

Drinking Water Regulatory Section Newsletter

Findings from first round audits, feedback on issues raised at post-audit workshops and news on second round audits

No.8, July 2009

Between May and September 2008, the first round of risk management plan audits under the *Safe Drinking Water Act 2003* (the Act) took place. After the audits were completed, the Department of Human Services held a workshop to seek feedback from auditors on their experiences. We then ran a series of industry stakeholder workshops in November and December 2008 to share feedback and comment on the audit process.

This newsletter highlights and discusses findings arising from the 2008 round of audits, addresses issues and comments raised at the workshops and provides preliminary information on the second round of audits.

OVERVIEW OF AUDIT RESULTS

During the first round, 25 risk management plan audits were conducted under the Act. In all cases, auditors found that a risk management plan was in place. In fifteen of these, the water supplier or water storage manager complied with the requirements of the Act and the *Safe Drinking Water Regulations 2005* (the Regulations).

The following figures indicate how the various groupings of water businesses performed in the audits.

Figure 1: Audit results for metropolitan water suppliers

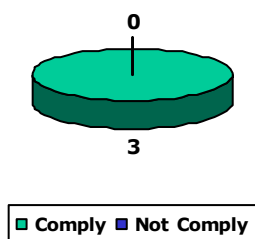


Figure 2: Audit results for regional water suppliers

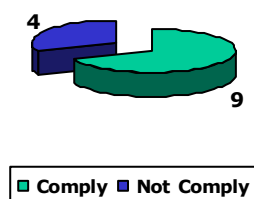


Figure 3: Audit results for water storage managers

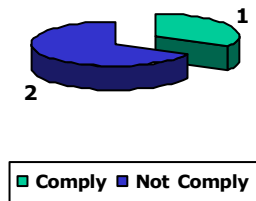
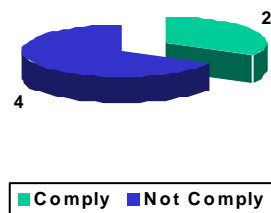


Figure 4: Audit results for Alpine Resorts and Parks Victoria



In general, findings of non-compliance were made where:

- The risk management plan did not contain all the elements, or address all the risks, required by the Act and the Regulations.
- There was insufficient evidence that the risk management plan was being implemented.

Audit results prior to July 2008 are disclosed in more detail in the department’s annual water quality report for 2007/08 and the annual water quality report for the individual water business. The remaining audit results will be disclosed in the 2008/09 annual water quality reports.

Failure to address particular risks

In several audits, certain risks were either not satisfactorily addressed, or there was not enough evidence to demonstrate that they had been. These risks related to:

- pathogens (for example, *Cryptosporidium* and *Giardia*)
- herbicides and pesticides
- radiological parameters.

Auditors were looking for more than just monitoring programs and results as evidence that a particular risk is being addressed. If a particular risk has been found to be not relevant, monitoring may not be required, but the reasons or justification for this decision must be included in the risk management plan, as regulation 6 (2)(a) explicitly requires the plan to address certain risks. Monitoring data can also be used to establish whether a particular risk is significant and needs further management.

Risk management plans not implemented

In several audits, there was not enough evidence that plans were being implemented. Auditors are looking for evidence that the plan is being implemented in the field and that work practices reflect what is in the plan. The plan may need to be modified from time to time, to reflect new or varied work practices that have a solid risk management foundation, but mismatches between the plan and work practices need to be rectified.

Risk management plan did not contain the names and positions and contact details of staff managing hazards and risks under the plan

The risk management plan must clearly articulate who is responsible for these aspects of the plan, as this is vital in the event of an emergency or incident. Names, positions and contact details of staff managing hazards and risks under the plan were missing in several cases. It is a specific requirement of Regulation 6(1)(a) that the plan contain such details, so their absence was a breach of a legislative obligation.

Non-integration of water storage manager and water supplier plans

This finding suggests that some water storage managers may not be clear about their role and obligations under the Act. The water storage manager's risk management plan needed to make reference to, or be framed in the context of, the risk management plan of the relevant water supplier(s). This does not necessarily mean more testing is required, but that greater information exchange should occur between water storage managers and water supplier(s).

Other findings

Some of the other findings of note from non-compliant first round audits are listed below:

- **Poor use of data to inform decision making processes**
(If water quality data or other operational data is going to be collected, it should be used to inform decision-making process related to risk management activities)
- **Lack of critical control limits for treatment processes**
- **Equipment not being calibrated or maintained, or lack of records to demonstrate calibration or maintenance**
(Critical control limits are required so that operators are aware of when their water treatment processes are not operating correctly and a lack of calibration or maintenance of equipment means that decisions may be based on incorrect data)
- **Use of wrong forms to record water quality data at water treatment plants**
(This finding indicated either poor document control practices within the plan, or poor implementation of the plan)
- **Lack of clarity around responsibilities**
(Important when dealing with emergency situations or water quality incidents)

- **Lack of procedures for checking quality of water treatment chemicals**
(Such procedures are required by Regulation 6 (1) (e) to be in place)
- **Procedures in risk management plan not being followed**
(Reflects poor implementation of the risk management plan, as field work practices and what is written in the plan need to align)
- **Lack of documentation to justify decision-making processes**
(There needs to be sufficiently detailed documentation to justify or support the decision-making processes described within the plan)
- **Water treatment processes not sufficient to manage identified risks**
(This was not a common audit finding, as it indicated that the water treatment processes being employed were generally appropriate for the assessed risks.)

Despite this, given the ongoing changes to the quantity and quality of raw water supplies across the state, the department recommends that water businesses must keep the appropriateness of their barriers under continuous review).

In both compliant and non-compliant audits, auditors also identified a range of continuous improvement opportunities that water businesses should consider incorporating into their risk management plans.

OTHER ISSUES ARISING FROM THE FIRST ROUND OF AUDITS

Ownership of the risk management plan

Several auditors observed that ownership or responsibility for the risk management plan was vested in only one or two staff members. This made these particular plans vulnerable to staff turnover or extended illness. Whilst it is important to have designated staff responsible for the risk management plan, water suppliers and water storage managers should consider educating as many staff as practicable on the basic principles of risk management and provide an overview of the plan and its implementation.

As part of any internal audit review process, water suppliers and water storage managers should review the number of staff involved to ensure that the business has sufficient ownership of the plan – from senior executive level, to line management, operational field staff and contractors.

Risk management in open catchment areas, where land is privately owned

Auditors asked the department about expectations for risk management activities in open catchment areas, in particular where land is privately owned and not within the control of the water business. The "Australian Drinking Water Guidelines" (2004 edition) make it clear that risk management starts in catchment areas and that in many cases, catchments can act as the first treatment barrier.

The department expects that both water suppliers and water storage managers should, as a minimum, have established networks with relevant stakeholders to promote water quality improvement within catchment areas.

Reviewing and updating the risk management plan

Reviewing and updating is a regulatory obligation and an important part of risk management. The plan, or its aspects, should be updated as required; for example, a review should take place after a major incident that challenges the plan, as well as after any audit of the plan. Additionally, a minor incident or event may reveal an opportunity to improve the plan.

A number of auditors commented on a lack of evidence that a review process and schedule had been incorporated. Auditors will be asked to look more closely at this aspect in the second round of audits.

Format of audit reports

To improve the readability of audit reports, auditors will, for the second round of audits, be asked to include a table clearly identifying non-compliances, improvement opportunities and other recommendations, rather than embedding these within the text.

Issues with compliance terminology

The use of the phrase "minor non-compliance" in the context of a compliant audit result was found to create a confusing message. The phrase "identified improvement opportunity" will replace "minor non-compliance".

INDUSTRY FEEDBACK

Comparability of audits

Some workshop participants questioned the comparability of audits between water businesses. That is, did individual auditors apply different levels of rigour in the way they conducted their audits?

The department reviewed all audit reports and was satisfied that businesses considered non-compliant with the Act and Regulations were found to be so for valid reasons. The department was also satisfied that all 25 audit reports were prepared to a sufficient level of detail and quality and were comparable to each other in terms of their technical content, justification of recommendations and consistency with the department's published Guidance Note. Minor differences reflected individual auditors' personal experience and expertise, but did not affect the audit result.

Compliance with requirements of the Act and Regulations

The required level of compliance with the Act and Regulations was raised at a couple of workshops. That is, how literal an interpretation were auditors expected to apply?

It was the department's view that, particularly in the first round of audits, auditors should be satisfied that the risk management plan contained all the content specified in the Regulations. Therefore, any absence of required content was considered as non-compliance with either section 7(1) or section 8(1) of the Act, as a legal obligation was not being met.

Unique practices

The issue was raised of a finding relating to a work practice that was not employed by most other water businesses. The given example was the chlorination of water mains after repairs for a main break.

In this case an auditor would be likely to make a finding of non-compliance. In part, this was because their risk management plan stated that chlorination must occur after a main break had been repaired, but this was not being done because of industry consensus that this was unnecessary.

The first issue is the Act imposes an obligation to implement the risk management plan, so the finding was legitimate. If a work practice is no longer considered necessary to manage a particular risk, then it is legitimate to review and update the risk management plan to remove it.

The second issue is the potential temptation to create plans with minimal actions or requirements, such that implementation can always be achieved. This would be considered unacceptable, as the underlying obligation is to manage identified risks to the best practicable standard.

Whether or not mains are chlorinated is a matter for individual water businesses to decide, in light of wider industry practice. Whatever decision is made, the plan and current work practice need to align and water businesses need to be able to justify their risk management activities after a mains break, especially if these activities appear not to align with those of the industry generally.

Auditors and undertakings

Another issue raised at a stakeholder workshop was whether auditors should be involved in the undertaking process, in the event that issues of non-compliance arise. If an undertaking between the water business and the department does *not* involve the auditor, could the auditor view these actions as unsatisfactory?

One consequence is that this may generate a conflict of interest issue in subsequent audits, as it may be interpreted that the auditor is then auditing a plan into which they had direct input during the review process from the previous audit.

As an alternative and as per standard audit practice, auditors may suggest possible solutions to findings in their audit reports. Water businesses may then choose to include these, or other possible solutions, in their undertaking with the department.

Corrective actions outlined in undertakings relate to obligations in section 7(1) of the Act, for water suppliers, or section 8(1) of the Act for water storage managers, that were identified during the first audit period.

As well as completing these actions, water businesses are responsible for any measures needed to comply with statutory obligations under sections 7, 8 and 9 of the Act and under regulation 6 of the Regulations.

Improving guidance material

Both auditors and water businesses asked for more detailed guidance on auditing regulated water and the risk management obligations of water storage managers, especially those who only deal with untreated water. The department's Guidance Note for the audit process will be updated to address both issues, prior to the next round of audits.

Feedback was also received that more worked examples within the Guidance Note would be helpful for both auditors and water businesses.

The table in Appendix 6 of the Guidance Note, cross-linking the risk management requirements in the Act and Regulations with the risk management framework in the "Australian Drinking Water Guidelines" and the Water Services Association of Australia's Aquality risk management plan assessment tool, will also be reviewed to ensure that the information remains correct.

Using the same auditor or a different auditor

This issue was raised at several workshops and both options have merit. The same auditor brings the advantage of familiarity with the risk management plan, but the disadvantage that they may eventually become complacent; the converse is true for a different auditor.

There is no legislative barrier to using the same auditor for subsequent regulatory audits, provided conflict of interest is avoided and provided the auditor approval process is followed for each audit. Water businesses may also wish to consider engaging a different auditor after three or so audits, to obtain a fresh risk management perspective.

SECOND ROUND OF RISK MANAGEMENT PLAN AUDITS

Timing

It is anticipated that water suppliers and water storage managers will be asked to complete second round risk management plan audits by December 2009. 'Completion of the audit' means that the auditor has signed the audit certificate, not just completed the field part of the audit. Water suppliers and water storage managers will need to work with their approved auditor to ensure they have time before the 2009 deadline to allow the auditor to prepare and submit audit certificates and reports.

The audit period that the department is required to specify is anticipated to be 1 January 2009 to date-of-audit. This means that auditors will be working with current plans. All records generated during the audit period and relevant to the risk management plan are considered auditable.

As required under section 11 of the Act, the department will formally write to each water supplier and water storage manager with specific details. The department will also circulate an updated audit Guidance Note in July 2009.

Scope of second audit

As with the first audit, auditors will be asked to assess compliance with either section 7(1) or section 8(1) of the Act, for risk management plans for water suppliers and water storage managers respectively. This means that all aspects of the risk management plan will be audited. Auditors will review progress against the first audit's findings, to ensure that issues have been adequately addressed. Then, the risk management plan will be audited as per the requirements of the Act, Regulations and 2009 audit Guidance Note.

Where the water business operates multiple water supply systems, the auditor should choose different systems to those examined in the first audit. Auditors are free to include some water systems from the previous audit if unresolved issues remain.

Currently, undertakings are being used to address some non-compliance findings from the first round audit. In most cases, these are already complete. If not complete by the second audit, any milestones detailed within the undertaking must have been achieved and agreed interim risk management actions undertaken. Auditors will need clear evidence that progress is being made to address the previous audit findings.

Whilst the undertaking provides a pathway for addressing non-compliance issues in a manner that has been agreed to between the water business and the department, the water business retains the underlying obligation to comply with the requirements of the Act. If the auditor forms the view that the findings of the previous audit are not being adequately addressed, or that sufficient progress has been made to meet regulatory obligations, then a subsequent finding of non-compliance may result.

Auditor approval

Auditors approved by the department to conduct risk management plan audits in 2008 will complete a simplified approval process. The form and conflict of interest declaration will still need to be signed and submitted by the water business for each audit. Auditors not previously approved by the department will be required to complete all details required by the current form.

Auditors must maintain their certification with RABQSA International for the duration of their approval period. Regulatory audits can only be performed by persons approved for this purpose for the 2009 round of audits. Approvals granted by the department for the 2008 round of audits expired on 31 December 2008.

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Formal correspondence	Ms Jan Bowman Assistant Director, Environmental Health	Public Health Branch GPO Box 4057 Melbourne VIC 3001	---
General queries from auditors	email		dwru@dhs.vic.gov.au
Monthly water quality results	email		dwru@dhs.vic.gov.au
Incident reports - Section 22 notifications (Business hours)	Telephone callers will be directed to a business liaison officer or Environmental Health Unit staff member email s. 22 form	1300 761 874	water@dhs.vic.gov.au
Incident reports - Section 22 notifications (Out of hours or no response)	EHU Emergency Pager Tell operator you have an incident with your drinking water, under the Safe Drinking Water Act. Give your name and organisation and you will be connected with an on-call officer. email s. 22 form	1300 790 733	water@dhs.vic.gov.au
Section 18 Notifications	email s. 18 form		water@dhs.vic.gov.au
Queries about your business, the Act or the Regulations	Business liaison officers: David Sheehan Julie Eichner Brian Labza Janine Ryan Leanne Wells	03 9096 5647 03 9096 5060 03 9096 5088 03 9096 5720 03 5722 0654	david.sheehan@dhs.vic.gov.au julie.eichner@dhs.vic.gov.au brian.labza@dhs.vic.gov.au janine.ryan@dhs.vic.gov.au leanne.wells@dhs.vic.gov.au

Further information is available from the Drinking Water Regulatory Section web page at:

www.health.vic.gov.au/environment/water/drinking

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