

# The DHS Regulatory Audit Process



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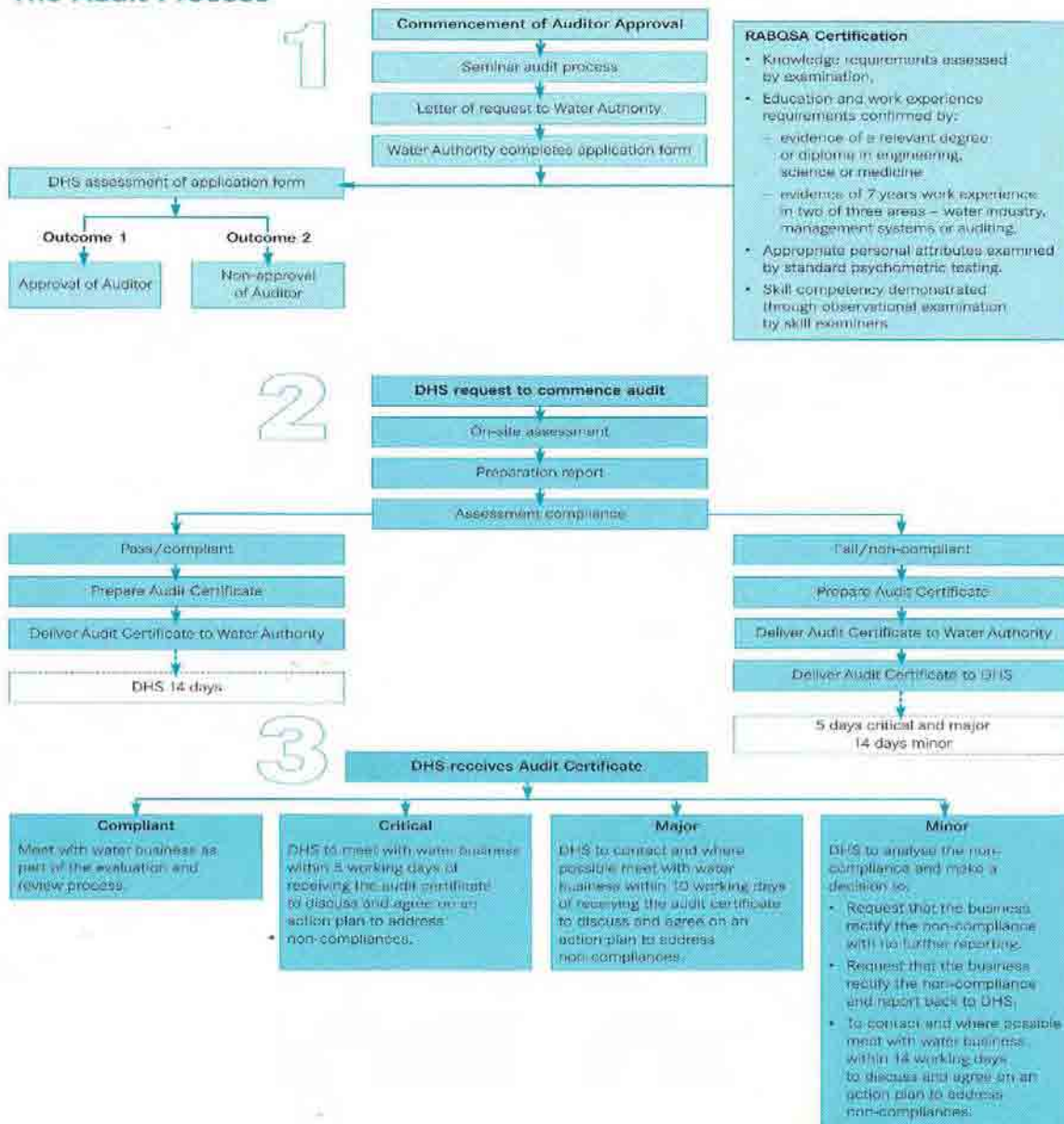
Senior Project Manager

Department of Human Services



# Overview

## The Audit Process



# Roles and responsibilities – DHS



- Auditor approval processes
- Determining the time, frequency and period to be covered by an audit
- Working with water businesses to ensure the findings of the audit are effectively utilised or rectified
- To establish evaluation, review and revision processes to ensure the audit is meeting objectives

# Roles and responsibilities – water suppliers and storage managers



- Nominating an auditor
- Ensuring the audit is completed for the period, and by the date specified by DHS
- Ensuring all documents are presented to the auditor
- Work with DHS to ensure the findings of the audit are effectively utilised or rectified
- Publish the findings of the audit are published in the annual report

# Roles and responsibilities – auditor

- Ensuring the requirements and conditions for approval are met
- Assessing whether the water authority has complied with the requirements of the Act and regulations
- Examining all specified documentation
- Notifying the Drinking Water Regulatory Section of the audit findings

# Becoming an auditor



- RABQSA certification – responsibility of the aspirant auditor
- Application for auditor approval – responsibility of the water authority
- Approval – responsibility DHS

# Application form



## Appendix 4: Auditor application

An electronic copy of this form is available on the Section website <http://www.health.vic.gov.au/environment/water/drinking.htm> or by e-mailing the Drinking Water Regulatory Section at [dwr.u@ohs.vic.gov.au](mailto:dwr.u@ohs.vic.gov.au)

Information requested in this form is collected under the authority of the *Safe Drinking Water Act 2003* section 13. This information will be used to evaluate prospective auditor applications.

Please refer to the guidance note '*Auditing of risk management plans*' for information relating to the completion of this application. Applicants must ensure that the information provided is accurate and that it addresses all the requirements set out in the guidance notes. The Department of Human Services will handle all information in accordance with privacy legislation.

### Water Supplier/Water Storage Manager Information

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Business Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Postcode: \_\_\_\_\_

Email address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

### Prospective auditor information

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ Postcode: \_\_\_\_\_

Email address: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

# Application form



## Prospective auditor's referees

Name	Association with auditor	Contact details

## Areas where prospective auditors will seek additional technical support

Technical discipline	Organisation/individual to provide support/expertise*	Skills/Experience (Brief)*

\*can be included as an attachment

## Check List

Please ensure the following are attached:

- Applicant current CV, including audit log
- Applicant RABQSA auditor certification
- Applicant conflict of interest declaration

## Further information (optional)

## Request by water supplier/storage manager

I 'insert name' of 'insert name of water supplier/storage manager' request the approval of 'insert name of auditor' to audit my risk management plan under the *Safe Drinking Water Act 2003*.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Certified drinking water quality management system auditors will be listed on the RABQSA website.

Please forward this completed application and attachments to:

**Assistant Director, Environmental Health**  
Department of Human Services  
GPO Box 4057,  
Melbourne, VIC 3001  
Fax: (03) 9096 9182

# Conflict of interest



## Appendix 5: Conflict of interest declaration – Application for approval as DHS auditor



Name in full: \_\_\_\_\_

Postal address: \_\_\_\_\_

City: \_\_\_\_\_ Postcode: \_\_\_\_\_

Telephone: Private: \_\_\_\_\_ Business: \_\_\_\_\_

                    Fax: \_\_\_\_\_ Mobile: \_\_\_\_\_

Email address: \_\_\_\_\_

Business name: \_\_\_\_\_

### Declaration:

I, \_\_\_\_\_ of \_\_\_\_\_ declare that:

- I do not have any personal bias or inclination which would in any way affect my decisions in relation to the above business.
- I do not have any personal obligation, allegiance or loyalty which would in any way affect my decisions in relation to the above business.
- I did not prepare, implement, review or revise the above business' risk management plan in relation to the supply of water.
- I have not been employed by the above business in the previous two years.
- No person assisting me in this audit process has any conflict of interest.

### except as set out below:

(List potential conflicts, including the contract work you and/or your employer has performed for the Subject in the previous two years)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I undertake to make a further declaration detailing any conflict, potential conflict or apparent conflict that may arise during the contract period. Should any conflict appear to compromise me, I agree to abstain from any related decision.

Signed: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

### Witness

Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

# Commencing the audit



- Preliminary announcement
- Approval of certified auditor
- Negotiation of audit period

# Scope of audit



- Period December 2005 to December 2007
- Auditable elements
  - Risk management plan
  - Risk management activities
  - Risks to the water supply
  - Documented procedures
- Depth and breadth



## Appendix 6: Table of auditable elements

Auditable element	Legislative reference	Notes <sup>9, 10, 11</sup>	ADWG Framework for Drinking Water Quality Reference Element/ Component/Action
<b>Risk management activities</b>			
Risk management plan prepared	SDWA 7(1)(a) 8(1)(a)	<p>The risk management plan must exist, and should be familiar and accessible to all relevant staff. The plan must include those elements, and those risks detailed in section 9 of the Act and regulations 6 and 7.</p> <p>For water suppliers the plan must cover the water supply up until the point that the water supplier commences storage and treatment processes. It must also include any regulated water supplies.</p> <p>Features of a water business that support a risk management plan might include organisational policy, risk management committees and adequate resources.</p>	E10 C1 A1 E10 C1 A2
Identification of risk	SDWA 9(1)(b)	<p>Based on the system description and auditor knowledge, the auditor can determine the general sorts of risks that could reasonably be expected to be addressed by the risk management plan.</p> <p>The plan should also include the risks that must be considered under regulation 6(2) of the Safe Drinking Water Regulations 2005.</p> <p>The auditor should sight evidence that a recognised approach or framework has been applied to identify the risks to the system.</p>	E2 C2 A2 E2 C2 A3 E2 C3 A1 E2 C3 A2
Risk assessment	SDWA 9(1)(c)	<p>Risk assessment should be undertaken by means of a recognised process or framework such as a 'consequence and likelihood' model or by use of risk management principles.</p> <p>A justifiable process, such as the use of technical information or operational data should be used to assign identified risks into categories, based on their likelihood and potential impact.</p>	E2 C3 A1 E2 C3 A2 E2 C3 A3 E2 C3 A4 E2 C3 A5
Development and implementation of preventative strategies (including appropriate control and monitoring measures)	SDWA 9(1)(d)	<p>The auditor should see evidence that appropriate and effective preventive measures have been put in place to manage identified risks.</p> <p>The auditor should also be able to assess if the measures in the plan would not effectively manage the identified risks.</p>	E3 C1 A1 E3 C2 A1 E3 C2 A2 E3 C2 A3
Implementation and compliance with the requirements of the risk management plan	SDWA 7(1)(b) 8(1)(b)	<p>The plan must be implemented in its entirety, and time components must be adhered to or met.</p> <p>If the plan contains elements whose implementation does not conform with the risk management plan but whose effect is not directly related to the protection of public health, the auditor would assess these as minor non-compliances and list them as 'continuous improvement opportunities' on the audit certificate.</p>	E4 C2 A2 E10 C1 A1 E10 C1 A2
Continuous review, update and improvement of risk management plan	SDWA 7(1)(c) 8(1)(c)	<p>The business should be committed to on-going review and revision of the risk management plan to ensure the plan remains relevant to the system and to measure progress against the risk management plan.</p>	E1 C2 A3 E1 C3 A3 E2 C3 A6 E3 C1 A2 E4 C3 A1 E6 C2 A1 E6 C2 A3 E9 C2 A2 E10 C1 A1 E10 C1 A4

<sup>9</sup> Standards Australia and Standards New Zealand. AS/NZS 4360:2004 Risk Management Standards. August 2004.

<sup>10</sup> The CRC for Water Quality and Treatment. A Guide to Hazard Identification & Risk Assessment for Drinking Water Supplies. A Research Report. April, 2004.

<sup>11</sup> Standards Australia and Standards New Zealand. Risk Management Guidelines Companion to AS/NZS 4360:2004. August 2004.

# Auditable elements – Risk management activities



- Risk management plan prepared
- Identification of risk
- Risk assessment
- Development and implementation of preventative strategies
- Implementation and compliance with the requirements of the RMP
- Continuous review, update and improvement of RMP
- Revision of RMP

# Auditable elements – Risk management plan



- Detailed description of supply
- Names and details of persons responsible for managing hazards and risks
- Details of activities and measures to manage hazards and risks
- Details of the features of the supply designed to assist in the management of risks
- Details of consultation processes between water suppliers and water storage managers

# Auditable elements – Risk management plan



- Procedures and systems to manage chemicals added and the formation of residues and by-products as a result of chemicals added
- Details of emergency management arrangements and procedures

# Auditable elements – Risks to human health



- Pathogenic microorganisms
- Inorganic chemicals including disinfection by-products
- Organic chemicals including pesticides, residues and disinfection by-products
- Radiological parameters
- Algal toxins

# Auditable elements – Documentation



- The Risk Management Plan
- Operating manuals, procedures or protocols relating to, or containing material relating to that plan
- Training and competency manuals

# Depth and Breadth



## BREADTH

- The auditable element is present and being implemented across the entire business

## DEPTH

- The auditable element is effective and is achieving the desired effect or outcome (quality)

# Assessment



- Depth and breadth
- Making the assessment
  - Compliant
  - Critical non-compliance
  - Major non-compliance
  - Minor non-compliance
- Compliance grades
- Reporting to the Department

# Compliance grades



## Non-compliance

Following assessment of the risk management plan and implementation, the auditor will grade non-compliances as critical, major or minor based on the following criteria. The auditor will need to make informed judgement on the potential risk and public health impact of the non-compliance and **recommend corrective action**.

A **critical non-compliance** is defined as a non-compliance with one or more of the auditable elements, legislative requirements or risk management activities where a serious or imminent risk to public health is identified. That is, if the practice, the process or situation is allowed to continue (or conversely is not implemented) it will compromise the health of consumers.

in the event that the auditor identifies one or more critical non-compliances, the auditor is required to complete the audit certificate detailing the reasons for all non-compliances (the critical non-compliance as well as any other major or minor non-compliances) and to submit a copy of the certificate to the Department of Human Services within 5 days after the completion of the audit. This requirement is detailed in section 12(3) of the Act.

It is expected that the auditor will provide the Department of Human Services with sufficient detail on the reason(s) for non-compliance so that the Department is able to initiate follow-up action.

The Department of Human Services will meet with the water business within 5 working days of receiving the audit certificate to discuss the critical non-compliance(s) and agree on a course of action to rectify the non-compliance(s). This could involve the submission of legislative solutions such as undertakings. The Department may request a second audit to ensure that the agreed solutions have been implemented by the water business.

## A non-compliance can result from:

1. The implementation of a practice or measure that does not effectively address a risk identified in the risk management plan.
2. The failure to implement a practice that is contained in the risk management plan.
3. The failure to include a required element or identify a key risk in the risk management plan.
4. Failure to implement the Risk Management Plan for all drinking water systems.

## Case Study 3

A water business has developed a risk management plan but has failed to consider risks or risk management activities that it should have been aware of such as those documented in best practice guidelines such as the DRG 'Guide to Hazard Identification & Risk Assessment For Drinking Water Supplies' during the risk assessment of their system. In one supply with a contaminated source, the filtered water turbidity critical limit (a 5 NTU) prior to entry into the water treatment plant. The risk management plan does not identify an adequate response to high turbidity water leaving the filtration system. As a consequence, the risk management plan does not ensure that such events will be detected or acted upon, and safe drinking water is not guaranteed.

## Audit finding

The business has failed to meet the requirements of the legislation (section 9(1) of the Act and regulations 6(1)(b)&(c)) and consequently has a critical non-compliance.

## Case Study 4

The water business manages a Regulated Water supply to a small rural town, which has a high level of seasonal summer visitors. Untreated water is piped into residences (including commercial accommodation), schools and public spaces such as playgrounds. The major public health risk associated with the supply is the inadvertent consumption of the non-drinking water.

The water supplier has a comprehensive strategy to inform residents and business proprietors of the nature of the water. They have not worked with the local council to ensure that all taps in publicly accessible spaces have been appropriately sign-posted. Transient visitors who utilize public spaces are not informed of the nature of the water.

## Audit finding

The risk management plan has failed to identify a strategy to inform visitors of the risks associated with the consumption of the town water. The failure to implement an effective preventive measure to inform visitors means that the business has not complied with sections 6(1)(b) and (c) of the Regulations and the omission is a critical non-compliance due to the likelihood of serious risk to public health.

Interpretation of Legislative Act 1984, sections 44 (1), (2) and (4)

Where a period of time is expressed to begin or be reckoned from a particular day, that day shall not be included in the period (this days from Friday to Wednesday)

Where a time period fixed by an Act falls on a day that is a holiday (Saturday, Sunday or a public holiday) the time for completion is extended to the next working day (if the sunset is complete on a Monday, date for submission is the following Monday)



### Appendix 3: Risk Management Plan Audit Certificate



#### SCHEDULE 1

Regulation 8

Safe Drinking Water Regulations 2005

#### Risk Management Plan Audit Certificate

Certificate Number: \_\_\_\_\_  
(insert a number to specifically identify this certificate from any other audit certificate issued by the approved auditor)

Audit period: \_\_\_\_\_  
(insert period of audit relevant to this certificate)

To: \_\_\_\_\_  
(insert full name and address of person who commissioned the audit)

Australian Business Number (ABN): \_\_\_\_\_  
(insert the business number of the water supplier or water storage manager)

I, \_\_\_\_\_, after conducting a risk management plan audit of the  
(print full name of approved auditor)

water supplied by \_\_\_\_\_, am of the opinion that  
(insert name of the water supplier or water storage manager)

\_\_\_\_\_ \*has/has not complied with the obligations  
(insert name of water supplier)

imposed by section 7(1) of the *Safe Drinking Water Act 2003* during the audit period.  
(insert name of water storage manager) \*has/has not complied with the obligations

imposed by section 8(1) of the *Safe Drinking Water Act 2003* during the audit period.

\*The details of the reasons for non-compliance are—

\_\_\_\_\_

\_\_\_\_\_

\*insert/attach the details of the reasons for non-compliance

\_\_\_\_\_

Signature of approved auditor: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

\* The name of the approved auditor is recorded in the public register maintained by the Victorian Government.

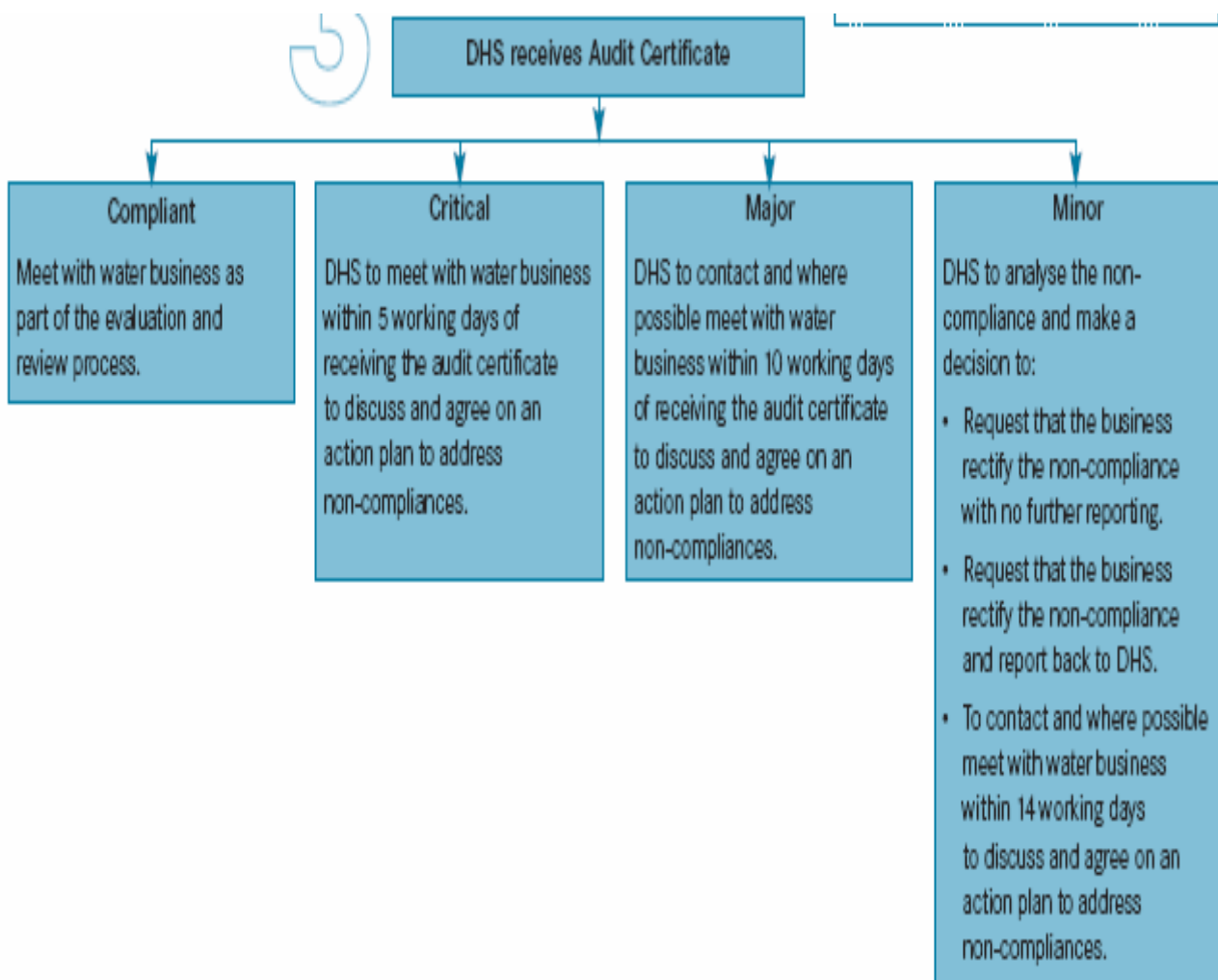
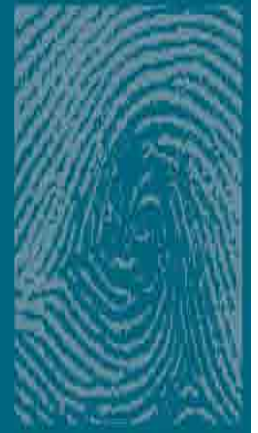
# Assessment



Table 2: Assessment of selected risk management auditable elements

Auditable element	Legislative reference	Auditable Element		Compliance
		Present (Y/N)	Effective? Appropriate? (Y/N)	
<b>Risk management activities</b>				
Risk Management Plan prepared	SDWA 7(1)(a) 8(1)(a)	Y	Y	Full compliance. The business has prepared a risk management plan that covers all water sampling localities, and has been based on the 12 element ADWG 2004 framework <sup>4</sup> .
Identification of risk	SDWA 9(1)(b)	Y	N	Critical non-compliance See case study 3
Risk assessment	SDWA 9(1)(c)	Y	N	Critical non-compliance See case study 4
Development and implementation of preventative strategies (including appropriate control and monitoring measures)	SDWA 9(1)(d)	Y	N	Major non-compliance See case study 5
Implementation of the Risk Management Plan	SDWA 7(1)(b) 8(1)(b)	N	-	Major non-compliance. See case study 6
Compliance with the requirements of the Risk Management Plan	SDWA 7(1)(b) 8(1)(b)	Y	N	Minor non-compliances with the risk management plan See case studies 7, 8

# DHS response obligations



# Compliance Grades – time requirements



Table 3: Summary compliance grades and auditor actions

Compliance Grade	Features	Auditor Actions	DHS Actions
<b>Compliant</b>	Sufficient evidence to confirm that the business has undertaken, prepared and/or implemented all actions in accordance with the Legislation and their risk management plan.	Complete compliant certificate for water business.  Submit certificate to DHS within 14 days.	No action required.
<b>Critical non-compliance</b>	Non-compliance with one of the auditable elements, legislative requirements or risk management activities where a serious or imminent risk to public health is identified.	Complete non-compliant certificate for water business.  Submit certificate to DHS within 5 days.	DHS to meet with water business within 5 working days of receiving the audit certificate to discuss and agree on an action plan to address non-compliances.
<b>Major non-compliance</b>	Non-compliance where there is a high potential for a risk situation, likely to compromise public health if the non-compliance is not rectified.	Complete non-compliant certificate for water business.  Submit certificate to DHS within 5 days.	DHS to contact and where possible meet with water business within 14 working days of receiving the audit certificate to discuss and agree on action plan to address non-compliances.
<b>Minor non-compliance</b>	A non-compliance where there is a low potential for a risk situation and the potential impact of the non-compliance is not likely to be a serious or imminent risk to public health.	Complete compliant certificate for water business.  Prepare a list of continuous improvement opportunities to be submitted with the audit certificate.  Submit certificate to DHS within 14 days.	DHS to analyse the non-compliance and make a decision to: <ul style="list-style-type: none"> <li>• Request that the business rectify the non-compliance with no further reporting.</li> <li>• Request that the business rectify the non-compliance and report back to DHS.</li> <li>• To contact and meet where possible with water business within 10 working days to discuss and agree on action plan to address non-compliances.</li> </ul>

[Further information](#)



# Questions