State Water Corporation 30 June 2009 (downloaded from website 12/9/2011) <b>Comments</b> See above.
<b>2.3.2 (b)</b>	the MoU with DII [DPI] is to: (i) recognise the role of DPI as the agency responsible for fisheries management in the State; and (ii) address the impact of State Water's operations and information sharing arrangements on the aquatic habitat and fish passage;	As above	the MoU with DII [DPI] has the features set out in the obligation.	<b>Full</b>	<b>Evidence</b> Interview with Manager Natural Assets and Sustainability, Regulatory Analyst and Manager Water Delivery (by video link from Dubbo) 22 September 2011. Memorandum of Understanding between Industry and Investment NSW and State Water dated 16 June 2011 (downloaded from website). <b>Comments</b> As above.
<b>2.3.2 (c)</b>	the MoU with OEH [DECC] is to: (i) recognise the role of DECC as the agency responsible for environmental protection and conservation of natural and cultural heritage; and	As above	the MoU with OEH [DECC] has the features set out in the obligation.	<b>Full</b>	<b>Evidence</b> Interview with Manager Natural Assets and Sustainability, Regulatory Analyst and Manager Water Delivery (by video link from Dubbo) 22 September 2011. MoU between the Department of Environment and Conservation and State Water Corporation signed by DG DEC and CEO State Water

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	(ii) address the impact of State Water's operations and information sharing arrangements on river health and water quality				<p>Corporation on 26/10/05 and 3/11/05 respectively.</p> <p>Draft Memorandum of Understanding Office of Environment and Heritage (formally Department of Environment, Climate Change and Water) and State Water Corporation (Memorandum of understanding with NSW Office of Environment &amp; heritage DOC11-11246.DOC)</p> <p><b>Comments</b></p> <p>See comments above, noting that the OEH MoU still needs to be finalised.</p> <p><b>OFI – OEH MoU:</b> A minor point but the current definition of IPART in the Definitions and Interpretation section (page 4) is incorrect and should be Independent Pricing and Regulatory Tribunal, not the Independent Regulatory and Pricing Tribunal as currently written.</p>
2.3.4	State Water must make available to the public the MoUs referred to in clause 2.3.1.	As above	State Water has made available to the public the MoUs referred to in clause 2.3.1.	Full	<p><b>Evidence</b></p> <p>State Water's website.</p> <p><b>Comments</b></p> <p>All policies were viewed on State Water's website. It is also encouraging to see that State Water has a Twitter account (@StateWater) for general communication of relevant issues to those following the account.</p> <p>As soon as the OEH MoU is finalised, it should be placed on State Water's website as a matter of urgency.</p> <p><b>OFI – Communication:</b> State Water could use Twitter to inform followers when relevant documents have been posted on the website.</p>
2.3.5	State Water must, by no later than 1 September each year, report to IPART on its performance against, and compliance with, the MoUs referred to in clause 2.3.1 for the preceding financial year, including such relevant information as may be required by IPART to be included in the report.	Low risk. Arrangements with other regulators overseen by IPART.	State Water has, by no later than 1 September 2011, reported to IPART on its performance against, and compliance with, the MoUs referred to in clause 2.3.1 for the 2010/11 financial year, including such relevant information as may be required by IPART to be included in the report.	Full	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Email from State Water to IPART 1 September 2011 3:22 pm for transmittal of 2010-2011 IPART Report (<i>1Sept11 Email to IPART.pdf</i>).</p> <p><b>Comment</b></p> <p>The report was transmitted to IPART in the appropriate timeframe.</p>

Appendix 3 State Water's Responsibilities Detailed Audit Findings (Part 2)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
			(a) Reporting on MoU with OEH;	Full	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>MoU OEH: IPART report at pages 14-29. Information sampled under that reported complies with obligations.</p>
			(b) Reporting on MoU with DII;	Full	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>MoU I&amp;I NSW: IPART report at pages 8-13. Information sampled under that reported complies with obligations.</p>
			(c) Reporting on MoU with NoW.	Full	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>MoU NoW: IPART report at pages 3-7. Information sampled under that reported complies with obligations (apart from the requirement to have 4 meetings a year, 3 were held in the 2010-11 year but this aspect is discussed elsewhere).</p>
2.3.6	State Water must make available to the public the report referred to in clause 2.3.5.	Low risk. Arrangements with other regulators overseen by IPART.	State Water has made available to the public the report referred to in clause 2.3.5.	Full	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>State Water's reports are presented on its website under the About Us section. The IPART report was sighted on the website (<a href="http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf">http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf</a>)</p>



## Appendix 4 Asset Management (Part 3) Detailed Audit Findings

Appendix 4 Asset Management Detailed Audit Findings (Part 3)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
3.1	<b>Asset Management Obligation</b>				
3.1	State Water must ensure that its Assets are managed in a manner consistent with:	High Risk. A sound asset management framework reduces unnecessary risks and costs and ensures continued service delivery.	Assets are managed in a manner consistent with:	High	<p>State Water has a comprehensive plan for Asset Management implementation across the organisation. In July 2010 it received a comprehensive gap analysis report that identified and prioritised the key projects it needed to implement to be provided – completed July last year. This gap analysis was carried out by Asset &amp; Facilities Management Consulting and follows a similar methodology and has similar evaluation criteria as the audit evaluation.</p> <p>The targeted work program to achieve best appropriate practice in Asset management is appropriate.</p> <p>Burrinjuck example provides parent to child linkages in hierarchy. Part of Facility Management Register Individual Assets reviewed demonstrating link of assets, asset components and attributes back to Parent Assets. State Water currently going through program of identifying and collected asset attribute needs.</p> <p>Rating quality of data included. Asset criticality results and data confidence for criticality for dam quality is at component level. Feeds in to fund allocation model for capital works.</p> <p>Asset reliability based on condition based inspection. 5 yearly, yearly and weekly reports provided for review and are good examples.</p> <p>Approximately half of the Maintenance Managed Item (MMI)/components have had the data populated. Started in 2009, the length of time taken for data collection and verification is considered by the auditor to be typical. State Water have set a requirement of job closure that asset 'condition data' is collected during normal work activities – this is a sound, low cost and efficient, but the elapsed time taken for full collection is lengthy.</p> <p>State Water are also undertaking a site by site asset criticality assessment started Sept last year for individual site audits that still has 18 months to</p>

Appendix 4 Asset Management Detailed Audit Findings (Part 3)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>go. Also doing an asset register validation. Objective is full asset base data collection. Asset class specification collection and other attributes data. Different people working at different levels. At dams going through full asset register data collection. This project is about 25% complete.</p> <p>Viewed weekly inspection sheet. No logging record of project in FMMS.</p> <p>Two yearly maintenance audits are conducted for non-civil assets – not covered by DSC. Focused on plant that is maintainable.</p> <p>There is an annual survey report prepared for civil assets. Sighted. This is sent to Dam Safety Committee. Hume Dam is done every six months.</p> <p>Have 280 odd weirs. Expenditure is allocated according to findings.</p> <p><b>Justification for High compliance grade:</b></p> <p>Systems are mostly in place and activities are being undertaken to close performance gaps (principally associated with data acquisition and validation and creation of formalised processes and practices). The resource allocations and anticipated time to complete these various activities are realistic and appropriate, but until they are more substantively complete, only a High compliance can be recorded, as the outputs and outcomes for the AM System will only be sufficiently in conformance with objectives set for applying these frameworks when this occurs. Currently only 50% of mechanical and electrical assets have had basic asset data collected and validated. Data collection for dam sites for constructing and validating detailed asset registers, supporting data and criticality ratings is only 25% complete.</p>
	(a) its obligations in this Licence, and all applicable laws, policies and guidelines with which State Water must comply, including the requirements of the NSW Dams Safety Committee;	As above	(a) its obligations in this Licence, and all applicable laws, policies and guidelines with which State Water must comply, including the requirements of the NSW Dams Safety Committee;	<b>High</b>	<p>Corporate Risk Strategy includes all assets.</p> <p>As dams are considered the highest criticality, dam operators are trained appropriately, they attend two day training courses run by ex-dam safety experts. Formal assessments are included in the training. Training currently being registered under the AQF and WOTPackage. Operators must have been working on site for 3-4 months before being assessed. Only accredited on a site by site basis by experienced team leaders familiar with the assets concerned.</p> <p>Provided an example of a tracked maintenance work order.</p> <p>The metering of water flows and customer usage is a major strategic issue</p>

Appendix 4 Asset Management Detailed Audit Findings (Part 3)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					for State Water. Resolution of meter accuracy issues is of concern and given the major complications that need to be addressed, such as most meters being owned by customers and the lack of pattern approval for currently available meters, State Water is addressing this issue as best it can. State Water has access to \$200million from Federal Government to address meter replacement program – State Water will own the regulated meters.  See commentary at 3.1 above with respect to High compliance rating
	(b) the principles of the NSW Government’s Strategic Management Framework and the NSW Government’s Total Asset Management (TAM) Policy and Guidelines;	As above	(b) the principles of the NSW Government’s Strategic Management Framework and the NSW Government’s Total Asset Management (TAM) Policy and Guidelines;	High	The auditor reviewed the TAMP produced by State Water. While the document itself is in conformance with the requirements of the NSW Government’s Strategic Management Framework and TAM Policy and Guidelines in terms of reflecting required outputs, the gaps in input data completeness and validation are a significant issue. This is particularly relevant, as this document (the output) could be viewed by users as authoritative, while the inputs not as reliable.  See commentary at 3.1 above with respect to High compliance rating
	(c) achieving the lowest cost of service delivery across the whole life of the Assets; and	As above	(c) achieving the lowest cost of service delivery across the whole life of the Assets; and	High	Implementing a new process. Identifying data needs methodology and approach. Scope of brief: Provide copy of the report in draft form. About to be implemented.  Viewed asset remaining life and replacement cost sheet. Mix of assets with quantitative assessment system. Where they have data gaps State Water is using a group of experts drawn from the BERC (Business Expenditure Review Committee).  This ‘Delphi’ estimation is applied to projects with no data-low quality data based expenditure projects. Project charter for works – asset planners cost-benefit is vetted.  Assets are assessed individually against their (WACC) x (MEERA) i.e. risk cost thus ensuring low value assets are addressed/prioritised adequately. First time articulated so clearly. 3-5 year formal rolling review of criticality for long term renewal/replacement planning. Asset planner does validation of condition ratings.  Quarterly download from FMMS any changes entered in to system. Manual exception reporting review process. No evidence validation

Appendix 4 Asset Management Detailed Audit Findings (Part 3)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>process is documented. Maintenance activities incorporating ongoing condition and criticality data to be collected and used to prioritise the data and work to be undertaken.</p> <p>Have not yet got an actual failure event loop close on failure curves for many of the larger assets.</p> <p>See commentary at 3.1 above with respect to High compliance rating</p>
	(d) identifying business risks related to the Assets and managing them to a commercially acceptable level.	As above	(d) identifying business risks related to the Assets and managing them to a commercially acceptable level.	High	<p>Risk management framework – example segment.</p> <p>Multi-criteria analysis applied in failure analyses. This generates a corporate rating of State Water Loss or loss of business opportunity.</p> <p>Example cross-section from Burrinjuck.</p> <p>Input data collection and validation mean, while this is an excellent tool, the outputs lack reliability.</p> <p>See commentary at 3.1 above with respect to High compliance rating</p>
<b>3.2 NR</b>	<b>Reporting on Asset Management Systems</b>				
<b>3.3 NR</b>	<b>Auditing the Asset Management System</b>				
<b>3.4</b>	<b>Augmentation of Water Management Works</b>				
	When considering any augmentation of a Water Management Work, State Water must consider any additional scope for cost effective demand management strategies by Customers.	High Risk. There is a risk of incurring excess capital costs if customers do not give due consideration to demand management options.	When considering any augmentation of a Water Management Work, State Water has considered any additional scope for cost effective demand management strategies by Customers.	Full	<p>Example project considered: Chaffey Dam augmentation this project has been on the strategic planning horizon since 2007. – receiving State and Federal Government funding. Major customer is Tamworth Council town supply. Reviewed the current demand strategy and high low predications of demand growth. Also assessed demand from Peel irrigators over next 30 years likelihood of these irrigators receiving 80% of their allocation reduced to zero under all options forecast. Have raw funding agreements being organised. Going out to design process. Part 3A Planning legislation requiring update. Done EIS, State Water owns most of the land. Augmentation has been agreed as part of Water Saving Plan. Aboriginal Heritage and Protected Species at this stage not seen as an issue.</p> <p><b>Provided Tamworth strategy and State Water Business Case.</b> This is the</p>

<b>Appendix 4 Asset Management Detailed Audit Findings (Part 3)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					<p>only one to have occurred.</p> <p>State Water is talking to Hunter Water upsize Lostock dam to assist Hunter Water in meeting their future needs of about 30GL/year. Both annual demand and drought security. Re LHWPlan. Possibly current options 30GL/year maybe 50ML/D current system day discharge, can increase. Secure yield option of 70GL.</p>

## Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
<b>4.1</b>	<b>Community Consultative Committee</b>				
<b>4.1.1</b>	State Water must continue to consult regularly with the state-wide community consultative committee established under clause 4.1.1 of the Previous Licence (the CCC) to enable community involvement in issues relevant to the performance of State Water's obligations under the Licence, except in relation to the FRWS.	Moderate Risk. While being well addressed, customer consultation is a major issue for State Water.	Consult regularly with the state-wide community consultative committee (the CCC) to enable community involvement in issues relevant to the performance of State Water's obligations under the Licence, except in relation to the FRWS.	<b>Full</b>	<b>Audit Comments:</b> State Water has in place a Community Consultative Committee. The CCC has a Charter in place that sets out the mutual responsibilities and obligations of State Water and its customers except for those in the FRWS. The CCC meets in April and October every year. A questionnaire was sent out by email to the CCC for further feedback regarding consultation. Of 9 members of the CCC, we received only one response. That response was negative noting meetings were not held with sufficient frequency to maintain ongoing relationships with CCC members and there was insufficient frequency, continuity and opportunity to identify and discuss matters that may have been of relevance to them. State Water provided documentation on meetings, agendas and attendances. The information from the respective parties seem to be at odds. Since these issues are a matter of perception directly linked to State Water's relationship with the CCC members, the auditor considered it inappropriate to pursue the issue further. However, we have made a recommendation at clause 4.1.4 for State Water to resolve this matter. We have awarded Full compliance based on the balance of evidence.
<b>4.1.2</b>	State Water must appoint the members of the CCC consistently with the Licence. The membership of the CCC must include a representative from at least each	Low Risk. Wide consultation is important	Appoint members of the CCC consistently with the Licence. The membership of the CCC must include a representative from the	<b>Full</b>	<b>Audit Comments:</b> Members have been appointed as identified in the Licence. The list of members has been provided in Doc10/11330. The FRWS has its own CSC.

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<p>of the following:</p> <p>(a) Customers (excluding FRWS customers);</p> <p>(b) environment groups;</p> <p>(c) basic water right holders;</p> <p>(d) regional business and consumer groups;</p> <p>(e) Catchment Management Authorities; and</p> <p>(f) local government.</p>		groups set out in the licence obligation.		<p>List of members and the associations provided in DOC10/11330 and the organisations represented are as follows:</p> <p><b>Nominating Organisation:</b></p> <ul style="list-style-type: none"> <li>• NSW Irrigators Council</li> <li>• Nature Conservation Council</li> <li>• NSW Farmers Association</li> <li>• NSW Business Chamber*</li> <li>• Chair of CMA Chairs Committee</li> <li>• NSW Aboriginal Land Council</li> <li>• Local Government and Shires Association</li> <li>• Department of Environment and Climate Change</li> <li>• Department of Water and Energy/NoW</li> </ul>
4.1.3	The term of a member of the CCC will expire two years after his or her appointment. A member will be eligible for re-appointment for one further consecutive term.	<p>Low Risk.</p> <p>This is designed to ensure wide consultation.</p>	The term of members of the CCC does not exceed two consecutive terms.	Full	<p><b>Audit comments:</b></p> <p>Letters were sent to the CCC members in October 2010 to inform them that their term has expired and to call for new representatives.</p> <p>Copies of the CCC Terms of reference were provided in hard copy and this summarised the objectives, membership, reporting requirements and the meeting requirements and review period. Doc 10/11330 provided a summary table as evidence to show that the organisation representatives changed over two year periods (membership details shown from 2006-2011/12)</p>
4.1.4	State Water must provide the CCC with information within its possession or under its control necessary to enable the CCC to discharge the tasks assigned to it, other than information or documents over which State Water or another person claims confidentiality or privilege.	<p>Moderate Risk.</p> <p>Without adequate information, the input from stakeholders is seriously diminished.</p>	Provide the CCC with information within State Water's possession or under its control necessary to enable the CCC to discharge the tasks assigned to it, other than information or documents over which State Water or another person claims confidentiality or privilege.	Full	<p><b>Audit comments:</b></p> <p>As part of our consultation, the response from the only member to respond claimed that, since confirmation and participation on the State Water CCC, it has made one request to State Water which was not fulfilled.</p> <p>Again, records of meetings and communication provided by State Water indicate overall satisfactory performance from a process perspective.</p> <p>While the specific issue identified has been referred to State Water for action, there is a consequent need for State Water to review its relationship with CCC members to identify any improvements.</p> <p><b>Recommendation:</b></p> <p>Consult with its CCC members to develop mechanisms to achieve more effective engagement.</p>

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>We also note that there is currently no written policy in place to determine whether information may be subject to claims of confidentiality or privilege and the process for deciding on any refusals to provide it. The General Manager of Strategy and Government Relations normally decides if there are any concerns. No commercial or in confidence information is provided to the CCC and it is generally publicly available information.</p> <p>The CCC is chaired by the State Water Chair and anyone can speak directly to the Board. State Water maintains that all requested information is provided and actioned in the minutes. Thus far there have been no incidents regarding confidential or privileged information.</p> <p><b>OFI:</b></p> <p>To ensure that State Water are protected from any claims regarding supplying privileged or confidential information to the CCC a brief policy document could be compiled which outlines the extent of information that can be supplied to the CCC therefore ensuring that if the General Manager of Strategy and Government Relations is unavailable another staff member can safely/correctly disseminate information to the CCC representative members.</p>
<b>4.2</b>	<b>Valley Based Customer Service Committees (excluding FRWS customers)</b>				
<b>4.2.1</b>	State Water must continue to consult regularly with valley based customer service committees established under clause 4.2.1 of the Previous Licence (together the CSCs) to enable Customer involvement in issues relevant to the performance of State Water's obligations to Customers under the Licence or the customer service charter referred to in clause 4.3. For the purposes of this clause 4.2, Customer does not include a FRWS Customer. The membership of the	Moderate Risk. Without well administered consultation processes, the input from stakeholders is seriously diminished.	State Water has continued to consult regularly with valley based customer service committees (together the CSCs) to enable Customer involvement in issues relevant to the performance of State Water's obligations to Customers under the Licence or the customer service charter referred to in clause 4.3.	<b>Full</b>	<p>State Water have advised its implementation of CSC's has been a great success. The CSC operation is now regularised, with stable and active membership.</p> <p>All participants have developed confidence in basic structure and approach. As a monopoly provider linking price and levels of service the need for these committees to provide input is essential to State Water. The has proved valuable in providing a customer view to Government on State Water issues.</p> <p>Items discussed included works programs and asset upgrades. DSC costs, account management and accuracy of meters.</p> <p>One CSC in each major inland valley. One committee for each regulated river with a separately determined price (e.g. Peel price and Namoi price). Three coastal committees.</p> <p>Regional based managed as independent entity. Representation:</p>



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Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	CSCs must also include representative of DECC [now DECCW] or its nominee to represent the public interest in the provision of water for environmental purposes and representatives from Unregulated River water users, Ground Water users and the relevant Catchment Management Authority.		This does not include FRWS Customers. The membership of the CSCs must also include representative of DECC [now OEH] and representatives from Unregulated River water users, Ground Water users and the relevant Catchment Management Authority.		<ul style="list-style-type: none"> <li>ground water</li> <li>stock and domestic</li> <li>catchment management</li> <li>plus major agency membership</li> <li>Office of Environment and Heritage NSW owns some licenses and has rep.</li> </ul> <p>Licence does not have CEHW as a nominated rep - delegated in Commonwealth Dept of Sustainable Environment, Water Heritage, Population and Communities. Nominated CEHW officer uses OEH as 'agent' on CSC.</p> <p>Have been inviting CEHW to attend meetings. They have been attending as observers and in explaining in terms of what doing with their water. CEHW 7.5 Million MLs. Approximately 20% - plan for CEHW to be biggest customer.</p> <p>Regularised committees, terms of reference, charter. Agenda tailored valley by valley. IPART pricing determination includes requirement to provide info to CSC.</p> <p>Border River only CSC with quorum issues. Customers are highly pro-active and involved in pursuing their desired outcomes.</p> <p>Good response to our consultation with CSCs (15 responses). Vast majority of comment was very positive. Favourable comments about State Water's commitment to CSCs, efforts to support the CSCs, providing good quality reports to CSCs. Very few negative comments, one was a query that compensation of CSC members did not match time required, one that financial records were sometimes difficult to comprehend. These were not accompanied by poor overall performance ratings.</p>
4.2.2	State Water must provide the CSCs with information within its possession or under its control to enable the CSC to discharge the tasks assigned to that CSC, other than information or documents over which State Water or another person claims confidentiality or privilege.	Moderate Risk. Without adequate information, the input from stakeholders is seriously diminished.	State Water has provided the CSCs with information within its possession or under its control to enable the CSC to discharge the tasks assigned to that CSC, other than information or documents over which State Water or another	Full	<p>Feed-back was that adequate information was provided.</p> <p>Re confidentiality or privilege: No one asked for confidentiality</p> <p>Where State Water has provided draft corporate strategies or information to the CSC's they have requested CSC to maintain confidentiality.</p> <p>State Water have assured that their confidential use of personal information is in accordance with the law but there is no formal policy on this issue.</p>

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
			person claims confidentiality or privilege.		
<b>4.3</b>	<b>Customer Service Charter (excluding FRWS)</b>				
<b>4.3.1</b>	State Water must, in consultation with the CSCs, continue to have in place a customer service charter ("Charter").	Moderate Risk. Without well administered consultation processes, the input from stakeholders is seriously diminished.	In consultation with the CSCs, State Water has continued to have in place a customer service charter ("Charter").	<b>Full</b>	Charter for whole State is on web site and was provided to auditor
<b>4.3.2</b>	The Charter must set out the mutual responsibilities or obligations of State Water and its Customers (excluding FRWS customers) consistent with the Licence, the Act, the <i>Water Management Act 2000</i> and the <i>Water Act 1912</i> .	As above	The Charter sets out the mutual responsibilities or obligations of State Water and its Customers (excluding FRWS customers) consistent with the Licence, the Act, the <i>Water Management Act 2000</i> and the <i>Water Act 1912</i> .	<b>Full</b>	Review of Charter indicates compliance
<b>4.3.3</b>	State Water must make the Charter available to the public.	As above	State Water has made the Charter available to the public.	<b>Full</b>	Available on website
<b>4.3.4</b>	Following the release of the Annual Audit Report, State Water must, in consultation with the members of the CSCs, review, and if necessary update, the Charter in light of the Annual Audit Report.	As above	Following the release of the Annual Audit Report, State Water has, in consultation with the members of the CSCs, reviewed, and if necessary updated, the Charter in light of the	<b>Full</b>	Sighted example minutes Boarder Rivers 17 February 2010 item 11.2.

<b>Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
			Annual Audit Report.		
<b>4.3.5</b>	State Water must by no later than 1 September each year, for the preceding financial year, report to IPART on its overall performance against its obligations under the Charter and where appropriate State Water is also to report on its performance against its obligations under the Charter in relation to each Valley.	As above	State Water has, by 1 September 2011, reported to IPART on its overall performance against its obligations under the Charter for 2010/11 and where appropriate, it has also reported on its performance against its obligations under the Charter in relation to each Valley.	<b>Full</b>	Copy of report was emailed to IPART and auditor cc'd on the date
<b>4.3.6</b>	State Water must make available to the public a copy of the report referred to in clause 4.3.5.	As above	State Water has made available to the public a copy of the report referred to in clause 4.3.5.	<b>Full</b>	Copy of report is on website.
<b>4.4</b>	<b>FRWS Customer Council</b>				
<b>4.4.1</b>	State Water must regularly consult with the FRWS Customer Council to enable FRWS Customer involvement in issues relevant to the performance of State Water of its obligations to FRWS customers under this Licence and any Customer Contract.	As above	State Water has regularly consulted with the FRWS Customer Council to enable FRWS Customer involvement in issues relevant to the performance of State Water of its obligations to FRWS customers under this Licence and any Customer Contract.	<b>Full</b>	Agenda and Minutes of meetings with Customer Council and feedback from survey of the Customer Council indicate that communication is efficient and effective and in line with the requirements/needs of the representatives.
<b>4.4.2</b>	State Water must appoint the members of the FRWS Customer Council consistently with the	As above	State Water has appointed the members of the FRWS Customer Council	<b>Full</b>	Participation on CCC confirmed as being in compliance based on provided participant list and minutes of meetings.

<b>Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	Licence. The membership of the FRWS Customer Council must include one representative from each of the following: (a) Lithgow City Council; (b) Oberon Council; (c) Delta Electricity; and (d) Sydney Catchment Authority		consistently with the Licence. The membership of the FRWS Customer Council included one representative from each of the groups mentioned in the licence obligation.		
<b>4.4.3</b>	State Water must provide the FRWS Customer Council with information within its possession or under its control necessary to enable the FRWS Customer Council to discharge the tasks assigned to it, other than information or documents over which State Water or another person claims confidentiality or privilege.	Moderate Risk. Without adequate information, the input from stakeholders is seriously diminished.	State Water has provided the FRWS Customer Council with information within its possession or under its control necessary to enable the FRWS Customer Council to discharge the tasks assigned to it, other than information or documents over which State Water or another person claims confidentiality or privilege.	<b>Full</b>	Feed-back was that adequate information was provided. Re confidentiality or privilege: No one asked for confidentiality. Draft information State Water has requested CSC to maintain confidentiality. Confidential use of personal info in accordance with the law.
<b>4.5</b>	<b>Customer Contracts (FRWS customers only)</b>				
<b>4.5.1</b>	State Water must use its best endeavours to enter into agreements with its FRWS Customers during the term of the Licence, in relation to the arrangements to apply to the supply of water by the operation of the FRWS.	Moderate Risk. Contracts are important tools to address the power imbalance between a water utility and customers.	State Water has used its best endeavours to enter into agreements with its FRWS Customers during the term of the Licence, in relation to the arrangements to apply to the supply of water by the operation of the FRWS.  This requirement covers both large customers	<b>Full</b>	State Water provided a draft agreement for minor customers currently with the CSC (11-1754)  It was noted during discussions that there are no minor customers on the CSC but that there had been a decision to consider Lithgow and Oberon Council reps as capable of representing the minor customers. Refer to minutes. There is no evidence that minor customers are aware that their interests are represented in this way – they should be informed that this is the case. The auditor feels that a decision by the CSC without consultation with the minor customers is somewhat arbitrary.  Major customer contracts for Lithgow and Oberon Councils were provided and reviewed

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
			(Lithgow and Oberon Councils) and small customers directly connected to the FRWS scheme.,		Minor customer contract – notification of draft distribution to internal reviewers in August 2011 (outside the audit period) provided, work in progress, so OK. But the time to produce is of concern.  <b>OFI:</b> State Water should consider ways of informing its 'minor' Fish River customers that their interests are considered to be represented on the CSC by the Lithgow and Oberon Council representatives and provide details to them of how they might input to the CSC via these representatives.
<b>4.5.2</b>	The terms of the arrangements must, as a minimum, include: (a) the standard of the quality of water supplied; (b) the continuity of water supplied (i.e. interruption, disconnection and reconnection to supply); (c) the metering arrangements; (d) the costs to be paid by FRWS customers for the supply of water and other services to them; and (e) any other terms agreed between State Water and its FRWS customers.	Moderate Risk. Contracts are important tools to address the power imbalance between a water utility and customers.	The terms of the arrangements in clause 4.5.1 have, as a minimum, included the matters set out in the obligation.  Report on progress in addressing recommendation R 5.1 in the 2009/2010 audit report which states: "State Water clarify the intent of clause 4.5.2 of the Operating Licence with IPART".  This arose because there was no reference to water quality in the terms of supply to FRWS small customers.	<b>Full</b>	The auditor reviewed the example Lithgow and Oberon Councils customer contracts. The contracts itemised the terms of the arrangements in accordance with this clause.
<b>4.6</b>	<b>Code of Practice and Procedure on Debt Management</b>				
<b>4.6.1</b>	State Water must maintain a code of practice and procedure on debt management ("Code").	Moderate Risk. The code sets out customers rights relating to	State Water has maintained a code of practice and procedure on debt management ("Code").	<b>Full</b>	Corporate policy of Practice and Procedure on Debt Management sighted. State Water advised that they considered this policy to be their 'Code'

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
		debt management.			
4.6.2	The Code must: (a) provide for deferred payment or payment by instalment options; and (b) require that State Water provide a point of contact, notified on bills, for customers in financial hardship.	As above	The Code: (a) provided for deferred payment or payment by instalment options; and (b) required that State Water provide a point of contact, notified on bills, for customers in financial hardship.	Full	Yes, in compliance, example provided and sighted as noted in 4.6.2
4.6.3	A copy of the Code must be made available to the public.	As above	A copy of the Code has been made available to the public.	High	<p>A summary of the 'Code' has been conveyed to customers via website. However, the 'Code' or policy is not fully articulated in the information provided by State Water in its website. i.e. the customer is not being fully informed as per this clause.</p> <p>The full 'Code' is currently articulated as a State Water policy, which State Water have advised would not be made available to customers. The creation of a publicly available version of the policy as a 'Code' and availability of the 'Code' should be a formal State Water approved policy to maintain compliance with the licence. Also the public do not know they can ask for it therefore they need to be informed that they can. The auditor found a copy of the policy on the website, contrary to State Water advice on availability, but it is not readily accessible and it is indeterminate to the auditor if it was actually meant to be there.</p> <p>State Water only provides information in English and makes no facility available for translation services. They claim this is not required, however, since those potentially in need of such services to communicate with State Water in the first place do not have access to them, this argument is circular. State Water should be consistent with other State Government Agencies in providing such a service.</p> <p><b>Recommendation:</b></p>

Appendix 5 Customers' Rights and Consultation Detailed Audit Findings (Part 4)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>It is recommended that State Water develop a code and an appropriate policy with respect to availability of the code under the licence. The code should be fully articulated and available to customers.</p> <p><b>Recommendation:</b> State Water should implement a translation service and appropriately advise customers of the service's availability. Expecting State Water to provide fully translated versions of the code at this time is not appropriate and the availability of the translation services on an as needs basis is a balanced response.</p>
4.6.4	<p>State Water must report to IPART and the Minister quarterly, no later than one month following the end of each quarter, commencing 1 July 2008, on:</p> <p>(a) the number of requests by Customers for assistance with paying Bulk Water bills under the Code, including which valleys they are located in; and</p> <p>(b) the number of Customers in receipt of assistance with paying Bulk Water bills under the Code, including which valleys they are located in.</p>	<p>Low Risk. Process overseen by IPART.</p>	<p>State Water reported to IPART and the Minister quarterly, no later than one month following the end of each quarter, commencing 1 July 2010, on the matters set out in the licence obligation.</p> <p>This clause was graded as Moderate Compliance in the 2009/10 audit because State Water failed to provide one of these reports to the Minister and failed to provide any reports to IPART.</p>	Full	<p>The number of requests is dropping. By end of June, 60 plans in place. Historically there have been up to 100.</p> <p>Copies of quarterly data letters provided to Minister provided</p> <p>End of June report supplied to Minister</p>
4.6.5	<p>The report referred to in clause 4.6.4 must detail the types of assistance under the Code that have been requested by, and provided to, Customers.</p>	As above.	<p>The report referred to in clause 4.6.4 detailed the types of assistance under the Code that have been requested by, and provided to, Customers.</p>	Full	<p>Deferral is the same as 'payment plan'. State Water not in a position to offer any other options.</p>

## Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)

Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
5.1	<b>Internal Complaints Resolution Process</b>				
5.1.1	State Water must have in place internal complaints handling procedures for receiving, responding to and resolving complaints by Customers and the community against State Water.	Moderate Risk. Dispute processes are key elements of customer service	State Water has in place internal complaints handling procedures for receiving, responding to and resolving complaints by Customers and the community against State Water.	High	<p><b>Audit Comments:</b></p> <p>An internal complaints procedure is in place and was provided within the audit session. This discusses the definition of a complaint, the types of feedback (phone, fax, email, in person, letters, EWON referrals etc)) and the general ways to handle these complaints. Staff understand how to use procedure. There is no evidence that State Water treat customers and non-customers differently, but appropriate documentation in line with the requirements of the licence is required to ensure this continues.</p> <p><b>Recommendation:</b></p> <p>The Customer feedback and complaint handling procedures only talk about Customer Complaints; this should be broadened to incorporate the community also, as identified in the Operating Licence wording. This would involve simple wording changes in the internal procedure which would ensure that members of the community who are non-paying customers are also considered as part of the process. Alternatively a definition of a customer could be added and can more clearly outline who a “customer” is.</p>
5.1.2	The internal Complaints handling procedures of State Water must be based on the Australian Standard <i>AS ISO 10002-2006 Customer satisfaction – Guidelines for complaints handling in organisations</i>	Low Risk. The dispute resolution process should be based on use of the standard	The internal complaints handling procedures are based on the Australian Standard <i>AS ISO 10002-2006 Customer satisfaction – Guidelines for complaints handling in</i>	Full	<p><b>Audit Comments:</b></p> <p>The Internal Customer Feedback and Complaint Handling Procedures acknowledge that they are aligned with the principles of the Australian Standard, Customer Satisfaction – Guidelines for complaints handling in organisations ISO 10002-2006</p> <p>State Water undertook a review of the Australian Standard against existing procedures in 2009/10 following recommendations from the previous licence audit. A number of changes were identified which State Water indicate have</p>



Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
			<i>organisations</i>		<p>been implemented..DOC10/3601 was provided following the audit. This report outlined the clauses in the AS ISO 10002-2006 and a summary of the State Water Complaint Handling Process and whether the requirements were met. Where they were not met improvement actions were noted.</p> <p>SW 5.1.2 was categorised as being full compliance in the last audit. Since the last audit State Water has made some additions to the procedures; Including a better description of how they resolve complaints. State Water undertook checks on the internal procedure so that help desk staff have a procedure to follow. This has been audited against a set format.</p> <p>Surveys have been undertaken to see how well State Water have resolved received complaints. This involved reviewing how the complaints were resolved and also involved discussions with customers to understand how they found the process. This was captured under a continuous improvement process.</p> <p>Key frontline staff are trained in the procedure and this is monitored on an on-going basis. Where call centre staff are unable to resolve an issue they are escalated to the appropriate business units.</p> <p>Audits of the process and customer surveys are supplied as part of the evidence.</p>
					<p>Previously there were issues with complaints being closed off in CRM prior to resolution to a level where customers were satisfied. This has been resolved through a continuous improvement process undertaken with help desk staff. Training was provided through external providers and an independent auditor has made assessments of performance against set criteria. A feedback loop is now in place. State Water is developing training materials to assist existing and new staff.</p> <p>One page guides are also provided for staff.</p> <p><b>OFI:</b></p> <p>_A number of improvements were identified as part of the review against the standard. As part of the continuous improvement process it would be useful to close out this process completely by updating this report with a summary of completion. I.e. reporting completion against the improvement tasks.</p>
<b>5.1.3</b>	State Water must make information concerning its internal complaint handling	Low Risk. Publication is consistent with	State Water has made information concerning its internal complaint	<b>Full</b>	<p><b>Audit Comments:</b></p> <p>State Water has a feedback page on their website which can be accessed easily from the Customer Service Tab at the top of the web page. Under Feedback,</p>

Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	procedures available to the public.	other consultation requirements.	handling procedures available to the public.		<p>there is a summary of the process for making a complaint/providing feedback and how the organisation aims to resolve any issues. There is also a link to the EWON website and information regarding the organisation and its role as an independent service for the resolution of complaints.</p> <p>State Water has also sent out a pamphlet to the customers last year around complaint handling. This describes the process for recording complaints and again the details for contacting EWON are provided.</p> <p>Customer Service Committees – Minutes are kept of the CSC meetings and a summary of the complaints made are recorded. Doc10-10486 was provided as an example of minutes, this is also available on the website.</p>
5.1.4	<p>By no later than 1 September each year, State Water must report to IPART on an exception basis, for the immediately preceding financial year on the following details concerning Complaints made against State Water which are handled by its internal complaints handling procedures:</p> <p>(a) the total number of Complaints;</p> <p>(b) the number of Complaints received by the category of Complaint;</p> <p>(c) the number and type of Complaints resolved or not resolved in sufficient detail and using sufficient classifications to enable IPART to gain a reasonable understanding of how and how well those Complaints were resolved, or why the</p>	<p>Low Risk. Report is overseen by IPART.</p>	<p>By no later than 1 September 2011, State Water has reported to IPART on an exception basis, for the 2010/11 financial year on the details set out in the licence obligation concerning complaints made against State Water which are handled by its internal complaints handling procedures.</p> <p>The 2009/10 audit noted that the detail in this report was insufficient to understand how and how well complaints were resolved. State Water must address the recommendation R 6.1 from the 2009/10 audit which deals with this matter.</p>	<p><b>Full</b></p>	<p><b>Audit Comments:</b></p> <p>Complaint information was included in the 2010-11 Operating Licence Performance Report sent to IPART.</p> <p>a) The total number of complaints was reported as 142 on page39 of the report.</p> <p>b) Complaints were grouped by category in the same table.</p> <p>c) A statement has been made around the number of complaints resolved and not resolved.</p> <p>d) Through the ongoing improvement process for complaint management and surveying customers a number of improvements were made (these have been outlined previously but generally included: improved documentation and close out of complaints, customer surveys undertaken for continuous improvement, letters to the Minister being captured at the start and followed through to resolution, better alignment of the complaints recorded in the billing system to ensure they match the complaint ticketing system).</p> <p>Complaint Ticket Audit seen, also – Doc11/15542.</p>

Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	Complaint was not resolved, as the case may be; and  (d) any problems of a systemic nature arising from Complaints.				
5.1.5	State Water must make a copy of the report referred to in clause 5.1.4 available to the public within one month of providing it to IPART	Low Risk. Publication is consistent with other consultation requirements.	State Water made a copy of the report referred to in clause 5.1.4 available to the public within one month of providing it to IPART	Full	<b>Audit Comment:</b> The 2010-11 Operating Licence Performance Report is available on the web page via a link to the operating licence documents.
5.2	<b>External Dispute Resolution Scheme</b>				
5.2.1	State Water must continue to have in place a dispute resolution scheme (the Scheme) incorporating a Dispute Resolution Body or be a member of an industry based dispute resolution scheme incorporating a Dispute Resolution Body (an Industry Scheme) to resolve disputes between State Water and its Customers.  <i>NOTE: The Dispute Resolution Body that forms part of the Industry Scheme of which State Water is a member at the Commencement Date of the Licence is EWON – the Energy and Water Industry Ombudsman of</i>	Moderate Risk. Dispute processes are key elements of customer service	State Water continued to have in place a dispute resolution scheme (the Scheme) incorporating a Dispute Resolution Body or was a member of an industry based dispute resolution scheme incorporating a Dispute Resolution Body (an Industry Scheme) to resolve disputes between State Water and its Customers.  <i>NOTE: From the Commencement Date of the Licence State Water has been a member of</i>	Full	<b>Audit Comments:</b> Provided evidence to show a member of EWON. (Tax invoice from EWON dated 29/12/2010.

<b>Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	<i>New South Wales.</i>		<i>EWON – the Energy and Water Industry Ombudsman of New South Wales.</i>		
<b>5.2.2</b>	The Scheme established by State Water or an Industry Scheme of which State Water is a member is subject to the Minister's approval.	Low Risk. As a State Owned enterprise, State Water is unlikely to enter a scheme without Ministerial approval.	The Scheme established by State Water or an Industry Scheme of which State Water is a member is subject to the Minister's approval.	<b>Full</b>	<b>Audit Comments:</b> Email – EWON preferred Doc 11 -11330
<b>5.2.3</b>	The Dispute Resolution Body (whether under the Scheme or an Industry Scheme) is to hear disputes and Complaints made by Customers in relation to: (a) Water Delivery; (b) Customer Accounts; (c) State Water's responsibilities in relation to the communication of water availability and access notifications; and (d) the exercise by State Water of the Functions conferred under clause 2.4 of the Licence.	Low Risk. This clause covers the range of complaints that are likely to be made against State Water.	The Dispute Resolution Body (whether under the Scheme or an Industry Scheme) was to hear disputes and Complaints made by Customers in relation to the matters set out in the obligation.  If there have been no referrals, State Water will have to demonstrate that referrals were not required and its criteria for doing so.	<b>Full</b>	<b>Audit Comments:</b> Evidence taken directly from the EWON Website.
<b>5.2.4</b>	The Scheme or Industry Scheme must comply with the minimum standards, so far as applicable,	Low Risk. Dispute management	The Scheme or Industry Scheme complied with the minimum standards, so far	<b>Full</b>	<b>Audit Comments:</b> Same email. Email – EWON preferred Doc 11 -11330

Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	specified in <i>AS4608-2004 – Dispute management systems</i>	standard.	as applicable, specified in <i>AS4608-2004 – Dispute management systems</i>		
5.2.5	<p>The Scheme must have the following features:</p> <p>(a) the decision-making process of the Dispute Resolution Body and administration of the Scheme is to be independent from State Water;</p> <p>(b) State Water agrees to abide by the decisions of the Dispute Resolution Body in relation to disputes referred to it for resolution;</p> <p>(c) the Scheme must adopt informal proceedings which discourage an adversarial approach;</p> <p>(d) decisions of the Dispute Resolution Body should observe the principles of procedural fairness, be based upon the information before it, and apply that information to specific criteria;</p> <p>(e) the Scheme is to operate efficiently by:</p> <p>(i) keeping track of disputes referred to it,</p>	<p>Low Risk.</p> <p>These features are established and maintained by EWON (the established scheme) rather than State Water.</p>	<p>The Scheme had the features listed in the licence requirement and it is provided by State Water to Customers free of charge.</p>	Full	<p><b>Audit Comments:</b></p> <p>The scheme is endorsed, has rules around the proceedings and dispute resolution process, required by the state government, their website provides details about their processes.</p> <p>a) EWON is an independent body</p> <p>b) Yes</p> <p>c) EWONs approach</p> <p>d) Had some investigations, none that needed a determination, more a provision of information.</p> <p>e) referral EWON number and contact</p> <p>f) Provided free to consumers – details shown on State Water’s website.</p>

Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<p>(ii) ensuring complaints are dealt with by the appropriate process,</p> <p>(iii) the Dispute Resolution Body regularly reviewing the operation of the Scheme; and</p> <p>(f) the Scheme is to be provided by State Water to Customers free of charge.</p>				
5.2.6	State Water must prepare a pamphlet that explains how the Scheme or Industry Scheme operates and how it can be accessed. State Water must make this pamphlet available to the public.	Low Risk. Publication is consistent with other consultation requirements.	State Water prepared a pamphlet that explains how the Scheme or Industry Scheme operates and how it can be accessed. State Water must make this pamphlet available to the public.	Full	<p><b>Audit Comments:</b></p> <p>Copy of the pamphlet is provided. This provides information on the EWON service but not how the process works.</p> <p>Details of EWON are provided in customer service communications reports and newsletters. Pamphlets are also available to be sent to customers if asked for.</p> <p><b>OFI:</b></p> <p>State Water could improve the pamphlet and compliance with the clause by further outlining EWON's resolution process (i.e. the steps that are taken) rather than the current qualitative description. This would only need to be brief.</p>
5.2.7	State Water must report to IPART by no later than 1 September each year, for the preceding financial year, on the Scheme or Industry Scheme based on information available to State Water and information reasonably able to be obtained from the Dispute Resolution Body. Where considered appropriate by State Water and the Dispute Resolution Body, confidentiality arrangements are	Low Risk. Report overseen by IPART.	State Water reported to IPART by no later than 1 September 2011, for the 2010/11 financial year, on the Scheme or Industry Scheme based on information available to State Water and information reasonably able to be obtained from the Dispute Resolution Body. Where considered appropriate by	Full	<p><b>Audit Comments:</b></p> <p>There is a Customer access portal through the EWON website, which provides an end of year summary. This is grouped by industry and no additional detail is provided.</p> <p>Reported on in page 40 and 41 in the 2010/11 Operating Licence Performance Report.</p>

<b>Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	<p>to be made so as not to disclose the Customer's identity in such reports. The report must take into account any issues raised by the Dispute Resolution Body and must contain the following information:</p> <p>(a) the number and types of Complaints received by the Dispute Resolution Body, classified in accordance with the Dispute Resolution Body's reporting arrangements;</p> <p>(b) information on any determinations made by the Dispute Resolution Body; and</p> <p>(c) any other relevant information required by IPART to be included in the report</p>		<p>State Water and the Dispute Resolution Body, confidentiality arrangements were made so as not to disclose the Customer's identity in such reports.</p> <p>The report took into account any issues raised by the Dispute Resolution Body and contained the information set out in the licence obligation.</p>		
<b>5.2.8</b>	State Water must make the report referred to in clause 5.2.7 available to the public.	Low Risk. Publication is consistent with other consultation requirements.	State Water made the report referred to in clause 5.2.7 available to the public.	<b>Full</b>	<b>Audit comments</b> The 2010/11 Operating Licence Performance Report is provided on the State Water website.
<b>5.3</b>	<b>Complaints to other bodies</b>				
<b>5.3.1</b>	State Water must report to IPART by no later than 1 September each year, for the preceding financial year, on complaints made against State Water to a	Low Risk. Report is overseen by IPART.	State Water reported to IPART by no later than 1 September 2011, for the 2010/11 financial year, on complaints made against	<b>Full</b>	<b>Audit Comments:</b> None made. An application for review of a decision by State Water to refuse access to a document requested by an application under the Government Information

<b>Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	<p>court or tribunal such as the Land and Environment Court or Consumer Trader and Tenancy Tribunal (based on information reasonably obtained from these bodies and State Water itself as a party to the complaint), and the report to IPART shall contain the following information:</p> <p>(a) the number and types of complaints received by such other bodies;</p> <p>(b) the outcome of the complaints;</p> <p>(c) how the complaints were resolved;</p> <p>(d) any problems of a systemic nature arising from the complaints; and</p> <p>(e) any other relevant information required by IPART to be included in the report.</p>		<p>State Water to a court or tribunal such as the Land and Environment Court or Consumer Trader and Tenancy Tribunal (based on information reasonably obtained from these bodies and State Water itself as a party to the complaint), and the report to IPART contained the information set out in the licence obligation.</p>		<p>(Public Access) Act 2009 was lodged with the Administrative Decisions Tribunal on 24 February 2011. This matter is still current.</p>
<b>5.3.2</b>	<p>State Water must report to IPART by no later than 1 September each year, for the preceding financial year, on any civil actions brought against State Water in a court (based on information available from the courts and State Water itself as a party to the civil action) where the civil action claims loss, damage or other relief against State Water,</p>	<p>Low Risk. Report is overseen by IPART.</p>	<p>State Water reported to IPART by no later than 1 September 2011, for the 2010/11 financial year, on any civil actions brought against State Water in a court (based on information available from the courts and State Water itself as a party to the civil action)</p>	<b>Full</b>	<p><b>Audit Comments:</b> No actions -</p>



<b>Appendix 6 Complaint and Dispute Resolution Detailed Audit Findings (Part 5)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	<p>and the report to IPART shall contain the following information:</p> <ul style="list-style-type: none"> <li>(a) the number and types of civil actions commenced;</li> <li>(b) the outcome of the civil actions;</li> <li>(c) how the civil actions were resolved;</li> <li>(d) any problems of a systemic nature arising from the civil actions; and</li> <li>(e) any other relevant information required by IPART to be included in the report.</li> </ul>		<p>where the civil action claims loss, damage or other relief against State Water, and the report to IPART contained the information listed in the licence requirement.</p>		

## Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)

Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
6.1	<b>Water Infrastructure Operations</b>				
6.1.1	State Water must operate its Assets in accordance with any relevant Water Management Work Approval or Water Sharing Plan that may be issued by DWE [NoW].	High Risk. There are potential environmental and customer service issues if State Water operations are inconsistent with Work approvals and Water sharing plans.	State Water operated its Assets in accordance with any relevant Water Management Work Approval or Water Sharing Plan that may be issued by DWE [NoW].	<b>NR</b> <b>NOTE:</b> State Water claimed that since conformance with Work Approvals were independently audited by NoW, then the IPART audit should only confirm NoW audit outputs rather than 're-auditing' compliance. Audit of this clause terminated on IPART instruction. Letter to be written to IPART by Auditor addressing conflict, but also querying the issue of Ministerial sign-off.	<b>Audit Comments:</b> Works approvals are in place for each valley across the State and for Dams and Structures. Metering – A customer works approval is in place (Water Supply Work Approval – approval by NSW office of Water to operate.) Evidence provided included reviewing a works approval on the Office of Water Website, where a table was provided of all of State Water's Works Approvals. Works Approvals define State Water's responsibility, the Water Sharing Plan doesn't. State Water only does what is in work approval. By implication someone else does other water share plan activities. The Water Sharing Plan – this works out how government wants to share the water in the Namoi Scheme. It doesn't identify who is going to do what. The works approval however sets out which part of the Water Sharing Plan is relevant to State Water. The documents are aligned, with the Works Approvals as the main way of identifying the relevant elements for the Water Sharing Plan for State Water. Several WA were provided for review: Schedule 1 Gwydir ACR 200910.pdf, Schedule 1 HUNTER ACR 200910.pdf, Schedule 1 Lachlan ACR 200910.pdf, Schedule 1 Namoi ACR 200910.pdf, Schedule 1 PATERSON ACR 2009-2010.pdf, Schedule 1 StateWaterACRReview29062011.doc . Clause 2 of the Namoi Works Approval requires Ministerial Approval for modification of a dam. A question was asked regarding whether any works had altered the behaviour of the structure in such a way as to change the capacity of the works. The spillway configuration of the dam was changed but did not change the capacity of the asset. State Water are changing spillway configurations in a number of cases. SW has notified NoW of these

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					works. They don't change capacity of dam and there are no changes for day to day events only extreme flood events. – spillway works are caught in this clause (see 8 and 9) evidence of Ministerial approval not supplied. NoW to demonstrate their approval is sanctioned by the Minister. NoW audits the compliance with the works approval, previous year audit report provided. NoW – receive an annual report for each valley against the Work Approval and demonstrate any changes. Annual Compliance Reports are sent to the NoW by September annually and NoW audits.
<b>6.1.2</b>	When operating its Assets State Water must: (a) ensure that releases of water are consistent with any Works Approval; (b) operate its Assets efficiently and effectively; (c) undertake periodic maintenance rehabilitation and replacement work; (d) undertake enhancement and development projects; and (e) implement flood planning and other operations instigated by the Dam Safety Committee.	High Risk. Asset operations should be consistent with sound asset management principles and valley based control processes.	When operating its Assets, State Water has met the requirements set out in the licence obligation.	<b>Full</b>	<b>Audit Comments:</b> There is an overlap between this clause and asset management particularly in points (b), (c) and (d). Key notes include: <ul style="list-style-type: none"> <li>• Periodic maintenance is undertaken</li> <li>• An Asset hierarchy in place, this goes across the dam structures and weir structures.</li> <li>• Facility codes have been developed and assets are attached.</li> <li>• State Water has a list of activities that are predetermined against the assets for its maintenance requirements. Has work instructions attached to it. When one job completed, triggers the next to be sent off</li> <li>• Schedule major periodic maintenance during the winter months, undertake operational requirements during the irrigation times, do only minor maintenance of valves. It is about balancing operational and maintenance activities during appropriate time frames.</li> <li>• Have 214 jobs being lined up as planned maintenance jobs , last year the team completed – 5,140 planned maintenance activities.</li> <li>• As State Water tidy up the asset hierarchy they develop more planned maintenance activities in the system. In 2008/09 did 2,600 planned; 2009/10 did 2,400; 2010/11 did 5,140 Completed jobs in the FMMS.</li> <li>• Previously State didn't capture the number of jobs, completed 2,900</li> </ul>

Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>total jobs including breakdown and condition (corrective maintenance)2008 – 3,300 Activities, now 4,450 activities (planned maintenance activities i.e. planned maintenance i.e. monthly activities, annual activities etc).</p> <ul style="list-style-type: none"> <li>• As more assets are captured will put in more work procedures.</li> <li>• Resourcing – increased usage of the system put estimated times against the jobs and then comparing against available resources. Utilisation of resources is maximised.</li> </ul>
					<ul style="list-style-type: none"> <li>• State Water benchmark activities against industry.</li> <li>• Developed a database where they are aligning jobs and activities across the sites and ensure the works procedures are the same for each sites and get consistent frequencies.</li> <li>• Use research students to assist with the lifecycle analysis and processes. Will eventually compile into the maintenance manual.</li> <li>• Will review the frequency etc once they have been implemented and the process is completed.</li> <li>• Want to have trigger points for set types of assets based upon criticality and condition.</li> <li>• Lack of resources – when understaffed at some sites won't undertake some maintenance but are working through these aspects</li> <li>• Lack of access can be a problem at times – i.e. water levels – can't access some assets as they are under water.</li> <li>• Job completion is improving year on year with 08/09 completing 81% of the planned maintenance activities done on time compared with 09/10 89% and 10/11 93%</li> <li>• Emergency spares not a huge issue, have had a replacement programme for assets where there were issues with spares. Have replaced emergency generators etc, Haven't not had too much of an issue with their spares, can source ok now with newer assets. They are tracking obsolescence against the assets.</li> <li>• Setting up a KPI in the service level agreement between strategic assets and maintenance services to track the backlog of maintenance</li> </ul>

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					works. Systems seem sound and appropriate to meet requirement.
<b>6.2</b>	<b>Management of Allocated Water</b>				
<b>6.2</b>	<p>State Water:</p> <p>(a) is accountable for the management and delivery of water allocated to Customers;</p> <p>(b) must manage water orders with a view to ensuring Customer access to water and the equitable delivery of water when physical supply constraints occur, or are likely to occur;</p> <p>(c) must process Temporary Water Transfers within a Valley promptly and efficiently; and</p> <p>(d) must monitor and maintain a water allocation account for each Water Licence issued to each Customer.</p>	<p>High Risk.</p> <p>Water managed by State Water is owned by the customers. Operations and administration should reflect this.</p>	State Water met the requirements set out in the licence obligation.	<b>Full</b>	<p><b>Audit Comments:</b></p> <p>a) SW Act talks about capture and release of water, the licence says accountable for delivery. Have a Water Delivery Unit, there was some debate around terminology</p> <p>b) Over release management. State Water has a Water Accounting System – this keeps the accounts for each customer. Each customer has a licence from the Office of Water. The Water accounting system creates an account for each licence and keeps a daily balance on the account (account – different from the management of the licence) the water accounting system manages the water allocation. Have active engagement with the customers to manage the physical resources.</p> <p>c) Customer signing a transfer to someone else. Rules allow customers to transfer between each other. Provided evidence page 6 of the example Water licence pdf. 31. 03.2011. Saw the original transaction receipt. Allocation assignment document shown on line. SWC701734 352 ML. Application and transaction on the same day.</p> <p>d) Water allocation accounts are kept for each customer.</p> <p>Systems seem sound and appropriate to meet requirement.</p>
<b>6.3</b>	<b>Water Conservation</b>				
<b>6.3</b>	State Water must take such steps as are reasonably practicable to conserve water and to minimise losses that result from its operations.	<p>Moderate Risk.</p> <p>Importance of resource conservation</p>	State Water has taken such steps as are reasonably practicable to conserve water and to minimise losses that result from its operations.	<b>Full</b>	<p><b>Audit Comments:</b></p> <p>Water conservation is generally achieved through the management of over-releases and scheduled releases from the dams.</p> <p>The Water Delivery Unit (WDU) schedules water releases across the whole State. The WDU forecast demand a long time in advance. They ask customers to estimate their demand and require them to order water 20 days in advance, this order then goes into the water accounting system and</p>

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					<p>State Water make an assessment as to whether they can accommodate the orders.</p> <p>Performance indicators are in place for under releasing. State Water tends to over release to be conservative in their estimates and therefore can accommodate some late orders. There are also other storages along the rivers. State Water have gauging stations along the length of the rivers, these are run by the Office of Water to regulate river operations. SW have paid for around 300 of these.</p> <p>To determine requirements, staff use Hydstra and CAIRO. Staff manually enter data into the systems, then run plots and the CAIRO bespoke spread sheet. Have several years' worth of data in here.</p> <p>The process involves the use of historical, current and forecast demand data. The operators populate today's data from the gauging station systems, load the water orders from the water allocation system, then look at water balance for each system.</p> <p>Customers are grouped by section in CAIRO, placed by lead time and then those after the lead time.</p> <p>Water balance is undertaken section by section. This compares actual flows with expected. The differences are reported on a daily basis into the water balance. Then operators can forecast what the unaccounted for difference is going to do downstream.</p> <p>The tributaries are also forecast. The CAIRO system can produce the forecast but operators need to use their judgment and knowledge to understand the constraints on the system.</p> <p>The systems, processes and practices in place seem sound and appropriate.</p>
					<p>State Water was asked what process is in place to assess operator's competence to issue the instructions to maintain compliance. State Water has planner operators who are supervised by a Water Delivery Manager. Senior operator planners also oversee daily operations.</p> <p>To manage resources and risk, State Water has set up a cluster arrangement with three centres across the site e.g. 4 staff in the northern area( for Namoi), can operate the system from anywhere in the State from the corporate network. This was set up during the restructure a few years ago.</p>

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					<p>State Water has a training programme for staff so that they can operate other valleys other than their own. The work plans allow familiarisation with other valleys. See Clause 6.3 Operating Licence_Cross training between valleys_EPR_2010 to 2011.doc</p> <p>The processes as described can offer some assurance of good succession planning and risk management.</p>
<b>6.4</b>	<b>Supply Constraints</b>				
<b>6.4</b>	State Water must endeavour to manage its water release Functions under clause 1.1(b) and other operations to ensure the timely availability of water taking into account physical supply constraints.	Moderate Risk. Mainly an issue when supply is full and State Water may be constrained in meeting many water orders.	State Water has endeavoured to manage its water release Functions under clause 1.1(b) and other operations to ensure the timely availability of water taking into account physical supply constraints.	<b>Full</b>	<p><b>Audit Comments:</b></p> <p>The CAIRO system has been the main tool used to ensure timely availability of water taking into account physical supply constraints. State Water are looking at upgrading this system (it is 15 years old now) and will be using Murrumbidgee as a test case.</p> <p>State Water is looking at using Computer Aided River Management (CARM). In 2010 State Water signed up to use a DHI-Mike product as proof of concept following an international tender last year. Currently operators estimate rainfall run-off intuitively, this will be now replaced with the new model.</p> <p>Historically getting an understanding of the system in real time has been an issue. Now, using Mike 11 State Water will be able to gain a more accurate reflection of the flows down the river (essentially combining the real time data collated with an off the shelf product).</p> <p>Internationally DHI have worked on three gorges dam, the Nile, orange river in south Africa.</p> <p>State Water are undertaking work to reduce water losses in the Murrumbidgee by looking at more efficient channel systems and using weirs to retain flows in the river.</p> <p>CARMS – is designed to help reduce loses in the river channel, with any savings to be directed down the Snowy river. Water savings can be on sold to irrigators. The Water Sharing Plan states that if water is not sold to existing customers, any loss savings are owned by the environment. If possible the aim is to prevent water going to environment where it is not productive eg in a noxious weed infested wetland. WMA does allow for creation of a licence, water to water for rivers or the commonwealth licence</p>

Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					holder Water conservation is constrained by supply and demand, ie in allocated schemes during drought water transfers are extremely expensive (eg up to 1,000/ML) therefore economic drivers can drive water conservation. Commonwealth government – water for the future e.g. government will fund some of the work for changes to licence holders. State water’s systems for managing water realises are sophisticated and technically professional.
<b>6.5</b>	<b>Water Metering</b>				
<b>6.5.1</b>	State Water must read Customer meters and audit the compliance of meters against Commonwealth or State metering standard adopted by the Government.	Moderate Risk. Complicated by imprecise powers to read meters and no final metering standard.	State Water has read Customer meters and audited the compliance of meters against Commonwealth or State metering standard adopted by the Government. The 2009/10 audit found some shortcomings in compliance with this clause.	<b>Full</b>	<b>Audit Comments:</b> A review of the customer meter fleet was undertaken in 2010 and on the 30 <sup>th</sup> June the results were reported to IPART. In summary 50% of the meters needed to be audited by 30 <sup>th</sup> June, in fact 81% were audited. From this assessment only 0.002% would meet the NSW interim standards. A number of clauses from the standards were looked at. One of these was that the meters needed to be pattern approved. There have been problems with this particular requirement as generally the meters are very old and also currently no manufacturers supply meters that are pattern approved. Due to the large number of assets “audited” and the low compliance rate it was suggested and then agreed with IPART that the remaining 19% needn’t be audited as they were likely not to be compliant. For the audit, State Water selected a number of clauses for the three areas, downloaded the meters database, ran filters based on each clause and reduced the number of meters complying down. Site survey used to collate the data is provided. Excel Spread sheets. Main checks included: Meter body, metering site installation, meter maintenance. Strategy to move forward – business case to the Commonwealth to get funding to install new meters and new sites across the basin part of NSW. Currently they are running the Upper Murray metering pilot, replacing regulated customers meters. State Water has formed a partnership with the Office of Water and will own the meters and will have accountability for them.



<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					<p>The Water for Rivers programme will involve the replacement of meters in Murrumbidgee. State Water is looking to the commonwealth to fund the project, otherwise alternative funding mechanisms will be investigated e.g. customer funding.</p> <p>In October a report will go the CSC.</p> <p>State Water has made all reasonable progress to address meeting the requirement of this clause given the current external environment.</p>
					<p>Larger customers have their meters read monthly by Theiss Environmental.</p> <p>There is a procedure in place for Murray, Murrumbidgee, and Bingalong, which has been standard practice for some time.</p> <p>The preferred new meters are to be Magnetic full bore meters (this is the preferred type) as they are likely to be pattern approved and are more reliable.</p>
<b>6.5.2</b>	State Water must report to IPART by no later than 1 September each year on what action it has undertaken over the preceding financial year to address the issue of metering accuracy (for example, the number or percentage of Customer meters State Water has audited or calibrated) and its findings in carrying out this action.	Low Risk. Report is overseen by IPART	State Water reported to IPART by no later than 1 September 2011 on what action it has undertaken over the 2010/11 financial year to address the issue of metering accuracy (for example, the number or percentage of Customer meters State Water has audited or calibrated) and its findings in carrying out this action.	<b>Full</b>	<b>Audit Comments:</b> See notes from above.
<b>6.5.3</b>	State Water will, by no later than 31 March 2009, submit to IPART, for IPART's approval, proposed	Low Risk. Report is	State Water, by no later than 31 March 2009,	<b>NR</b>	<b>Audit Comments:</b> N/A

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	performance measures with respect to State Water's performance in ensuring compliance with metering conditions as imposed by Water Management Works Approvals.	overseen by IPART.	submitted to IPART, for IPART's approval, proposed performance measures with respect to State Water's performance in ensuring compliance with metering conditions as imposed by Water Management Works Approvals.		
<b>6.5.4</b>	State Water must comply for the term of the Licence with the performance measures approved by IPART under clause 6.5.3 with respect to State Water's performance in ensuring metering accuracy.	Moderate Risk. Metering is an important element of customer compliance and resource conservation.	State Water complied for the term of the Licence with the performance measures approved by IPART under clause 6.5.3 with respect to State Water's performance in ensuring metering accuracy.	<b>Full</b>	<b>Audit Comments:</b> IPART confirmed that State Water has achieved compliance.
<b>6.5.5</b>	State Water must maintain record systems that are sufficient to enable it to measure accurately its performance against the performance measures approved under clause 6.5.3.	Moderate Risk. Record management systems are important in meeting the performance measures.	State Water has maintained record systems that are sufficient to enable it to measure accurately its performance against the performance measures approved	<b>Full</b>	<b>Audit Comments:</b> Information for the metering audits was largely uploaded by field officers into separate databases. This information was then checked by the project officer working on the metering project. Any discrepancies were then discussed directly with the field officers and resolved accordingly. A desktop audit was undertaken where field operators were manually interviewed. The final database was built over a 12 month period. Metering information was then entered into the Water Accounting System. A broader range of information received as part of the metering

Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
			under clause 6.5.3.		programme. State Water are looking at the business requirements and the asset processes required to ensure that new meter attribute data is correctly identified and captured and that the main data set will reside in the asset data system with integration of key parameters into the finance and billing solutions. This is being undertaken as part of the Gap Analysis project and will be resolved when the new data and information software solutions are finalised. The Licence Administration System belongs to the Office of Water
6.5.6	State Water must report to IPART by no later than 1 September each year on its performance against the performance measures approved under clause 6.5.3 for the preceding financial year, including analysis of any systemic problems.	Low Risk. Report is overseen by IPART.	State Water reported to IPART by no later than 1 September 2011 on its performance against the performance measures approved under clause 6.5.3 for the 2010/11 financial year, including analysis of any systemic problems.	Full	<p><b>Audit Comments:</b> Report/Letter received, prior to the 1<sup>st</sup> September. A copy of the letter was provided to the audit team. Systemic problems – the audit forced them to prove what they already knew. The main question was to determine accurately State Water is valuing its revenue. The mains issues are:</p> <ul style="list-style-type: none"> <li>• Minor issues – should State Water audit the remaining 19% , haven't got the systems in place yet to do this properly and regularly with integration and accuracy but they are moving towards this with the continuous improvement projects</li> <li>• Current licence conditions with customers currently do not support achievement with the metering conditions</li> <li>• The NSW standards need to reflect the national standard.</li> <li>• Work Approvals don't reflect the NSW standards or the National standards.</li> <li>• Current water supply licence conditions/Work approval is site of meter do not support smooth implementation the regulatory framework being introduced.</li> <li>• Provides a major complication to the process.</li> <li>• General instruction by Minister for customer metering to be of appropriate maintenance and accuracy standard.</li> </ul>

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
<b>6.5.7</b>	As part of its report, State Water must provide IPART with physical and electronic access to the records kept by State Water that enable it to prepare the report under clause 6.5.6.	Low Risk. Report is overseen by IPART.	As part of its report, State Water provided IPART with physical and electronic access to the records kept by State Water that enable it to prepare the report under clause 6.5.6.	<b>Full</b>	<b>Audit Comments:</b> IPART confirmed documents received.
<b>6.5.8</b>	State Water must make a copy of the report referred to in clause 6.5.6 available to the public.	Low Risk. Report is overseen by IPART.	State Water made a copy of the report referred to in clause 6.5.6 available to the public.	<b>Full</b>	<b>Audit Comments:</b> Shown on their website – About us>publications>corporate publications>more>reports to IPART under operating licencee.10/11. The publication is on the website and follows a logical path to the documents.
<b>6.6</b>	<b>Water Balances</b>				
<b>6.6.1</b>	State Water must prepare by no later than 1 September each year, draft annual water balances, and by 1 December each year, final water balances, each in the form of the template at Table 5-1 of the final report by Sinclair Knight Merz “State Water Operating Licence - Water Balance Template” dated 30 March 2005 and in accordance with that report.  <i>Note: A copy of this report can be found on IPART’s website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a></i>	Low Risk. Water balance reports are industry standard and the reports are overseen by IPART	State Water prepared by no later than 1 September 2011, draft annual water balances, and by 1 December 2011, final water balances, each in the form of the template at Table 5-1 of the final report by Sinclair Knight Merz “State Water Operating Licence - Water Balance Template” dated 30 March 2005 and in accordance with that report.	<b>Full</b>	<b>Audit Comments:</b> The draft Water balances are available for each scheme on the website and are noted in the Operating Licence report.  State Water technical staff briefed and demonstrated the auditor on the data collection and analysis methodologies and procedures. The auditor is of the opinion that the methodology and approach for data collection and analysis are comprehensive and sound and that the underlying data is of adequate accuracy with the exception of any impact due to customer meter issues and this is beyond State Water’s power to control.  Template also available on the website.

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
			<i>Note: A copy of this report can be found on IPART's website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a></i>		
<b>6.6.2</b>	State Water may, in preparing the annual water balances referred to in clause 6.6.1, deviate from this template provided that it has obtained the prior written approval of IPART to do so.	Low Risk. Report is overseen by IPART.	If State Water, in preparing the annual water balances referred to in clause 6.6.1, deviated from this template, it had obtained the prior written approval of IPART to do so.	<b>Full</b>	<b>Audit Comments:</b> No deviations recorded. National water initiatives looking at water balances, water accounting standards across the country. State Water is comfortable staying with the SKM approach.
<b>6.6.3</b>	State Water must make the annual water balances referred to in clause 6.6.1 available to the public.	Low Risk. Report is overseen by IPART.	State Water made the annual water balances referred to in clause 6.6.1 available to the public.	<b>Full</b>	<b>Audit Comments:</b> The Water balances are available on the website Water delivery>water balance reporting.
<b>6.7</b>	<b>FRWS Water Balance and System Yield</b>				
<b>6.7.1</b>	In relation to the FRWS, State Water must:	Moderate Risk. FRWS supplies domestic and industrial consumers	In relation to the FRWS, State Water:	<b>Full</b>	<b>Audit Comments:</b>
	(a) prepare by no later than 1 September each year, draft annual water balances for the FRWS, and by 1 December each year, final water balances, each		(a) prepared by no later than 1 September 2011, draft annual water balances for the	<b>Full</b>	<b>Audit Comments:</b> The draft water balance for the FRWS is provided on the Website as well as past final water balances.

Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<p>in the form of the template at Table 4-2 of the final report by Sinclair Knight Merz "Outcomes of consultation on performance standards and indicators for the FRWS Water Supply Scheme" dated 11 March 2005 and in accordance with that report; and</p> <p><i>Note: A copy of this report can be found on IPART's website at <a href="http://www.ipart.nsw.gov.au">www.ipart.nsw.gov.au</a></i></p>		FRWS, and by 1 December 2011, final water balances, each in the form of the template defined in the licence obligation.		
	<p>(b) report to IPART, at least once during the term of the Licence, on system yield at a specified level of reliability of supply to be determined by State Water in consultation with the FRWS Customer Council.</p> <p>For the purpose of this clause 6.7, "system yield" is the average annual volume of water that can be supplied by the water supply system, subject to system inflows, an adopted set of operational rules (including the release of environmental water) and a typical demand pattern, without violating a given level of service standard. "Reliability of supply" is the</p>		<p>(b) reported to IPART, at least once during the term of the Licence, on system yield at a specified level of reliability of supply to be determined by State Water in consultation with the FRWS Customer Council.</p>	NR	<p><b>Audit Comments:</b></p> <p>Last year a large amount of work was undertaken with the intent to report during this year on this particular aspect.</p> <p>A review of the FRWS following the drought. The review was undertaken by the Office of Water using a hydrology contractor. In March 2011 the NoW's report to the Minister proposed changes to the carry over rules and supplementary access.</p> <p>State Water has asked for the final modelling outcomes and the Office of Water's analysis of the model outputs.</p> <p>State Water will report to IPART on the system yield within the term of the Licence.</p>

<b>Appendix 7 Water Delivery Operations Detailed Audit Findings (Part 6)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	proportion of time that a supply system is expected to be able to meet demand, often expressed as the probability that restrictions of any given severity will not be imposed in a given year or month.				
<b>6.7.2</b>	State Water may, in preparing the annual water balance referred to in clause 6.7.1(a), deviate from the template referred to in that clause provided that State Water has obtained the prior written approval of IPART to do so.	Low Risk. Report is overseen by IPART	If, in preparing the annual water balance referred to in clause 6.7.1(a), State Water deviated from the template referred to in that clause, it had obtained the prior written approval of IPART to do so.	<b>Full</b>	<b>Audit Comments:</b> Template for FRWS is different from the other schemes, there have been no changes to the template used.
<b>6.7.3</b>	State Water must make the annual water balance referred to in clause 6.7.1(a) available to the public.	Low Risk. Report is overseen by IPART	State Water made the annual water balance referred to in clause 6.7.1(a) available to the public.	<b>Full</b>	<b>Audit Comments:</b> Very similar as the other – reported on the website.

## Appendix 8 The Environment Detailed Audit Findings (Part 7)

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
7	The Environment				
7.1	Environment Management Plan				
7.1.1	<p>At least once during the term of the Licence, prior to 30 November 2010, State Water must review and update its document entitled Environment Management Plan 2006-2011 (the Environment Management Plan)</p> <p><i>Note: The Environment Management Plan was developed during the term of the Previous Licence and remains in force until 2011. The latest version was last updated in June 2007.</i></p>	<p>Moderate Risk.</p> <p>Environmental performance is governed by the EMP.</p>	<p>Prior to 30 November 2010, State Water has reviewed and updated its document entitled Environment Management Plan 2006-2011 (the Environment Management Plan)</p>	<p><b>Full</b></p>	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>DOC11-18434 Environmental Management Plan ( EMP ) ~ Initial Draft on website, as it appeared 24.pdf and the Final Environmental Management Plan 2011-2016 dated February 2011 (SWC EMP 2011 to 2016 Print Copy DOC11-14646.PDF).</p> <p>Email from: IPART Sent: Monday, 29 November 2010 5:16 PM</p> <p>To: IPART; Cc: State Water</p> <p>Subject: State Water 2011-2016 EMP – FINAL Attachments: State Water EMP-R6 FINAL 101125.pdf (DOC11-14694 State Water 2011-2016 EMP - FINAL.htm)</p> <p><b>Comments</b></p> <p>State Water reviewed its 2006-2011 Environment Management Plan (EMP). The EMP was transmitted to IPART on 29 November 2010 (noting that the version that was sent to IPART was the pre-design version, and State Water noted that the content in the version would not change pending design finalisation).</p> <p>State Water has shown a commitment to this area by building up its environment team over the last two years from 1 to now 5 people.</p> <p><b>OFI:</b></p> <p><b>Environment Management Plan:</b> While the brief and targeted nature of the EMP is to be applauded, it is felt that for completeness, the Protection of the Environment Operations Act 1997 (NSW) should have been included in the 'Statutory Framework' section on page 4, primarily as it is such a key piece of environmental protection legislation for State Water's operating context. It is suggested that this legislation be covered up front in the document when the</p>



Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					EMP is next revised.
7.1.2	In undertaking this review State Water must consult with: (a) DECC; (b) DWE; (c) DPI; (d) IPART; and (e) peak environmental non-government organisations; for the purpose of considering the views of those organisations consulted, including whether they seek amendments to the Environment Management Plan.	Low Risk. Requirement to consult with key stakeholders and other regulators.	In undertaking this review, State Water consulted with the organisations mentioned in the licence obligation for the purpose of considering the views of those organisations consulted, including whether they seek amendments to the Environment Management Plan.	Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>KMH Environmental (2010) Environmental Management Plan Review Final. State Water Corporation EMP Stakeholder Consultation Prepared for State Water Corporation. KMH Reference 3010-124. October 2010 (SWC EMP Consultation Report DOC11-14631.PDF).</p> <p>Conversation record between KMH Environmental and (Clause 7.1.2 Conversation Record with IPART 100929 regarding update of EMP.DOCX).</p> <p><b>Comment</b></p> <p>State Water engaged KMH Environmental to undertake a stakeholder review of its EMP. Review of the KMH Environmental report confirmed that a comprehensive list of stakeholders including those outlined in Clause 7.1.2 was identified and consulted (Appendix A). Peak environmental non-government agencies contacted included World Wildlife Fund Australia and The Total Environment Centre.</p> <p>Letters were sent to stakeholders on 6/9/10 and comments asked for by 26/9/10, therefore approximately a two-week period of review. Few replies were received from stakeholders other than the key agencies. Responses to the stakeholder replies were presented in Appendix F of the KMH report. Note that KMH Environmental contacted IPART on 29/9/10 for comment on the EMP. It was noted that as IPART was at the time in the process of auditing State Water and would eventually say whether the EMP met requirements, it is considered inappropriate for IPART to send a formal response and therefore declined to provide comment on the report.</p> <p>Where stakeholder comments were received, these comments were addressed in a revised EMP, which was then sent back to the key stakeholders for confirmation.</p>
7.1.3	State Water must engage in Public Consultation when conducting this review.	Low Risk. Requirement for public consultation.	State Water engaged in Public Consultation when conducting this review.	Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>DOC11-18434 Environmental Management Plan ( EMP ) ~ Initial Draft on</p>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>website, as it appeared 24.pdf</p> <p>Public notice template for the Environmental Management Plan with comments required before 25 October 2010 (DOC11-14672 SWC EMP Public Consultation.DOC)</p> <p>Advertising cost estimate from AdCorp (DOC11-14679 EMP Public Consultation Newspaper Invoice.RTF)</p> <p><b>Comment</b></p> <p>State Water engaged in public consultation of the EMP as required by this clause. No comments were received.</p> <p>Evidence to support compliance was presented in the form of advertisements to the effect of public consultation as well as presentation of the draft EMP as it appeared on the web (dated 24/9/10).</p> <p>According to the advertising cost estimate from AdCorp, advertising occurred in the following:</p> <ul style="list-style-type: none"> <li>• Albury Border Mail</li> <li>• Bega District News</li> <li>• Broken Hill - Barrier Daily Truth</li> <li>• Dubbo Daily Liberal</li> <li>• Griffith Area News</li> <li>• Lismore Northern Star</li> <li>• Orange Central Western Daily</li> </ul>
7.1.4	The Environment Management Plan may be developed for all of State Water's operations (including the FRWS) or alternatively State Water may develop separate plans for the FRWS and the rest of its operations, in which case the provisions of this clause 7 will apply to each Environment	High Risk. The EMP should devote specific attention to the potable supply from the FRWS.	State Water may employ the options in the licence obligation in developing the Environment Management Plan.	Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>Final Environmental Management Plan 2011-2016 dated February 2011 (SWC EMP 2011 to 2016 Print Copy DOC11-14646.PDF).</p> <p><b>Comment</b></p> <p>State Water only has one EMP. Page 3 (Introduction) of the EMP includes the following statement confirming that the existing EMP covers all of State Water's operations:</p>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	Management Plan prepared.				<p>"This EMP outlines State Water's overarching framework for environmental management, and directs the development, implementation, monitoring and review of State Water's environmental objectives."</p> <p>It should also be noted that State Water considers the EMP as an overarching umbrella document in terms of identifying pragmatic implementation of environmental obligations on the ground through the use of supporting systems, documents and databases from corporate to coalface. State Water has a vision to work towards ISO 14001 certification in the future but as yet, no goal has been set for certification.</p>
7.1.5	<p>The EMP must:</p> <p>(a) include details of State Water's program for addressing its environmental impacts and achieving environmental improvements, including (but not limited to):</p> <p>(i) management and mitigation of riverbank and bed erosion;</p> <p>(ii) management and mitigation of water quality issues associated with storage and release (including mitigation of thermal impacts);</p> <p>(iii) management and mitigation of barriers to fish passage;</p> <p>(iv) an algal management strategy;</p> <p>(v) energy management</p>	<p>High Risk.</p> <p>The EMP should be comprehensive.</p>	<p>The EMP must have the features described in the licence obligation.</p> <p>The 2009/10 audit noted that the EMP did not identify a clear and consistent algal management strategy.</p>	Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>Final Environmental Management Plan 2011-2016 dated February 2011 (SWC EMP 2011 to 2016 Print Copy DOC11-14646.PDF).</p> <p>Wyangala Foreshores Management Site Action Plan June 2010 by GHD (Wyangala Foreshores Management Site Action Plan DOC10-6918.PDF)</p> <p>State Water Water Quality Water Sampling Procedures DOC 11/15552 (DOC11-15552 Water Quality Procedure.DOC)</p> <p>State Water Executive Team Newsletter Issue 187, 10 June 2011 (Executive Newsletter Executive newsletter WRAPP survey and green team DOC11-11967.PDF)</p> <p>State Water RFT No. SWC DOC 11/13724 'Preparation of Carbon Footprint Report' Created 28 April 2011. Tender was let outside of scope but created within scope therefore accepted as evidence. Document was viewed on screen at interview.</p> <p>Environmental Training Register (DOC 11/3754) viewed at interview.</p> <p><b>Comment</b></p> <p>Sections of the EMP are ordered into four objectives. A summary of the objectives is provided under each heading with a sentence relating to the clauses covered. However, it was not always obvious which objective dealt with which specific licence clause. Each objective, or other section of the EMP, were therefore cross-checked with the requirements of this clause to confirm compliance (noting that there is integration of the sub-clauses in the document</p>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<p>and consumption; and</p> <p>(vi) waste management and minimization.</p> <p>(b) adopt Ecologically Sustainable Development principles;</p> <p>(c) be integrated into State Water's business plans;</p> <p>(d) include indicators to measure the environmental impact of State Water's Asset operations and maintenance; and</p> <p>(e) incorporate environmental improvement targets and timetables for State Water to achieve those targets over the term of the Environment Management Plan.</p>				<p>as that is how issues are managed in practice):</p> <ul style="list-style-type: none"> <li>• Page 7, Objective 1, Action: 'Site specific foreshore action plans to be implemented through Maintenance Management Systems' (further evidence to support this sub-clause provided by DOC1-6918, Wyangala Plan) and Objective 2, Action: Implement Works Approvals conditions for environmental management and water flow variability'.</li> <li>• Page 9, Objective 2. Several actions fulfilled this requirement including 'Implement Operating Protocols to mitigate the impact of cold water pollution', 'Investigate works to mitigate cold water pollution in accordance with CWP strategy' and 'Operate and manage storages in accordance with RACP'.</li> <li>• Page 10, Objective 2, Action: 'Implement Fishway Monitoring Program of fish communities, pre and post construction of new fishways' - noting that State Water's Environmental and Heritage Assessment Procedure also includes measures to assess this issue.</li> <li>• Algal management is covered under Objective 2 at page 9 as mentioned above in (ii). However, given that this issue was singled out for further assessment at the 2009/10 audit, further evidence was sought at the interview. <ul style="list-style-type: none"> <li>- State Water covers algal management within its overarching document 15552 (Section 6.3) and in an integrated process. Relevant information for each storage is captured in a summary fashion and presented as a Work Order which is then actioned by officers on site including how to take samples, how to send samples for analysis etc. There is no standalone algal strategy as such. The cascade of information is as follows via Program to Procedure to Work Order. Work Orders are generated through State Water's Facility Management Maintenance System, which is State Water's job management system.</li> </ul> </li> <li>• (v) Page 11, Objective 3, Actions: 'Review Energy Management Plan in accordance with the NSW Government Sustainability Policy', 'Define business requirements and system specification for an Energy Reporting System', 'Develop an Energy Reporting System', 'Develop and implement Carbon Neutrality Program', and 'Review vehicle</li> </ul>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>selection policies and incorporate Cleaner NSW Government Fleet Policy initiatives'. State Water has also assembled a voluntary 'Green Team' which commenced on 10 June 2011 (see supporting evidence in DOC11-11967). The objectives of the Green Team are to identify ways to reduce, reuse and recycle within their office and reviewing WRAPP (Waste Reduction and Purchasing Policy) survey results, developing site specific WRAPP action plans and implementing education and awareness program. In addition to these initiatives, State Water has also developed and implemented a Carbon Neutrality Program and let a tender in 2010-2011 for a Carbon Footprint Baseline for Scope 1, 2 and 3 emissions under the <i>National Greenhouse Emissions Reporting Act 2007</i> (evidence provided in DOC11/13724).</p> <ul style="list-style-type: none"> <li>• (vi) This sub-clause is largely covered by all of Objective 3, page 11.</li> <li>• (b) Adopts ESD principles - stated at page 3 of EMP.</li> <li>• (c) Figure 1 at page 5 shows how the environment management approach has been integrated at a business-wide level. Further discussion at interview provided evidence on how integration occurs across the business. See notes above also.</li> <li>• (d) Indicators to measure environmental impacts of State Water's asset operations and maintenance are covered in the tables under objectives 1 to 4. However, under objective 2, for the FRWS, the percentage compliance with the Australian Drinking Water Guidelines is not considered the best performance measure for understanding management of the scheme. This issue is discussed in more detail in Clause 8, part 3. Water Quality.</li> <li>• (e) As for (d).</li> </ul> <p>(It is noted that some of these issues have already been scheduled for action by State Water post the audit period).</p> <p><b>OFI: Future Checks of Environmental Practice Implementation:</b> For future audits, it is recommended that a site audit be undertaken to check how instruments such as the Wyangala Site Action Plan is implemented in practice.</p> <p><b>OFI - Environment Management Plan:</b> FRWS: Under EMP objective 2, for the</p>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>FRWS, the percentage compliance with the Australian Drinking Water Guidelines is not considered the best performance measure for understanding management of the scheme. This issue is discussed in more detail under Performance Indicators (Clause 8, part 3. Water Quality).</p> <p><b>OFI - Environment Management Plan:</b> Consider including a direct Operating Licence clause and sub-clause cross-reference to each action in the EMP. This action could be achieved by including a separate 'Operating Licence Cross-reference' column in the EMP after the 'Performance Measure' column.</p> <p><b>OFI -DOC 15552:</b> Note that the correct reference for the Australian Drinking Water Guidelines should be NHMRC/NRMMC (National Health and Medical Research Council/Natural Resource Management Ministerial Council) (2004).</p> <p><b>OFI -DOC 15552:</b> It is also recommended that as part of the training requirements for water quality sampling, that water quality awareness is also included i.e. the need for diligence in water sampling and chain of custody requirements to ensure confidence in the results.</p> <p><b>OFI - Training:</b> A training register was viewed during the interview showing who had had particular types of training and when. It is suggested that training should be integrated into existing systems if possible to optimise maintenance of training currency records and requirements. State Water's Facility Maintenance Management System could be the vehicle for capturing training as training can be linked to work orders i.e. via the training prerequisites for undertaking a particular job.</p> <p>Further, State Water does not currently include an assessment in the training induction material to test whether inductees understand the content.</p> <p><b>OFI - Training:</b> It is suggested that a small assessment is added to the induction process to review whether people have understood the content of the training</p>
7.1.6	The Environment Management Plan must be provided to IPART on its completion and made available to the public.	Low Risk. EMP overseen by IPART.	State Water provided the Environment Management Plan to IPART on its completion and made available it to the public.	Full	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>Final Environmental Management Plan 2011-2016 dated February 2011 (SWC EMP 2011 to 2016 Print Copy DOC11-14646.PDF).</p> <p>Email from: IPART Sent: Monday, 29 November 2010 5:16 PM</p>

Appendix 8 The Environment Detailed Audit Findings (Part 7)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>To: IPART; Cc: State Water</p> <p>Subject: State Water 2011-2016 EMP – FINAL Attachments: State Water EMP-R6 FINAL 101125.pdf (DOC11-14694 State Water 2011-2016 EMP - FINAL.htm)</p> <p><b>Comment</b></p> <p>The EMP was provided to IPART on 29 November 2010. The EMP is on State Water’s website and easy to find (<a href="http://www.statewater.com.au/Documents/Library/State%20Water%20Environmental%20Management%20Plan%202011.pdf">http://www.statewater.com.au/Documents/Library/State%20Water%20Environmental%20Management%20Plan%202011.pdf</a>).</p>
7.1.7	<p>State Water must, by no later than 1 September each year, or an alternative later date specified by IPART, for the preceding financial year, report to IPART on its environmental performance including its performance against or compliance with:</p> <p>(a) its Environment Management Plan;</p> <p>(b) any environmental provisions of each Water Management Plan and the State Water Management Outcomes Plan issued under the <i>Water Management Act 2000</i> where applicable to State Water;</p> <p>(c) any environmental regulatory requirements applicable to State Water, including those under the water management work</p>	<p>Low Risk. Report is overseen by IPART.</p>	<p>By no later than 1 September 2011, or an alternative later date specified by IPART, for the 2010/11 financial year, State Water reported to IPART on its environmental performance including its performance against or compliance with the matters set out in the licence obligation.</p>	<p><b>Full</b></p>	<p><b>Evidence</b></p> <p>Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Solicitor Legal Services Manager, Water was also in attendance for a discussion regarding the State Water Management Outcomes Plan.</p> <p>Email from State Water to IPART 1 September 2011 3:22 pm for transmittal of 2010-2011 IPART Report (1Sept11 Email to IPART.pdf).</p> <p><b>Comment</b></p> <p>The 2010-11 report to IPART satisfies the requirements of (a), (c) and (d). Regarding the State Water Management Outcomes Plan at (b) (created under Section 6 of the Water Management Act 2000 (NSW)), this plan is no longer in effect as it was created in 2002, lasted until 2007 and has not been replaced. State Water is therefore not in a position to report against a non-existent plan.</p>

<b>Appendix 8 The Environment Detailed Audit Findings (Part 7)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
	approval(s) issued under the <i>Water Management Act 2000</i> and the <i>Fisheries Management Act 1994</i> ; and  (d) the environmental provisions of any MoUs referred to in clause 2.3 including any performance standards and indicators established under these MoUs.				
<b>7.1.8</b>	State Water must make available to the public the report referred to in clause 7.1.7	Low Risk. Report is overseen by IPART.	State Water made available to the public the report referred to in clause 7.1.7	<b>Full</b>	<p><b>Evidence</b> Interview with Manager Natural Assets and Sustainability, Internal Audit and Compliance Manager 21 September 2011.</p> <p><b>Comment</b> State Water's reports are presented on its website under the About Us section. The IPART report was sighted on the website ( <a href="http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf">http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf</a> ).</p>



## Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
8.1	<p>State Water must maintain record systems that are sufficient to enable it to measure accurately its performance against:</p> <p>(a) the performance indicators set out in Schedule 1.</p> <p>(b) any system performance indicators specified in any instruments that give effect to the National Water Initiative; and</p> <p>(c) any service quality and system indicators in any other instrument determined by IPART.</p>	<p>Moderate Risk.</p> <p>Record management is an important element of performance measurement.</p>	<p>State Water has maintained record systems that are sufficient to enable it to measure accurately its performance against the indicators set out in the licence obligation.</p> <p>State Water is to demonstrate the methodology and validation processes for reporting this data and provide qualitative and/or quantitative commentary on data accuracy and/or confidence levels.</p>	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Customer Complaints 2010 2011 Report from CRM (Complaints_incl elapsed time_201011 DOC11-16760.XLS)</p> <p>CRM Viewed on screen at the interview – operated by the Customer Support Services Manager.</p> <p>Excel Database of Alleged Breach Notifications submitted to NoW (ABNF reported to the NSW Office of Water_201011 DOC11-17555.XLS)</p> <p><b>Comments</b></p> <p>State Water has several databases and tools in place to facilitate records management, customer requests for water and water balancing e.g.:</p> <ul style="list-style-type: none"> <li>• CRM (Customer Relationship Management) database - customer management approach and</li> <li>• Water Accounting System and</li> <li>• CAIRO (Computer Aided Improvements to River Operations).</li> </ul> <p>CRM also allows SW to track issues through to resolution. Issues are provided with a unique identifier to allow for tracking. CRM is an off the shelf product in which the IPART categories have been set up. CRM was viewed by the auditor at the interview, operated by the Customer Support Services Manager. Several tickets were viewed and followed through as a trail for evidence of actions. All issues viewed were addressed and recorded appropriately.</p> <p>CIOs (Customer Information Officers) have the authority to access the CRM. Ministerials and other issues can also be handled through the CRM. Customer Relationship Management Database.</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
Sched 1		Moderate Risk. Indicators have been chosen as important indicators of State Water's performance			
Part A	<b>1. Water Delivery</b>			<b>Full</b>	
(a)	percentage of Customers contacted within one working day of a non-complying water order being placed; <i>Note: A "non-complying water order" is an order which does not comply with licence conditions or which contains insufficient information for State Water to supply water</i>	As above	What is the percentage of Customers contacted within one working day of a non-complying water order being placed?	<b>Full</b>	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (<i>DOC10-11525 Performance Indicator 2010 - 2011.XLS</i>)</p> <p>Non-complying orders &gt;1 day report generated 29-07-2011 13:04 (<i>DOC11-17111 IPART Audi Non Complying orders greater than 1 day.XLS</i>)</p> <p><b>Comments</b></p> <p>Once water orders are received by the Helpdesk, they are entered into WAS by the CIO who is the first person to view the ticket.</p> <p>A checklist approach is used by the CIO to determine if water orders are compliant or non-compliant. A non-complying order causes the CIO to either call the customer or fax the order back to the client and resolve the non-compliance. State Water also holds a weekly teleconference with operators to better understand the issues being faced and how to improve services.</p> <p>An exceptions report of the total combined performance indicator exceptions was viewed at the interview. For the 2010-2011 audit period, State Water noted that 99% of customers were contacted within one working day of a non-complying water order. There were a total of 1,073 non-complying orders for the year and of those 1,058 were contacted within one working day. This</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
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					<p>calculation was checked and found to 98.6% with the 99% reported being confirmed as a rounding issue with State Water staff.</p> <p>State Water calculates this indicator by dividing the number of customers contacted within 1 working day of submitting a non-complying water order by the number of non-complying water orders to determine the percentage.</p> <p>Note that the Customer Information Manager (who is responsible for the CIOs) is responsible for preparing a monthly Performance Indicators and Exceptions Report as well as being responsible for cross-checking the individual non-complying orders to ensure accuracy of reporting this indicator to IPART. Evidence provided was checked (DOC11-17111).</p>
(b)	<p>percentage of complying water orders identified as being delivered outside of <math>\pm 1</math> day of the scheduled day of delivery, as measured by customer complaints;</p> <p><i>Note: A "complying water order" is an order which complies with the conditions of a water licence and which contains sufficient information for State Water to supply water and "scheduled day of delivery" is per period of the required notice specified in works approvals, licences or entitlements.</i></p>	As above	What is the percentage of complying water orders identified as being delivered outside of $\pm 1$ day of the scheduled day of delivery, as measured by customer complaints?;	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (<i>DOC10-11525 Performance Indicator 2010 - 2011.XLS</i>)</p> <p>Customer Complaint Report 2010 2011 (<i>Complaints from CRM_201011 DOC11-16785.PDF</i>)</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><i>Schedule 1 Part A Email 2.pdf</i></p> <p><i>Schedule 1 Part A email 1.pdf</i></p> <p>DOC11-18439 (<i>Schedule 1 Part A Performance Indicator 2010 - 2011_Sri.XLS</i>)</p> <p><b>Comments</b></p> <p>For the 2010-2011 audit period, 0.009% of complying water orders were delivered outside of +/- 1 day of the scheduled delivery day as measured by complaints. This figure represents a total of 56,132 complying water orders (measured as individual order days), including iWAS orders (DOC11/18422).</p> <p>There were also 5 customer complaints for orders delivered outside +/- 1 day of scheduled delivery day. One was recorded in the CRM (DOC11/16785) and 4 were recorded by the delivery team in the Lachlan valley and not recorded in the CRM (DOC10/11525).</p> <p>State Water noted that the issue surrounding not having all of the complaints in</p>

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					<p>the CRM is that use of the CRM for water delivery staff was new in 2010-2011. 4 complaints were not in the CRM, 1 was. Training has been delivered to the appropriate staff and the CRM is now being used fully as intended.</p> <p>There was also flooding which occurred at the time of Dec 2010 which also impacted on the focus of staff in having to deal with that as well as the Ministerials associated with the flooding.</p> <p>The Customer Support Services Manager double-checked the data before summarising for IPART reporting by sending round an email to everyone for clarification of whether there were any other complaints to include in the figures (email train viewed and provided as evidence in Schedule 1 Part A Email 1 and 2.pdf).</p>
(c)	<p>percentage of water orders rescheduled in consultation with Customers within one working day of a known storage or delivery delay”;</p> <p><i>Note: This indicator should be calculated as a percentage of the total number of water orders rescheduled due to a known shortage or delivery delay</i></p>	As above	What is the percentage of water orders rescheduled in consultation with Customers within one working day of a known storage or delivery delay?	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Rescheduled Report from CRM for 2010 2011 generated 29-08-11 16:22. (<i>Recheduled DOC11-18456.PDF</i>)</p> <p><b>Comments</b></p> <p>Notes provided by State Water as reported in the 2010-2011 IPART Annual Report:</p> <p>“An electronic reporting system for monitoring this indicator was trialled in the northern valleys of the state during 2009-2010 and was available for implementation in 2010-2011. In this system 100% of the rescheduled orders were rescheduled within one day of the known shortage or delivery delay.</p> <p>There were 2 orders in November 2010 and 2 orders in January 2011 rescheduled due to shortfall in the Lachlan. These have not been captured in the ticketing system. Central valley staffs are now trained and will use the ticketing system in 2011-2012.</p> <p>In the Northern valleys (Namoi, Gwydir, Border) there were 8,511 water orders in 2010-2011. Of these 11 were rescheduled within one working day and there were none rescheduled outside one working day (100%).</p> <p>In the Coastal valleys (Hunter, Paterson, Bega, Richmond) rescheduling was not</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
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					<p>applicable as water ordering is not practised. Customers are usually supplied with water on demand and typically extract what is required (usually very small quantities) from continuous flow of the river. Water order rescheduling generally does not occur except for customers with large extraction capacity. Due to the volume of water available this indicator is not applicable to the Southern Valleys for 2010-2011.”</p> <p>The auditor checked the report generated from CRM on the rescheduled orders (provided at the interview date in hard copy and also as soft copy upload to Sharefile). The 11 orders rescheduled as stated above were verified.</p> <p><b>OFI – training in CRM database:</b> Training in CRM should help to improve the use of the ticketing system and should be reviewed in the 2011-2012 audit period for success.</p>
(d)	<p>percentage of time that daily minimum flow targets are met;</p> <p><i>Note: “Daily minimum flow targets” are those specified in relevant Water Management Plans or by the Minister for Natural Resources or by the Ministerial Corporation; and</i></p>	As above	<p>What is the percentage of time that daily minimum flow targets are met?</p> <p>The 2009/10 audit identified some definitional issues with this indicator. Recommendation R 9.1 relates to this matter.</p>	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Rescheduled Report from CRM for 2010 2011 generated 29-08-11 16:22. (<i>Recheduled DOC11-18456.PDF</i>)</p> <p>State Water Procedure SWIM Ref DOC10/2861 IPART Reporting – Performance Indicators (<i>Schedule 1 IPART Reporting Procedure.DOC</i>)</p> <p><b>Comments</b></p> <p>State Water noted that its definition for this indicator i.e. the daily minimum flow targets, is guided by the conditions in the Work Approval from NoW. Work Approvals are issued under the Water Management Act 2000 (NSW) and approved by NoW.</p> <p>Parts of any Water Sharing Plans relevant to State Water are listed and used to inform the Work Approval as the validation of what State Water needs to do to meet its obligations.</p> <p>State Water uses CAIRO as its database for the flow information and information for this performance indicator is generated as a report from CAIRO.</p> <p>See <a href="http://www.water.nsw.gov.au/Water-licensing/Corporate-licences/Major-utilities/State-Water/State-Water/default.aspx">http://www.water.nsw.gov.au/Water-licensing/Corporate-licences/Major-utilities/State-Water/State-Water/default.aspx</a> for the works approvals in</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
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					<p>which the minimum flow targets are defined and which SW has used as its validation. Works Approvals also have a requirement for minimum flows. NoW reports are not due until 30 September.</p> <p>Note that recommendation R9.1 from the previous audit (2009/10) stated that there were issues with the methodology used by State Water in assessing this indicator. A procedure is now in place for water balances. The auditor viewed the IPART Reporting – Performance Indicators procedure (DOC10-2861). This document outlines procedures for data reporting, collecting and analysis and responsibilities of officers collecting the data. SW is now waiting for other relevant business units to feed into the procedures to ensure that the procedure is correct before it can issue the procedure as a final (evidence sighted within the document control table of the procedure). However, the content of the document is extremely comprehensive and the auditor considers that the requirements of this recommendation have been met.</p> <p><b>OFI – IPART Performance Indicators Reporting Procedure (DOC10/2861):</b> While the requirements of previous recommendation R9.1 from the 2009/10 audit has been met, the procedure provided as evidence against R9.1 (DOC10/2861) will need to be finalised and implementation will need to be checked at the next audit.</p>
(e)	<p>percentage of complying inter-valley transfers processed within four working days of State Water's receipt of correctly completed application form and fee.</p> <p><i>Note: "intra-valley transfer" means the transfer of allocated water from one licence to another licence within a Valley and includes transfers under the Water Management Act 2000 and the Water Act 1912</i></p>	As above	What is the percentage of complying inter-valley transfers processed within four working days of State Water's receipt of correctly completed application form and fee?	Full	<p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (DOC10-11525 Performance Indicator 2010 - 2011.XLS)</p> <p>Excel sheet of trade statistics generated from WAS (DOC11-17122 IPART 2010-11 Trade Stats.XLS)</p> <p><b>Comment</b></p> <p>State Water's Deniliquin office process all water transfers and allocation assignments. Customers complete the trade form, pay the required fee and then use a fax system to fax the form for processing. All faxes received are entered into WAS by the Transaction Officers.</p> <p>The WAS-generated report was checked for when the trade application was</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
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					received to when it was completed. Monthly data are reported on State Water's website (checked 12/9/2011 <a href="http://www.statewater.com.au/Customer+Service/Water+Trading">http://www.statewater.com.au/Customer+Service/Water+Trading</a> ). For the 2010-2011 year, 96% of intra-valley transfers were processed within 4 working days. There was a total of 1,596 intra-valley transfers for the year and of those, 1,537 were complying. The calculation was checked at being 96.3%.
	<b>2. Policing Functions</b>			<b>Full</b>	
<b>(a)</b>	Liaise with DWE to determine the volume of water taken in excess of access licence conditions under the <i>Water Management Act 2000</i> (in mega litres (ML)) and number of licences and licence breaches involved; and report to IPART the data so determined;	As above	After liaising with NoW to determine the volume of water taken in excess of access licence conditions under the <i>Water Management Act 2000</i> (in mega litres (ML)) and number of licences and licence breaches involved; what is the data so determined?;	<b>Full</b>	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (<i>DOC10-11525 Performance Indicator 2010 - 2011.XLS</i>)</p> <p>Excel-based regulated water balance reports (<i>Regulated Water Balances 2010 - 2011 DOC11-17049.XLS</i>)</p> <p>Agreement between State Water and Corporation and NoW on a protocol for managing compliance (<i>compliance protocol documents signed DOC10-11356.PDF</i>)</p> <p>State Water Procedure SWIM Ref DOC10/2861 IPART Reporting – Performance Indicators (<i>Schedule 1 IPART Reporting Procedure.DOC</i>)</p> <p><b>Comment</b></p> <p>The volume of water taken in excess of an access licence condition in 2010-2011 was 1,792 ML representing 48 individual access licences (this information was checked in DOC11-17049).</p> <p>WAS is used as the capture database for information. Monthly reports are generated from WAS for the number of licence and the volume in ML which is taken in excess. Data are summarised and reported within the Combined Performance Indicator and Exceptions Report. On a quarterly basis, the Compliance Officer reports all cases of excess usage to NoW, cross-checking with the relevant counterpart to ensure matching of data and records. Excess</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>usages are reported to NoW as Alleged Breaches (cf (e)). NoW also conducts its own cross-checking of information.</p> <p>Note that in conjunction with the Customer Field Officer (responsible for meter reading), the Compliance Officer verifies the result against each water licence to ensure that the result is real and not an administrator or data entry.</p> <p>State Water has also entered into an agreement with NoW for managing compliance issues between the two organisations. It is stated within the agreement that it is NoW's responsibility to assess the risk of any alleged breach (the protocol was discussed in the interview and it was clear that State Water's officers were clear about the contents and the workings of the protocol).</p> <p>DOC10-2861 is the last procedural document to have in place to ensure validity in procedure relating to joint functions.</p>
(b)	value of penalties imposed by State Water for taking of water in excess of licence conditions under the <i>Water Management Act 2000</i> or the <i>Water Act 1912</i> ;	As above	What is the value of penalties imposed by State Water for taking of water in excess of licence conditions under the <i>Water Management Act 2000</i> or the <i>Water Act 1912</i> ?	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>No penalties to report. Information relating to this indicator was included in the IPART annual report as required by this clause.</p>
(c)	volume of penalties imposed by State Water for taking water in excess of access licence conditions under the <i>Water Management Act 2000 (ML)</i> ;	As above	What is the volume of penalties imposed by State Water for taking water in excess of access licence conditions under the <i>Water Management Act 2000 (ML)</i> ?	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>No penalties to report. Information relating to this indicator was included in the IPART annual report as required by this clause.</p>
(d)	number of water supply works audited for compliance with metering conditions and the	As above	What is the number of water supply works audited for compliance	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit</p>



Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	proportion of those works that comply with metering conditions;		with metering conditions and the proportion of those works that comply with metering conditions?;		<p>and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Metering Site Analysis Sheet (<i>DOC11-13299 Attachment - Metering survey sheet.pdf</i>)</p> <p><b>Comment</b></p> <p>An audit of the customer owned State Water meter fleet, comprising 4,601 metering sites (81% of total meter fleet), against the NSW Interim Water Meter Standards (DOC11-13299) was conducted in 2011. Of the meter sites audited, 0.002% currently meets the standards.</p> <p>When conducting the audit, the Customer Field Officers also verified licence details of each in-situ works for verification of actual location of the works. A work approval number, name and contact details for each site were also recorded. The Licence Administration System and the Water Accounting System were also used to cross-check data.</p> <p>State Water provided a commentary on the low percentage of meters meeting the interim standard and provided a plausible explanation i.e. because most of the meters in the meter fleet are older mechanical type meters and the first criterion was that manufacturers' seals should remain intact, most of the meters did not meet this criterion. State Water expected that there would be a low compliance rate. The only meters to meet the standard were the newer electromagnetic type meters.</p>
(e)	number of "alleged breach reports" forwarded to the Department of Water and Energy;	As above	What is the number of "alleged breach reports" forwarded to the NoW (formerly the Department of Water and Energy)?;	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (<i>DOC10-11525 Performance Indicator 2010 - 2011.XLS</i>)</p> <p>Agreement between State Water and Corporation and NoW on a protocol for managing compliance (<i>compliance protocol documents signed DOC10-11356.PDF</i>)</p> <p>Regulated Alleged Breach Notifications Submitted to Now 2010 2011 (hard</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>copy viewed at interview, reference DOC11-17555)</p> <p><b>Comment</b></p> <p>The Compliance Protocol between NoW and State Water covers most of the methodology and detail relating to this indicator. The protocol was sighted and reviewed post interview.</p> <p>State Water's Compliance Officer looks after this performance indicator. The Compliance Officer tracks Alleged Breach Notifications via an Excel-based tracking sheet (Regulated Alleged Breach Notifications Submitted to Now 2010 2011) as the database resides with NoW. NoW checks data reported to it against its database entries to see if the breach is high risk, criteria which are used to determine risk are impacts on the environment, downstream and other customers.</p> <p>State Water reports regulated water and groundwater breaches to NoW. Because State Water also provides a meter reading service, it also reports on groundwater breaches for completeness.</p> <p>State Water reports the total figure of breaches at 30 June reported to NoW as the performance indicator therefore, the total number of alleged breach notification forms (ABNFs). All ABNFs are checked first by the State Water Compliance Officer prior to sending to NoW. Further, before reporting to IPART, the Compliance Officer undertakes a final check on numbers with NoW.</p> <p>There were a total of 58 alleged breach notification forms forwarded to NoW in 2010-2011, 26 were related to groundwater and 32 related to regulated customers. These figures were cross-checked on the Regulated Alleged Breach Notifications register (DOC11-17555) and verified by the auditor.</p>
(f)	number of licences and entitlements suspended under the <i>Water Management Act 2000</i> or the <i>Water Act 1912</i> ; and	As above	What is the number of licences and entitlements suspended under the <i>Water Management Act 2000</i> or the <i>Water Act 1912</i> ?; and	Full	<p><b>Evidence</b></p> <p>Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Total Combined Performance Indicator and Exceptions Report (<i>DOC10-11525 Performance Indicator 2010 - 2011.XLS</i>)</p> <p><b>Comment</b></p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>No licences or entitlements were suspended for the 2010-11 reporting period. Figures for suspensions in DOC10/11525, however these are suspensions initiated by the NoW not by State Water. When a report is generated from WAS, there is no differentiation between who suspended the licence, just that it is suspended. Both State Water and NoW have the power to suspend. So State Water reports on the total number of new suspensions and cumulative totals irrespective of where they were initiated, as it monitors both.</p> <p><b>OFI – reporting of suspensions:</b> It would be helpful to have a tag or other unique identifier in WAS to allow the originator of the suspension to be identified (i.e. NoW or State Water).</p>
(g)	number of approvals suspended under the <i>Water Management Act 2000</i> .	As above	What is the number of approvals suspended under the <i>Water Management Act 2000</i> ?	Full	<p><b>Evidence</b> Interview with Customer Support Services Manager, Manager Customer Operations, Manager Water Delivery (by video link from Dubbo) Internal Audit and Compliance Manager 21 September 2011. State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b> See comments above at (f).</p>
Sched 1	FRWS Indicators				
Part B	1. Asset Management			Full	
(a)	the average response time for unplanned supply interruptions	As above	What is the average response time for unplanned supply interruptions?	Full	<p><b>Evidence</b> Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011. State Water Corporation Report To IPART Under The Operating Licence 1 September 2011. FRWS Water Supply Incident Notification Form (<i>2010-2011 FRWS Pipeline Breaks DOC11-18080.PDF</i>) dated 7/7/10 and 1/4/11, 11/6/11, 13/6/11, 16/6/11, 21/6/11, 28/6/11 Excel-based pipeline repair sheet (<i>2010-2011 FRWS indicators - pipe repairs - calculation sheet DOC11-18082.XLS</i>)</p> <p><b>Comment</b></p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
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					<p>The auditor queried how an 'unplanned supply interruption' was interpreted by State Water. The response was that this indicator was generally interpreted to apply to volume issues e.g. pipe breaks causing inability to supply. Impacts on water quality causing an unplanned supply interruption were not considered in this indicator and therefore State Water provided information on volume issues only.</p> <p>There is no information on the incident notification forms relating to water quality issues associated with breakages. Pipe breakages in other jurisdictions have resulted in waterborne illness outbreaks.</p> <p>A compliance of full has been given for this indicator as the reporting meets IPART requirements however, it is suggested that regard be had to the recommendations for future reporting years.</p> <p><b>Recommendation – unplanned supply interruptions:</b> Unplanned supply interruptions should also apply to water quality breaches and State Water should develop protocols relating to those it supplies treated water to, to inform them of interruptions and whether to introduce boil water alerts. This approach should be conducted as part of its incident and emergency documentation (Element 6 of the Framework for Management of Drinking Water Quality, Australian Drinking Water Guidelines 2004) and should be developed in conjunction with customers and the local NSW Health representative.</p>
(b)	number of planned water supply interruptions	As above	What is the number of planned water supply interruptions?	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Excel-based pipeline repair sheet (2010-2011 FRWS indicators - pipe repairs - calculation sheet DOC11-18082.XLS)</p> <p><b>Comment</b></p> <p>None to report for 2010-2011 (verified in Excel sheet provided).</p>
(c)	number of unplanned water supply interruptions	As above	What is the number of unplanned water supply interruptions?	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>FRWS Water Supply Incident Notification Form (2010-2011 FRWS Pipeline Breaks DOC11-18080.PDF) dated 7/7/10 and 1/4/11, 11/6/11, 13/6/11, 16/6/11, 21/6/11, 28/6/11</p> <p>Excel-based pipeline repair sheet (2010-2011 FRWS indicators - pipe repairs - calculation sheet DOC11-18082.XLS)</p> <p><b>Comment</b></p> <p>State Water's comments from the IPART 2010-11 Annual Report:</p> <p>"Unplanned interruptions occur when supply is interrupted because the pipelines could not be cross-connected or remain pressure charged up to the repair point. There were 7 pipeline repairs in 2010/11, 3 of which interrupted water supply".</p> <p>Verified in notification forms and Excel sheets.</p>
(d)	average duration of planned water supply interruptions;	As above	What is the average duration of planned water supply interruptions?	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Excel-based pipeline repair sheet (2010-2011 FRWS indicators - pipe repairs - calculation sheet DOC11-18082.XLS)</p> <p><b>Comment</b></p> <p>None to report for 2010/11 (verified in Excel sheet provided).</p>
(e)	average duration of unplanned water supply interruptions. <i>Note: An "unplanned water supply interruption" is an interruption to water supply to a Customer where the Customer has not received at least 24 hours notice of the interruption from</i>	As above	<p>What is the average duration of unplanned water supply interruptions?</p> <p>The 2009/10 audit identified some definitional issues with</p>	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>FRWS Water Supply Incident Notification Form (2010-2011 FRWS Pipeline Breaks DOC11-18080.PDF) dated 7/7/10 and 1/4/11, 11/6/11, 13/6/11, 16/6/11,</p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<p>State Water. It also includes situations where the duration of a planned interruption exceeds that which was originally notified to the Customer – in which circumstances, the length of the entire interruption is counted as an unplanned supply interruption. A “planned water supply interruption” is an interruption to water supply where the Customer has received at least 24 hours notice of the interruption and the duration of the interruption does not exceed that which was originally notified to the Customer.</p>		<p>this group of indicators. Recommendation R 9.2 relates to this matter.</p>		<p>21/6/11, 28/6/11</p> <p>Excel-based pipeline repair sheet (2010-2011 FRWS indicators - pipe repairs - calculation sheet DOC11-18082.XLS)</p> <p>Memorandum to Asset Team Leader Water Delivery Manager 30 March 2011 on Incident Reporting (Schedule 1 Part B IPART Progress Report - Memo re Unplanned Supply Interruptions.DOC)</p> <p><b>Comment</b></p> <p>The average duration of unplanned water supply interruptions was 50.75 hours in 2010-2011. The auditors commented that the average duration of water supply interruption was long. However, comments provided by State Water at the interview defending the length of time were accepted i.e. that the system for the FRWS incorporates hard to access terrain so is not always as accessible as a metropolitan water supply system.</p> <p>However, of concern from a water quality perspective was the emphasis on achieving supply to the customer, which results in the possibility of cross connection of the potable line with non-potable sources until the issue is fixed. On further discussion, it was not clear whether customers receiving this water were appropriately notified nor was there confirmation of how water was dealt with in the pipeline once it became charged with non-potable water.</p> <p><b>Recommendation – Cross connections and water quality:</b> The issue of cross-connecting non-potable sources to potable lines in an effort to manage supply should be reviewed and revised to ensure that customers do not receive unfit water.</p> <p>Note that the 2009-10 audit report had a recommendation relating to the definition of this group of indicators. State Water provided a memo (March 2011) written by the Water Delivery Manager to the Asset Team Leader of the FRWS requesting that the appropriate definition was applied when capturing data and that the incident notification forms should reflect accurate capture of the data. However, it is not clear from the incident notification forms (DOC11-18080) whether the forms have been appropriately revised to take into account the suggested changes (particularly as there is no version control information on the form).</p> <p>See: <b>OFI – IPART Performance Indicators Reporting Procedure (DOC10/2861)</b></p>

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
	<b>2. Water Delivery</b>			<b>Full</b>	
	percentage of time that daily minimum flow targets are met.  <i>Note: "Daily minimum flow targets" are those specified in relevant Water Management Plans or by the Minister or by the Ministerial Corporation or as advised in writing by DWE</i>	As above	What is the percentage of time that daily minimum flow targets are met?	<b>Full</b>	<b>Evidence</b> Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011. State Water Corporation Report To IPART Under The Operating Licence 1 September 2011. <b>Comment</b> State Water has provided evidence on percentage daily minimum flow targets met within the IPART 2010-2011 Annual Report. Where required, evidence for not meeting targets has been provided. Further, State Water acknowledges that some issues are a result of external contexts for instance, the FRWS currently operates under a deemed Part 9 licence until a Water Sharing Plan is finalized for this scheme. The WSP is currently out for consultation.
	<b>3. Water Quality</b>			<b>Full</b>	
	Percentage of treated water samples that comply with <i>Australian Drinking Water Guidelines</i> (2004) at the FRWS's water sampling locations for e-coli, colour, turbidity, iron, manganese, aluminium and pH.  <i>Note: The guideline value for turbidity is to be the value for public health rather than the aesthetic value (ie % of samples above 1 Nephelometric Turbidity Unit) and the "FRWS's water sampling locations" are those identified in the letter from State Water to IPART dated 29 April 2005</i>	As above	What is the percentage of treated water samples that comply with <i>Australian Drinking Water Guidelines</i> (2004) at the FRWS's water sampling locations for <i>E. coli</i> , colour, turbidity, iron, manganese, aluminium and pH.	<b>Full</b>	<b>Evidence</b> Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011. State Water Corporation Report To IPART Under The Operating Licence 1 September 2011. Letter from FRWS to Colin Reid (IPART) dated 29 April 2005 stating sampling locations for the FRWS and whether raw or filtered water ( <i>FRWS Water Supply (FRWS) Water Sampling Locations - State Water - ~ Smith 29 April 2005-1.pdf</i> ) <b>Comment</b> State Water has reported the raw and treated (filtered) water qualities, in terms of the percentage compliance against the ADWG selected parameters, to IPART within the 2010-11 Annual Report. As a result, this indicator has to be given a full compliance. However, there are several comments to be made about this clause and the way in which it is reported, as the intent of the indicator would have been to assure the quality of the water provided to customers. As it stands, the sampling regime, the number of samples, the reporting, the presentation of results, the

Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>analysis of results etc do not provide a surety on drinking water quality and nor are they in line with best practice as stated within ADWG and the Framework for Management of Drinking Water Quality within the ADWG. Consequently, several recommendations accompany this clause.</p> <p><b>Recommendation – adequacy of drinking water monitoring program:</b> The letter from FRWS to IPART stating the sampling locations for the FRWS is dated 2005. There should be a complete review and revision of the overall drinking water monitoring program for the FRWS to include (but not limited to) the following elements:</p> <ul style="list-style-type: none"> <li>statistically robust with sample numbers and locations matching customers served, representing appropriate zones and with frequency allowing for any issues to be picked up and dealt with in a timely fashion.</li> <li>appropriate choice of parameters and attention to detail in reporting units. For instance, currently the colour unit in the data reported by State Water is represented as 'CU' when the normal unit is the Hazen Unit or 'HU'. Colour may also be represented by True Colour Units or TCU – the numerical values are identical to Hazen Units. At the moment, it is unclear whether there is a typographical error in the units and the unit should be TCU or HU. Other parameters such as chlorine residual are also of use in determining fitness for purpose of drinking water when it reaches the customer or handover point of responsibility for State Water.</li> <li>statement of type of monitoring i.e. operational and/or verification monitoring.</li> </ul> <p>Examples of guidance which should be considered by State Water in developing its drinking water monitoring program include:</p> <ul style="list-style-type: none"> <li>Australian Drinking Water Guidelines 2004 (ADWG 2004) (NHMRC/NRMMC, 2004).</li> <li><i>Australian Drinking Water Guidelines 2010 (Draft)</i> (ADWG 2010) (NHMRC/NRMMC, 2010).</li> <li>Australian Guidelines for Water Quality Monitoring and Reporting 2000 (AGWQMR) (ANZECC/ARMCANZ 2000).</li> <li>NSW Health (2005) Drinking Water Monitoring Program (DWMP).</li> </ul> <p>An example from the 2010 draft ADWG, of the types of monitoring and questions to be answered from the monitoring, is provided in the text of the</p>



Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
					<p>report.</p> <p><b>Recommendation – analysis and presentation of results:</b> State Water should now be analysing and presenting data in a more meaningful fashion reflecting current practice in drinking water quality data reporting. Historical trend analysis (tabulated and graphical representation) needs to be provided. An example of a complying representation of data for turbidity in raw water and for fluoride analysis ‘at tap’ is provided in the text of the report.</p> <p><b>Recommendation – management of the system:</b> State Water should implement a management plan for the FRWS which is at least compliant with the Framework for Management of Drinking Water Quality. It is understood that State Water has commenced the development of a HACCP plan for the scheme (which is applauded) and it is recommended as part of that plan, that a cross-reference table be developed to show how the plan meets the 12 elements, 32 components and 76 actions of the Framework.</p>
8.2	State Water must report to IPART, by no later than 1 September each year on its performance against the performance indicators specified under clauses 8.1(a), (b) and (c) for the preceding financial year, including analysis of any systemic problems.	Low Risk. Report is overseen by IPART	State Water has reported to IPART, by no later than 1 September 2011 on its performance against the performance indicators specified under clauses 8.1(a), (b) and (c) for the 2010/11 financial year, including analysis of any systemic problems.	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Email from State Water to IPART 1 September 2011 3:22 pm for transmittal of 2010-2011 IPART Report (<i>1Sept11 Email to IPART.pdf</i>).</p> <p><b>Comment</b></p> <p>IPART Annual Report 2010-2011 Part 7: Performance Indicators covers the indicators in this section.</p>
8.3	As part of its report, State Water must provide IPART with physical and electronic access to the records kept by State Water that enable it to prepare the report under clause 8.2.	Low Risk. Activity is overseen by IPART	As part of its report, State Water has provided IPART with physical and electronic access to the records kept by State Water that enable it to prepare the report under clause 8.2.	Full	<p><b>Evidence</b></p> <p>Interview with Asset Strategy and Research Manager, Manager Water Delivery (by video link from Dubbo), Internal Audit and Compliance Manager 21 September 2011.</p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p>Email from State Water to IPART 1 September 2011 3:22 pm for transmittal of 2010-2011 IPART Report (<i>1Sept11 Email to IPART.pdf</i>).</p>

<b>Appendix 9 Performance Indicators Detailed Audit Findings (Part 8)</b>					
<b>Clause</b>	<b>Operating Licence Obligation</b>	<b>Risk</b>	<b>Target for Full Compliance</b>	<b>2010/11 Grade</b>	<b>Auditor Commentary</b>
					<p><b>Comment</b></p> <p>Access to hard and soft copies of information was provided pre-interview, at interview with follow-up of information post-interview on request via Sharefile.</p>
<b>8.4</b>	State Water must make a copy of the report referred to in clause 8.2 available to the public.	Low Risk. Activity is overseen by IPART	State Water has made a copy of the report referred to in clause 8.2 available to the public.	<b>Full</b>	<p><b>Evidence</b></p> <p>State Water Corporation Report To IPART Under The Operating Licence 1 September 2011.</p> <p><b>Comment</b></p> <p>State Water's reports are presented on its website under the About Us section. The IPART report was sighted on the website ( <a href="http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf">http://www.statewater.com.au/Documents/Library/2010-2011%20Operating%20Licence%20Performance%20Report.pdf</a> ).</p>

## Appendix 10 Pricing Detailed Audit Findings (Part 9)

Appendix 10 Pricing Detailed Audit Findings (Part 9)					
Clause	Operating Licence Obligation	Risk	Target for Full Compliance	2010/11 Grade	Auditor Commentary
9	State Water must apply the level of fees, charges and other amounts payable for its services subject to the terms of this Licence, the Act and the maximum prices and methodologies for State Water's monopoly services as determined from time to time by IPART or any other pricing authority vested with the power to determine water process for State Water.	Low Risk. Prices are monitored by IPART	State Water applied the level of fees, charges and other amounts payable for its services subject to the terms of this Licence, the Act and the maximum prices and methodologies for State Water's monopoly services as determined from time to time by IPART or any other pricing authority vested with the power to determine water process for State Water.	Full	<p><b>Evidence</b></p> <p>Interview with Regulatory Analyst and Manager Customer Operations 22 September 2011.</p> <p>2010/2011 Regulated River Prices Letter dated 18/01/10 (outside of scope) (DOC11-295 Letter to customers (bill insert)- State Water charges 10-11.DOC)</p> <p>2010/11 Water Charges brochure downloaded from State Water's website at <a href="http://www.statewater.com.au/Customer+Service/Water+Pricing">http://www.statewater.com.au/Customer+Service/Water+Pricing</a></p> <p>IPART Pricing Determination and Final Report June 2010</p> <p><b>Comment</b></p> <p>State Water charges for the four years commencing 2010-11 (excluding inflation), are set out in tables 1 to 4 (pages 7-13) of IPART's 2010 State Water determination and because 2010 was the first year of State Water's pricing determination, there was no letter received from IPART to confirm the pricing – it is as set out in the IPART report. The 2010 determination applies to 30 June 2014, after which the Commonwealth, via the Australian Competition and Consumer Commission (ACCC) under the Water Act 2007 (Cth) will take over the pricing regulatory role for the majority of State water's operations (and possibly for 100% of its operations – yet to be determined).</p> <p>A cross-check was undertaken of the pricing brochure against the charges listed in the IPART determination report and all matched. The Yanco Columbo system (\$0.90ML) levy was queried and the Regulatory Analyst was able to quickly point to the supporting information in the IPART report relating to the justification for charges of the levy (while evidence is provided in several sections of the report, the main evidence was at Section 11.2.3, page 158).</p> <p>Not only is State Water complying with the requirements of this clause, it is obvious from the discussions that State Water is well prepared for the changes in pricing regulation which will occur in post 2014.</p>

## Appendix 11 Historical Performance

We have reviewed State Water’s performance in meeting its licence obligations over the period 2005/06 to 2010/11.

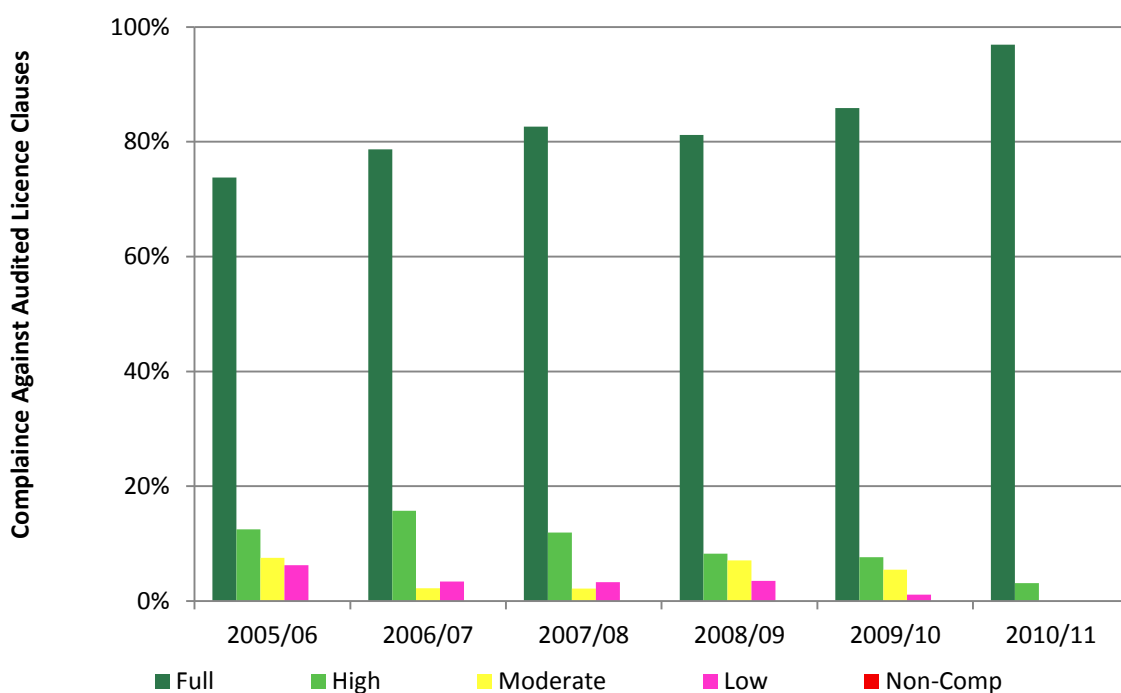
State Water was formed in 2004 through the corporatization of certain operational areas of the then Department of Energy, Utilities and Sustainability. The new State Water Corporation was granted an Operating Licence in 2005. This licence was revised in 2008.

IPART reviewed prices for bulk water in 2005, around the same time that State Water was corporatised. The public submissions to that review reveal that many State Water customers had concerns about transparency and efficiency shortcomings by the then Department (DIPNR) and the newly formed State Water. The original licence was drafted to address many of these concerns.

Broadly, the challenge for State Water has been to develop systems, processes and procedures to ensure that it consistently met its licence requirements. In some cases this has meant significant change from the long-held Departmental practices of the past, necessitating the development of new internal policies. In other cases, while past practice was not inconsistent with licence requirements, systems were not in place to ensure that these requirements were consistently met.

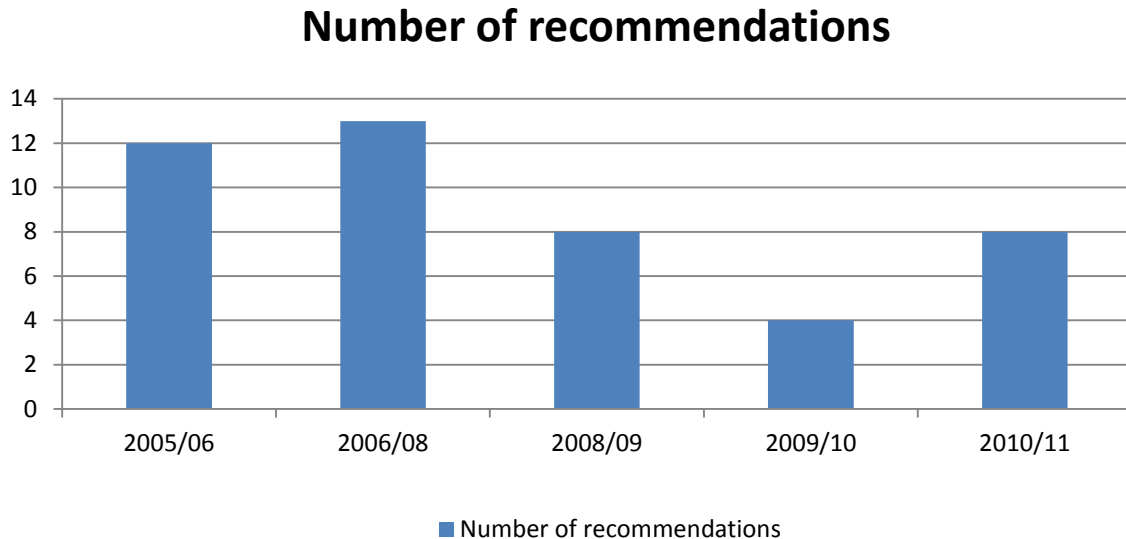
To summarise this performance, we have devised some aggregate measures of business performance. We reviewed past audit reports, recorded all compliances and presented the results as percentages of compliance achieved across all audited items. These are shown in Figure ES-1 (in the Executive Summary) and A11-1 below.

Figure A11-1 State Water Aggregate Compliance against Licence – Alternative View



We also considered the number of Key Recommendations made as another measure of performance. This measure is illustrated in Figure A11-2 below.

Figure A11-2 State Water - Number of Recommendations made in any Licence Year



In reading the above graphs, it is important to note that the 2010/11 audit is the fifth audit of State Water. While assessing compliance for 2006/07 and 2007/08, there was only one audit report for the period 2006/08 (and consequently only one set of recommendations).

While they do not provide great precision, the above graphs clearly illustrate the improvements in aggregate performance that State Water has achieved, especially over the period 2008/09 to 2010/11. In particular the graphs show a strong increase in full compliance and a decline in the number of recommendations arising from these audits.

We consider that this improvement is due, in large part, to State Water developing and fine-tuning its procedures to ensure that licence requirements are comprehensively and consistently met.

## Appendix 12 Audit Methodology

It was an IPART requirement that the conduct of the audit of the utility's compliance with the relevant Part, Section or Clause of its Licence, involved the following activities:

- a) conduct a **detailed examination** of those activities of the utility that are regulated by the Operating Licence, subject to IPART's risk-based audit scope, where applicable.
- b) assess the **level of compliance** achieved by the utility against each of the requirements of the Operating Licence, set out in IPART's risk-based audit scope, providing detailed supporting evidence for this assessment and reporting compliance according to IPART's established compliance scoring methodology.
- c) assess and report on progress by the utility in addressing any **comments made by the relevant portfolio Minister** pertaining to previous audits, providing supporting evidence for these assessments.
- d) for each section of the Operating Licence that is to be audited, **identify factors (if any) that have affected the utility's performance** for the audit period (1 July 2010 to 30 June 2011). This includes verifying the calculation of performance indicators associated with relevant requirements of the operating licences and undertaking an assessment of any underlying trends in performance arising from these indicators. Make recommendations to IPART on how the utility can improve its performance in the future, based on the audit assessment.
- e) provide a **formal briefing** to the Tribunal, if required, comprising an overview of the utility's overall performance against the requirements of the Operating Licence and the key findings of the audit.
- f) prepare a **full report** on the findings of the assignment, including a summary of the utility's overall performance against the audited obligations of the Operating Licence and detail of its compliance with each audited obligation of the Operating Licence.

The auditor is responsible for assessing and interpreting the audit requirements in the relevant Operating Licence and the Act and ensuring that the audit process satisfies all statutory requirements subject to the detailed audit scope.

IPART advertised the audit processes and sought submissions from the public. The auditor was required to take account of any public submissions received and the views of relevant regulators (Department of Environment, Climate Change and Water, NSW Industry and Investment and the NoW) and other stakeholders including environment, social welfare and public interest groups.

### Audit Methodology

The methodology adopted for this audit is described in the following paragraphs.

#### Audit Preparation

To meet the specific requirements of IPART, the operational audit was undertaken adopting a methodology consistent with ISO 14011 'Guidelines for Environmental Auditing'. This

guideline provides a systematic approach to defining the requirements of the audit, planning, interpreting Licence Conditions, collecting audit evidence, objectively assessing the evidence, and reporting in a clear and accurate manner. It also ensures that the audit has been conducted in accordance with an established and recognised audit protocol.

### ***Draft Audit Plan***

A draft audit plan was prepared to ensure that the audit requirements were met and this plan was confirmed with IPART and State Water.

### ***Inception Meetings***

Following the preparation and confirmation of the audit plan, an inception meeting was held with IPART and State Water. This meeting, which included State Water representatives, IPART representatives and the auditors, was held on 22 September, 2011.

The primary objective of this latter meeting was to develop working relationships, mutual understandings and expectations relating to the requirements and process of the audit. The meetings also provided an opportunity for State Water to present an overview of compliance and progress since the previous audit period.

### ***Audit Questionnaires***

Specific audit questionnaires were developed for all clauses to be audited for the 2010/11 year. These questionnaires sought to determine compliance with the Licence requirements, identify any factors that may have impacted on performance (and the likely magnitude of that impact) and the systems in place to deliver or pursue 'best appropriate practice' performance.

Audit questionnaires were provided prior to the audit interviews, to allow State Water the opportunity to prepare for the interview.

### ***Provision of Preliminary Information and Draft Responses***

It was agreed by IPART, State Water and the auditors, that the audit questionnaires would indicate the evidence that might be required, and that State Water would make every endeavour to provide this evidence in sufficient time to allow the auditors to inform themselves with respect to State Water's performance prior to interview. This allowed for more effective targeting of issues or factors during the interview process.

### ***Conduct of the Audit***

Audit protocols were agreed and confirmed between the auditors, IPART and State Water at the State Water inception meeting to ensure an open and efficient flow of information and to resolve any identified or potential audit issues.

### ***Audit Interviews***

Nominated auditors (see Figure 1.2) led interviews over 22 and 23 September 2011. The interviews permitted the auditors to explore factors or issues not readily addressed in the written response to the auditors' questionnaires, or in the evidence previously provided by State Water. The provision of the written responses and evidence prior to the interviews maximised the benefit of the interview process by allowing the auditors to better target key factors and issues not fully or readily addressed in the provided information.





## B Summary of opportunities for improvement

The operating licence auditor's report lists the following opportunities for improvement. State Water will be required to provide a status report by 31 March 2012, reporting on its consideration of the opportunities and any progress made where the opportunities are adopted. The opportunities for improvement will not necessarily be included in the 2011-12 audit scope.

1. Compliance with the terms of MOU: We note that the MoU with NOW requires the SLG to have at least quarterly meetings (section 6(d), page 11) but only 3 were held in the audit period. This aspect will need to be addressed for the 2011/12 year.
2. Document Control and Consistency: As an overarching comment, it would be useful for the organisation to review how it manages its report and other document templates (including document histories and document control) to achieve consistency.
3. Communication: State Water could use its Twitter account to inform followers when relevant documents, such as the MOU, have been posted on the website.
4. OEH MoU: The current definition of IPART in the Definitions and Interpretation section (page 4) is incorrect and should be Independent Pricing and Regulatory Tribunal, not the Independent Regulatory and Pricing Tribunal as currently written.
5. The 'Execution' section (signatures) of the MoU should clearly state the positions of the signatories ie, that the person signing for the OEH is at Director-General (DG) level or at least is reasonably representative of a DG as can be expected given the current flux of this department.
6. State Water should consult with the NSW Aboriginal Land Council to develop mechanisms to achieve more effective engagement with the organisation.
7. State Water should implement a translation service equivalent to that provided by other State Government Agencies and appropriately advise customers of the service's availability.
8. To ensure that State Water are protected from any claims regarding supplying privileged or confidential information to the consultative committees (CCC and CSCs), compile a brief policy document which outlines the extent of information that can be supplied to these committees, therefore ensuring that the General Manager of Strategy and Government Relations and other staff members can safely and correctly disseminate information to the CCC representative members.

9. State Water should consider ways of informing its 'minor' Fish River customers that their interests are considered to be represented on the CSC by the Lithgow and Oberon Council representatives and provide details of how they might input to the CSC via these representatives.
10. State Water should amend the internal complaints handling procedures to indicate that they relate both to customers and the community.
11. A number of improvements were identified as part of the review against the Australian Standard on customer satisfaction. As part of the continual improvement process it would be useful to close out this process completely by reporting completion against the identified improvement tasks.
12. FRWS: Under EMP objective 2, for the FRWS, the percentage compliance with the ADWG is not considered the best performance measure for understanding the management of the scheme. This issue is discussed in more detail under Performance Indicators (Clause 8, part 3. Water Quality).
13. Future Checks of Environmental Practice Implementation: Given that State Water views its EMP as an overarching document that reflects its environment management practices corporation-wide, for future audits, it is recommended that a site audit be undertaken to check how instruments under the plan, such as the Wyangala Site Action Plan, are implemented in practice
14. Environment Management Plan: Consider including a direct Operating Licence clause and sub-clause cross-reference to each action in the EMP. This action could be achieved by including a separate 'Operating Licence Cross-reference' column in the EMP after the 'Performance Measure' column.
15. Environment Management Plan: While the brief and targeted nature of the EMP is to be applauded, it is felt that for completeness, the Protection of the Environment Operations Act 1997 (NSW) should have been included in the 'Statutory Framework' section on page 4, since it is a key piece of environmental protection legislation for State Water's operating context. It is suggested that this legislation be covered up front in the document when the EMP is next revised.
16. DOC 1552: Note that the correct reference for the Australian Drinking Water Guidelines should be NHMRC/NRMMC (National Health and Medical Research Council/Natural Resource Management Ministerial Council) (2004).
17. DOC 1552: That water quality awareness (ie, the need for diligence in water sampling and chain of custody requirements to ensure confidence in the results) is included as part of the training requirements for water quality sampling.
18. Training: A training register was viewed during the interview showing dates and attendees for particular types of training. It is suggested that training should be integrated into existing systems if possible to optimise currency maintenance of training records and requirements. State Water's Facility Maintenance Management System could be the vehicle for capturing training as training can be linked to work orders (ie, via the training prerequisites for undertaking a particular job).

19. Training: State Water does not currently include an assessment in the training induction material to test whether inductees understand the content. It is suggested that a small assessment is added to the induction process to review whether people have understood the content of the training.
20. Training in CRM database: Training in CRM should help to improve the use of the ticketing system and should be reviewed in the 2011-2012 audit period for success.
21. IPART Performance Indicators Reporting Procedure (DOC10/2861): While the requirements of previous recommendation R9.1 from the 2009/10 audit has been met, the procedure provided as evidence against R9.1 (DOC10/2861) will need to be finalised and implementation will need to be checked at the next audit. Changes to the incident notification forms (DOC11-18080) will also need to be reviewed to reflect appropriate data capture for unplanned and planned supply interruptions.
22. Reporting of suspensions: It would be helpful to have a tag or other unique identifier in WAS to allow the originator of the suspension to be identified (ie, NSW Office of Water or State Water)

The auditor noted an additional opportunity for improvement; to amend the pamphlet that explains the External Dispute Resolution Scheme to include information on how the EWON scheme operates or provide better referencing to where this information may be found. IPART believes State Water currently makes satisfactory reference to EWON and where information can be found and therefore we do not support the opportunity for improvement.

