

business
management.



At a glance

- The certification of Quality, Environment and Workplace Health and Safety Management Systems continued.
- Risk management systems were integral to business processes.
- All employees were trained in the new SLAM process which highlights workplace risk assessment and management.
- Compliance monitoring and action systems continued to operate effectively.

Efficient outcomes are highly regarded at SunWater and inherent within our operating philosophy. SunWater's systems, strategic risk assessment programs, and controls enable the provision of effective customer services and contribute to business success.

Quality Management System

The integration of SunWater's two separate Quality Management Systems used for operations and maintenance and for engineering and project development was well progressed, with completion scheduled for June 2010.

The ultimate long-term goal is the incorporation of all critical business processes under the quality management umbrella.

SAI Global conducted surveillance audits of the Water Services Quality Management System and the Asset Solutions Quality Management System in September 2008 and February 2009. No non-conformances were raised and both certifications to AS/NZS ISO9001:2008 were renewed.

Environmental Management System

SunWater undertook continued maintenance and improvement of the SunWater Environmental Management System, which has certification under AS/NZS ISO14001:2004. The review and development of processes and schedules, as well as increased communication through meetings, forums and workshops, provided practical support to enable regional centres to meet operational requirements.

Workplace Health and Safety Management System

Risk Management - 'Stop, Look, Assess, Manage' (SLAM) process

The SLAM risk management process was developed to ensure that risks are considered and managed for all work, whether or not more formal risk documentation already exists. The process involves the completion of a SLAM record and a list of controls in a pocket-sized booklet. Training workshops were conducted for all employees in Brisbane and the regions over the period from late February to June 2009. The need to identify hazards and near-misses as a preventive measure was also introduced to enhance the SLAM training process.

SAI Global Surveillance Audit

An external surveillance audit of the Workplace Health and Safety Management System was conducted at Ayr and Bundaberg in November 2008 and at Borumba Dam upgrade project in December 2008. No major issues were raised during these audits and SunWater's certification was accordingly renewed.

Driver safety

The Fatigue Management procedure was revised and reissued during November 2008. It addresses the legislative requirements for heavy vehicle fatigue management and includes a Working Hours Policy.

Pandemic flu kits

In response to the H1N1 influenza threat, new policies and documentation were prepared. In April 2009 an information kit on pandemic flu was made available to employees, and supplemented by a managers' kit published in May 2009. Draft policies relating to pandemic flu (including hygiene, PPE&C, leave, social distancing etc.) were also developed.

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Corrective Action Tracking System

The Corrective Action Tracking System (CATS) was introduced in SunWater in June 2008. It is a web-based application utilising the Lawlex system and is designed to centralise the reporting and management of corrective actions no matter where they originate. The system sends out email warnings to owners so that corrective actions can be followed up.

Regular CATS Continual Improvement meetings were held from early 2009 to the end of the financial year to address any issues with the system. An internal audit of the corrective action process and CATS was completed during May 2009. This included a major review of CATS involving a cross-section of users. The final report identified several business improvement opportunities that will be actioned in 2009-10.

Incident, Emergency Response, Crisis and Business Continuity Management Manual

To reflect organisational and roster changes, the Incident, Emergency Response, Crisis and Business Continuity Management documentation was revised and re-issued in December 2008. An internal audit of the Business Continuity and Crisis Management processes undertaken in March and April 2009, identified a number of areas for potential improvement and provided recommendations.

Compliance System

SunWater has implemented a compliance program aimed at achieving better compliance management, monitoring and reporting. The program includes an annual compliance plan, a compliance action system to alert employees to new legal obligations, regular compliance reporting to the Board's Audit and Corporate Governance Committee, strategic monitoring of complaints handling, and monitoring the effectiveness of management systems in achieving compliance objectives. The program is reviewed twice a year, with any changes being approved by the Audit and Corporate Governance Committee.

The Board approved the establishment of an Accountability Referrals Committee during the reporting period. The Committee's function is to respond to the governance gap created by the removal of the application of

the *Crime and Misconduct Act 1991* and the *Whistleblowers Protection Act 1994*. This work was undertaken in preparation for SunWater's conversion to public company status.

The new Committee will advise the CEO on any official misconduct matters where an existing policy is not pertinent. The Committee will also assist the CEO in appointing appropriate experts or independent parties to investigate and action any misconduct matters.

Right to Information

SunWater produced its publication scheme in accordance with the Queensland Government's Government Owned Corporations (GOCs) Release of Information Guidelines and is continuing to develop and implement changes associated with its obligations under the *Right to Information Act 2009*.

A new website page is being prepared which will specifically address SunWater's governance obligations under the GOC Act, the OGOC Governance Guidelines, the *Corporations Act 2001* and the relevant Australian Stock Exchange Guidelines on Governance and the AS 4360 Risk Management.

Information Communication Technology (ICT) Business Systems

A critical element of the ICT Strategic Plan is the planned redesign of SunWater's current water information management systems. During the year, a study was conducted into the cost-effectiveness of the existing system and its ability to meet SunWater's evolving needs. This study highlighted a number of areas for potential improvement.

The utilisation of the corporate Enterprise Resource Planning System, SAP, continues to increase, with greater online procurement functionality now available with an improvement in the speed and consistency of purchasing.

Increased reporting requirements to the Bureau of Meteorology required the development of a new water reporting system during the course of the year. SunWater sought and obtained federal funding for the majority of this project and delivered the water information required within the specified timeframes. SunWater was recognised by the Bureau as being among the first water agencies in Australia to meet this requirement.

With the increased pace of operations within SunWater and greater dependency on ICT systems, improvements in SunWater's ICT Disaster Recovery capability were identified as desirable and were addressed during the year. These changes culminated in a full ICT Disaster Recovery test in March 2009 with resulting data loss and data recovery times well within SunWater's requirements. (See case study on page 43.)

Project Managed Organisation

SunWater's Asset Solutions group received its Project Managed Organisation certificate during the year. This followed the successful completion of a project management audit by the Australian Institute of Project Management. Throughout the year, SunWater employees were also professionally accredited as certified practising project directors and project managers.

This means that SunWater will introduce and use a standard process and tools across the organisation in the areas of:

- Project management documentation
- Scope, estimation and cost management tools
- Planning and scheduling
- Risk and issues management
- Contractor management
- Accreditation and training for project managers, and
- Project reporting (earned value methodology).

Internal Audit

Internal Audit is a key component of SunWater's corporate governance. It operates under a Charter approved by the Audit and Corporate Governance Committee of SunWater's Board.

The internal audit capability is governed by a three-year strategic audit plan, which is approved by the Audit and Corporate Governance Committee. The function is performed independently using an objective, systematic, disciplined and proactive approach and in conformance with the International Standards of Professional Practice in Auditing. The audit programs have a strong focus on areas of high risks, critical controls, compliance and governance processes with consideration of industry trends and other external factors affecting the business.

Monitoring activities and evaluating performance

The Audit and Corporate Governance Committee regularly monitors the status of internal audit projects and management actions on previous audit recommendations.

The Quality Improvement and Assurance Program for internal auditing was established in 2006 and includes a periodic external assessment by a qualified assessor and continuous internal quality reviews. A feedback mechanism provides the CEO with the auditees' evaluation of every engagement and these outcomes are discussed with the Manager Internal Audit.

Resourcing

During the financial year, Internal Audit set up an internal co-sourcing arrangement for rotational site visits across its operations in Queensland and outsourced technical projects to an external third party.

Completed audits in perspective

SunWater is particularly aware that it has to demonstrate to industry and the public that good governance processes are in place and that they operate within a transparent and robust framework. Internal Audit therefore dedicates more attention to corporate governance, business management and risk management. This year, SunWater has expanded its technical capability in reviewing commercial risks associated with dealing with external counterparties and with its ability to address risks pertaining to crisis management, business continuity planning and disaster recovery planning.



Case study: ICT Disaster Recovery

SunWater's business critical systems are more secure than ever following completion of a comprehensive disaster recovery (DR) project by SunWater's ICT team.

In July 2008 ICT commenced the task of implementing an improved DR strategy designed to meet the recovery objectives of identified critical business systems and infrastructure applications in the event of a complete loss of SunWater's Brisbane data centre.

The DR project involved establishment of an alternative data centre, the utilisation of server virtualisation technology to convert Brisbane's existing physical servers to virtual machines, synchronisation of data

between head office and the DR facility and implementation of network technology to support connectivity with the DR facility.

Using virtualisation technologies has reduced costs in DR strategy implementation and has simplified DR processes by removing server hardware dependencies; providing greater flexibility and agility in server deployment and management; and ensuring better use of physical server resources through server consolidation.

Implementation of the updated DR strategy now means that during a disaster event SunWater will experience reduced downtime and costs.

Matt Davis and Danny Leong (right) from our Brisbane office discussing our information disaster recovery capabilities.

Business Activity	SunWater		Deloitte		Total		%
	No. of Projects	Man-days	No. of Projects	Man-days	No. of Projects	Man-days	
Corporate Governance and Business Management	9	129	1	12	10	141	61
Financial Reporting	1	30			1	30	13
Information and Technology			2	25	2	25	11
Risk Management	1.5	27	0.5	8	2	35	15

* Tabulated figures are exclusive of:

- internal and external reviews undertaken by SunWater under Business Performance Systems to maintain certification of WHS, EMS and QMS, and
- significant ad hoc projects undertaken by SunWater Internal Audit such as audit planning and monitoring.

Internal customer survey outcomes

During the reporting period, an internal survey of the internal audit performance was undertaken to rate the internal audit function over six categories with a scale of 1-4 (1-poor, 2-fair, 3-good, 4-excellent).

The categories were:

1. Relationship with management
2. Audit staff
3. Scope of work
4. Audit process and report
5. Management of the internal audit activity, and
6. Value added.

Internal audit achieved a 'Good' rating across all categories.