

**Submission  
No 11**

**EXAMINATION OF THE AUDITOR-GENERAL'S  
PERFORMANCE AUDIT REPORTS DECEMBER 2014  
- JUNE 2015**

**Organisation:** Department of Industry  
**Name:** Mr Gary Barnes  
**Position:** A/Secretary  
**Date Received:** 21 June 2016



Office of the Secretary

SECO16/147

Mr Bruce Notley-Smith MP  
Chair, Legislative Assembly Public Accounts Committee  
Parliament of NSW  
Macquarie Street  
SYDNEY NSW 2000

Dear Mr Notley-Smith

**Performance Audit - Country Towns Water Supply and Sewerage Program**

I refer to your letter of 16 May 2016 seeking a submission outlining the Department of Primary Industries' (DPI) response to the Auditor-General's Country Towns Water Supply and Sewerage (CTWSS) Program, tabled on 4 May 2015.

I note that the current CTWSS Program is due to finish in June 2017 and the audit recommendations are applicable for any future long-term assistance program to NSW local water utilities.

As a continuation of the long-term financial support to the NSW local water utilities, the NSW Government has committed to new funding of \$110 million towards up to 38 backlog water supply and sewerage projects, called the Regional Water and Wastewater Backlog Program (RWWBP).

Unlike the CTWSS program, DPI Water will only be responsible for monitoring and oversight of the delivery of funded projects under this Program, with Infrastructure NSW being responsible for financial management.

Recommendations on project priorities and funding allocations will be made to government by Infrastructure NSW following a collaborative process with DPI Water and NSW Treasury, and assessment by an independent panel. The Program is expected to commence in late 2016.

Notwithstanding the more limited DPI Water role under the RWWBP, actions have commenced that will address all of the recommendations of the CTWSS 2015 Audit Report. Enclosed is a table that identifies the audit recommendations and the implementation status in the format for submissions to the Public Accounts Committee's performance audit examination.

Thank you for the opportunity to provide this annual progress report on the CTWSS Program. DPI Water will continue to utilise the audit recommendations to guide the development of management, monitoring and reporting systems for future programs.

Should you wish to discuss this matter further, please contact Mr Frank Garofalow, Director Water Regulation, DPI Water. Mr Garofalow may be contacted on (02) 8838 7571.

Yours sincerely



Gary Barnes  
**A/Secretary**

Encl.

**PERFORMANCE AUDIT – Country Towns Water Supply and Sewerage Program**

**IMPLEMENTATION OF RECOMMENDATIONS**

**Note:** The Country Towns Water Supply and Sewerage Program (CTWSSP) is due to finish on 30 June 2017. A new Program entitled the Regional Water and Waste Water Backlog Program (RWWWP) is expected to commence by approximately October 2016. All actions shown below are targeted to this new Program.

	<b>Recommendation</b>	<b>Accepted or Rejected</b>	<b>Actions to be taken</b>	<b>Due Date</b>	<b>Status</b> (completed, on-track, delayed) <b>Comment</b>	<b>Responsibility</b>	<b>Detailed Status</b>
For any future long-term assistance program the DPI Water should:							
1	prioritise financial allocations from the beginning, and review the priorities regularly to ensure they remain current	Accepted	Agree prioritisation of financial allocations with INSW, NSW Treasury and the independent Panel.  Review the financial allocations process to ensure ongoing relevance and consistency of application.	June 2016  October 2017 and ongoing annually	Completed  On track	INSW, NSW Treasury and DPI Water  INSW and DPI Water	Shortlisting of projects completed February 2016. Detailed applications were assessed by an independent panel on 2 <sup>nd</sup> June 2016 and priorities were agreed at that time.  Availability of funds and financial allocations will be assessed annually by DPI Water in consultation with INSW, who will be the financial managers of the new program.
2	when determining allocations, use a methodology designed to achieve program outcomes, for example, means testing	Accepted	Discuss and agree on the methodology for determining allocations with INSW, NSW Treasury and the independent Panel.	June 2016	Completed	INSW, NSW Treasury and DPI Water	CTWSS Program methodology was used to identify the listed, but not funded backlog projects. DPI Water's newly developed Typical Residential Bill (TRB) calculator and BCR Toolkit are being used to assess the impact of the project on residential water bills and benefit-cost ratio (BCR) of each project, and identify the amount of eligible funding for each project.
3	design data collection and management systems so administrators can show	Accepted	Review present data collection & management system prior to the commencement of any	October 2016	On track	Senior Manager, CTWSSP and Senior Manager, Water Utility	Existing database capability has been reviewed. The data system for the new Program will be designed to show the inputs, outputs and outcomes of the

	the inputs applied to the program and the outputs and outcomes of the program		new long-term funding assistance program and identify and report the inputs, outputs and outcomes of the new Program			Performance (or equivalents)	Program. Key outputs and outcomes have been identified in the CTWSS Program Evaluation which will be published shortly. Similar outputs and outcomes indicators will be developed for the new program.
4	use information on inputs, outputs and outcomes to continuously improve program management	Accepted	Annual reports to identify program inputs, outputs and outcomes, enabling year on year performance comparisons.	October 2017 and ongoing	On track	Senior Manager, CTWSSP and, Senior Manager Water Utility Performance (or equivalents)	An annual report will be prepared for the new program.
5	document and utilize procedures and guidelines for assessing and determining funding allocations to assist staff in making consistent and appropriate decisions, and make these available to stakeholders	Accepted	Document all aspects of any new program objectives and processes and make them available to relevant staff and stakeholders	October 2016	On track	Senior Manager, CTWSSP (or equivalent)	Draft new program guidelines have been prepared. These guidelines will be made available to stakeholders.
6	evaluate the program every three to five years in line with the Department of Premier and Cabinet Good Practice Guideline to Grant Administration	Accepted	Evaluation of the new Program to be undertaken in 2021.	October 2021	On-track	Senior Manager, CTWSSP and Senior Manager, Water Utility Performance (or equivalents)	An evaluation report has been completed for the CTWSS Program. Similarly, evaluation of the new Program will be undertaken in 2021.
7	be transparent about all aspects of the program, objectives and funding allocation criteria, including method of prioritization, inputs, outputs and outcomes	Accepted	Prepare program guidelines and annual reports for the new program.	October 2016 and ongoing	On track	Senior Manager, CTWSSP and Senior Manager Water Utility Performance (or equivalents)	Draft new program guidelines have been prepared. These guidelines will be made available to stakeholders. An annual report will be prepared for the new program.

8	recognize there may be situations where priority is high but the potential funding recipient may not be able to provide the required co-payment, and either accept this risk or develop a strategy to address genuine hardship	Accepted	Discuss and agree on the methodology for determining financial allocations for genuine hardship cases with INSW, NSW Treasury and the independent Panel prior to new program commencement.	June 2016	Completed	INSW, NSW Treasury and DPI Water	Discussions have been held involving INSW, NSW Health, DPI Water and NSW Treasury regarding hardship considerations. Recommendations were made to the independent panel for consideration in the assessment of detailed applications.
Consistent with the practices adopted for the Country Towns Water Supply and Sewerage Program, for any future long-term assistance program the DPI Water should:							
9	develop and provide to stakeholders better practice guidance and tools, and then link financial assistance to the implementation of better practices	Accepted	Continue to provide guidance, tools and support for utilities' implementation of better practices.  Include Best-Practice Management (BPM) compliance requirement in the allocations of fund.	Ongoing  October 2016	Ongoing  On track	Senior Manager Water Utility Performance (or equivalent)  Senior Manager, CTWSSP and Senior Manager Water Utility Performance (or equivalent)	Continue to develop guidelines and tools and provide support to local water utilities (LWUs) for implementing the outcomes required by the NSW Best-Practice Management (BPM) Framework.  Continue to use LWU implementation of the required BPM outcomes in the allocation of funds.
10	monitor and publish comparative performance to drive improvement	Accepted	Continue present NSW Performance Monitoring System.  In addition, in consultation with NSW Health, EPA and INSW, it is proposed to undertake an analysis to determine the public	Ongoing	Ongoing	Senior Manager, Water Utility Performance (or equivalent)	The 2014-15 NSW Performance Monitoring Report has been published ( <a href="http://www.water.nsw.gov.au">www.water.nsw.gov.au</a> ). The Report finds that the regional NSW utilities are continuing to perform very well in providing effective, sustainable and safe piped water supply and sewerage services to the community.

			health and environmental benefits and outcomes of selected projects eg. the sewerage of unsewered towns or providing a safe drinking water supply to a town.				
--	--	--	--	--	--	--	--