



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

**Invitation to Tender**  
**2002/2003 Operational Audit of Hunter Water Corporation**  
(03/171)

The Independent Pricing and Regulatory Tribunal is seeking tenders from suitably qualified auditors to conduct an independent Operational Audit of Hunter Water Corporation's compliance against the requirements of its Operating Licence for the period 1/7/2002 to 30/6/2003. See Tenders at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

**Invitation to Tender**  
**2002/2003 Operational Audit of Sydney Catchment Authority**  
(03/174)

The Tribunal is seeking tenders from suitably qualified auditors to conduct an independent Operational Audit of Sydney Catchment Authority's compliance against the requirements of its Operating Licence for the period 1/7/2002 to 30/6/2003. See Tenders at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

**Invitation to Tender**  
**2002/2003 Operational Audit of Sydney Water Corporation**  
(03/179)

The Tribunal is seeking tenders from suitably qualified auditors to conduct an independent Operational Audit of Sydney Water Corporation's compliance against the requirements of its Operating Licence for the period 1/7/2002 to 30/6/2003. See Tenders at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

To appear in the *Sydney Morning Herald* and *The Australian* on 7 July 2003.



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

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

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**2002/03 OPERATIONAL AUDIT OF HUNTER WATER CORPORATION**

## **1 BACKGROUND**

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

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

In accordance with the *Hunter Water Act 1991*, the NSW Government granted an Operating Licence to Hunter Water. This licence was amended in 2002 and came into force on 1 July 2002. The amended licence includes increased obligations and more comprehensive reporting requirements. A requirement of the licence is that an annual Operational audit be undertaken of the Corporation's performance of its obligations under the Licence. The Tribunal is required to conduct this annual Audit. A copy of the Operating Licence can be found at [www.hunterwater.com.au](http://www.hunterwater.com.au).

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

The Environment Protection Authority, Department of Infrastructure, Planning and Natural Resources and Department of Health continue to regulate the Corporation's activities concerning the environment, use of the water resource and public health respectively.

## **2 OBJECTIVES OF CONSULTANCY**

The objective of the consultancy is to advise and report to the Tribunal on Hunter Water's performance against its Operating Licence for the period from 1 July 2002 to 30 June 2003. In undertaking this task the auditor must:

1. review and assess the level of compliance achieved by Hunter Water against the requirements of the Operating Licence;
2. assess and report on progress by the Corporation in implementing the Ministerial Requirements set out in Attachment 1;

3. identify any factors that have affected the performance for the period from 1 July 2002 to 30 June 2003; and
4. based upon the audit assessment, make recommendations on how Hunter Water can improve its performance in the future.

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

The Tribunal will also require the auditor to provide an assessment as to whether Hunter Water has developed the Integrated Water Resources Plan (available on the Hunter Water website) according the requirements of Section 8.3 of the Operating Licence and an assessment of the Corporation's performance against the objectives within the Plan for 2002/03. The auditor shall also provide an assessment as to whether the Report on Low Pressure Areas (available from the Tribunal Secretariat) meets the requirements set out in section 7.7.1 of the Operating Licence.

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

## **2.1 Outputs**

The main outputs from the Audit are:

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

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

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

## **2.2 Format of Report**

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

- a summary of compliance with the requirements of the Operating Licence and Ministerial Requirements and a summary of key recommendations,
- a summary of key audit findings expressed in the context of the HWC organisation, its legislated objectives and its regulatory environment,

- for each section of the licence and for any Ministerial Requirements:
  - a summary of findings,
  - a summary of requirements,
  - details of compliance,
  - a discussion of any relevant factors affecting compliance, a discussion of any other relevant issue.

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

### 3 CONDITIONS OF TENDER

#### 3.1 Timing

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

#### Contract Program

Month	Date	Activity
August	Mon 11	Start of contract
September	Mon 22	Delivery of first draft Audit Report ( <b>First milestone</b> )
	Wed 24	Discussion of first draft with Tribunal Secretariat
October	Mon 20	Delivery of second draft Audit Report ( <b>Second milestone</b> )
	Wed 22	Discussion of second draft with Tribunal and/or Secretariat
November	Mon 17	Delivery of final Audit Report ( <b>Third milestone</b> )
	Wed 19	Discussion of final Audit Report with Tribunal and/or Secretariat
		End of Contract

The dates in the table for discussion of drafts and the final report are indicative and will be subject to negotiation between the Tribunal Secretariat and auditor. Weekly, formal progress updates will be required be provided to IPART in writing. Progress meetings in addition to those in the above table are expected. The detailed consultancy work plan should reflect these.

#### 3.2 Fee

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

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

### **3.3 Proposal**

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

### **3.4 Presentation**

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

### **3.5 Criteria for selection**

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

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

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

### **3.6 Acceptance of Tender**

The Tribunal reserves the right to:

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

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

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

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

### **3.8 Consultancy Contract**

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

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

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

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

## **4 PARTIES TO THE AUDIT**

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

Bob Burford

Analyst

tel: 61-2-9290-8408

e-mail: bob\_burford@ipart.nsw.gov.au

## **5 LODGEMENT OF TENDER**

Three bound copies and 1 loose-leaf copy of the tender should be lodged in a sealed envelope marked '2002/03 HUNTER WATER OPERATIONAL AUDIT' and addressed to:

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

at PO Box Q290  
QVB POST OFFICE NSW 1230

or Level 2  
44 Market Street  
SYDNEY NSW 2000

so that it is received by no later than 5.00 pm Sydney time, on Wednesday 23 July 2003.

**ATTACHMENT 1****MINISTERIAL REQUIREMENTS FROM THE  
2001/2002 OPERATIONAL AUDIT**

<b>Reference</b>	<b>Requirement</b>
Water quality management and improvement programmes	<ol style="list-style-type: none"><li data-bbox="624 409 1391 568">1. <i>I require that Hunter Water modify the notification form it uses to inform NSW Health of an exceedance, or water quality incident. HWC should base this modification on similar forms currently used by Sydney Water, which require a signature from both parties on action taken and agreed to.</i></li><li data-bbox="624 584 1391 680">2. <i>The use of online systems, such as email, should be investigated as the medium for this type of communication. I require that this be reported on in the 2002/2003 Operational Audit.</i></li><li data-bbox="624 696 1391 819">3. <i>In order to address varied microbiological results in the Southern Region for Total Coliforms over the past seven years, ongoing monitoring is necessary to ensure that these good results do not decline, as it may become a compliance issue.</i></li></ol>
Customer Management	<ol style="list-style-type: none"><li data-bbox="624 842 1391 996">4. <i>Hunter Water should consider establishing a shorter target waiting time and lower abandoned call rate for emergency calls, as opposed to customer service calls, prior to the 2002/2003 Operational Audit. This may be achieved through the dedication of a separate telephone number for emergency calls.</i></li></ol>