



# **CAPITAL ALLIANCE GOVERNANCE MANUAL**



#### VERSION CONTROL

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## GLOSSARY

**Alliance** means a commercial framework between an Owner(s) and Service Provider(s) or Non-Owner Participants for a project(s) or program(s) or work characterised by collective risk sharing, a no fault, no blame, no dispute culture, a risk/reward scheme, unanimous decision making, direct cost reimbursement on 100% open book basis, principle based decision making and an integrated project and management team selected on the basis of best person for the job.

**Alliance Governance Management Plan** means a plan prepared by the Alliance and approved by the Alliance Lead Team which defines how the Alliance will manage its governance under the Alliance Agreement.

**Alliance Delivery Team** as defined in Section 3.2.7.

**Alliance Development Agreement or ADA phase** means stage 2 of the selection process, the purpose of which was for the NOPs to, among other things, prepare the Final Proposal and for the Corporation to select the 'Successful Proponent' to enter into the Agreement.

**Alliance Lead Team or ALT** as defined in Section 3.2.1.

**Alliance Manager** as defined in Section 3.2.2.

**Alliance Management Team or AMT** as defined in Section 3.2.3.

**Alliance Participants** means the Corporation and the NOPs or any of the Corporation or a NOP, as the case requires.

**Alliance Project Director** as defined in Section 3.1.3.

**Corporation's Representative or CR** as defined in Section 3.1.2.

**Engineering Interface Manager** as defined in Section 3.2.6.

**Finance Manager** as defined in Section 3.2.5.

**Governance** means practices to ensure that the Water Corporation acts with high standards of corporate behaviour and in the best interests of its stakeholders.

**NOPs or Non Owner Participants** means all parties to the alliance agreement excluding the Water Corporation (who is the Owner of the asset(s)).

**Owner or Client** as defined in Section 3.1.1.

**Partner Delivery Protocols** are guidelines for the Alliance when developing its own policies and procedures which identify key roles, resources, responsibilities and approval timeframes and are aimed at ensuring that appropriate governance, systems and procedures are in place for successful project delivery.

**Performance Agreement** means an agreement, following a discussion between an employee and his/her manager, which sets out an employee's objectives and key measures.

**Protocol Owners** as defined in Section 3.1.4.

**Relationship Manager** as defined in Section 3.2.4.

**TOC** being the out-turn estimate submitted by the NOPs in their Final Proposal to achieve the minimum conditions of satisfaction including all Direct Costs and Margin and Contingencies required to perform the work under the Alliance Agreement in accordance with the Alliance Agreement, which has been approved by the Corporation.

**Water Corporation's Systems** mean the Water Corporation's systems and procedures in conducting day to day business.

**Water Scores** as defined in Section 4.3.1.

**White Collar Report** as defined in Section 4.3.2.

## 1 INTRODUCTION

This Capital Alliance Governance Manual establishes the framework for Alliance governance for the Water Corporation. It sets the standards for the way in which the Water Corporation manages its Alliances and provides guidance on Alliance governance and its implementation for staff working within and interfacing with Alliances.

All Alliances are required to have a robust governance plan adopted, implemented and regularly monitored. Such governance plans will be based on this framework but will also be constructed to meet the needs of the specific Alliance Agreement.

## 2 BACKGROUND

### 2.1 Alliances

Water Corporation has used *Alliance contracting* as one of its capital and operational and maintenance delivery methods since the mid 1990s. It is however a relatively recent development in contracting and stems from a need within the construction industry to strive for improved efficiency.

Essential features of an Alliance contract include the following:

- aligned objectives;
- non-adversarial with a win-win outcome defined by the commercial framework;
- risk shared collectively by all participants;
- unanimous decision-making and governance by an ALT in accordance with an agreed set of principles; and
- managed by an integrated team comprising members from all participant organisations selected on a best for project basis.

Water Corporation uses three types of Alliance Agreements for delivery:

- **Project Alliance**

Project Alliances are established either through a competitive process, a single proponent group or a number of independent proponents. The preference is for Alliance participants to present as a single entity with a single margin. Such an Alliance will have a defined scope.

- **Program Alliance to carry out a number of agreed projects**

This type of Alliance is established for a number of specific projects, and a defined scope for each project is established during the ADA phase.

- **Program Alliance to carry out projects for a set period of time**

A Program Alliance includes a number of projects to be carried out during a set period of time. These projects may not be clearly defined during the ADA phase; and the Alliance Agreements will allow for additional projects to be included in the Alliance.

Due to the nature of this type of contract strategy, it is important that the governance framework both within the Alliance and between the Alliance and the Owner/Client is well defined and managed.

## 2.2 Governance

Water Corporation has defined governance as “A framework of rules, relationships, systems and processes by which authority is exercised and controlled in alliances. It encompasses the mechanisms by which alliances, and those in control, are held to account” modified from original definition by Justice Owen (HIH Royal Commission).

*Corporate governance* is about the exercise of control over organisations. The *Alliance governance* framework comprises the rules, relationships and systems and processes within which the Alliance operates. It articulates the objectives, powers, functions, obligations, limitations and relationships of the Alliance.

This Alliance Governance manual has been constructed in accordance with the Water Corporation’s *Corporate Governance Framework* which is illustrated below.

### ▪ Rules

The Alliance Agreement provides the primary rules within which the Alliance will operate. All other Water Corporation related legislation, regulations, policies and protocols also form part of the rules which will apply to the Alliance.

### ▪ Relationships

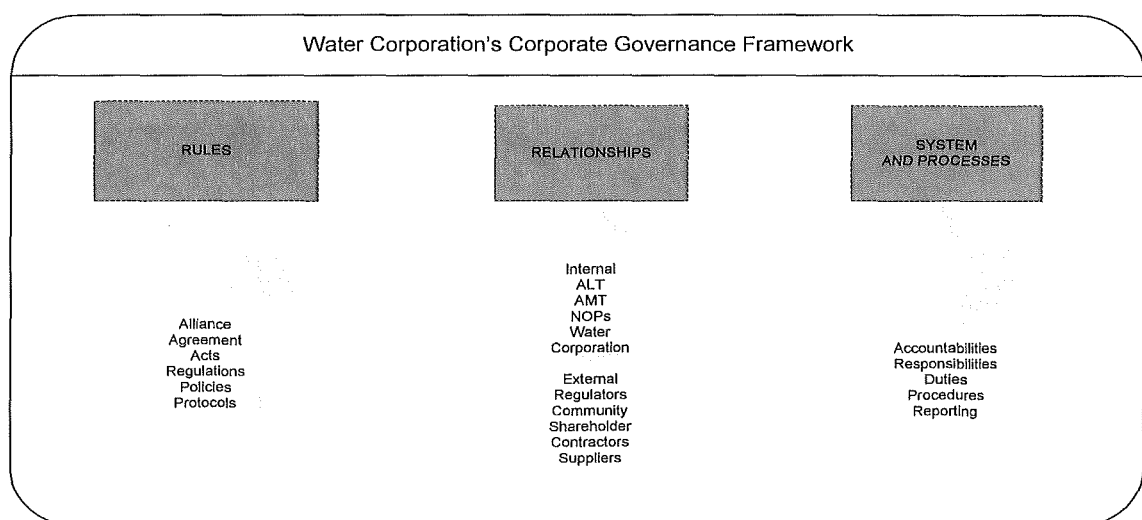
There are both internal and external relationships which the Alliance will be required to manage.

- Internal : Alliance Lead Team, Alliance Management Team, Non-Owner Participants and Water Corporation
- External : Regulators, Community, Shareholder, Contractors and Suppliers

### ▪ Systems and Processes

Each Alliance will have its own systems and processes which will be captured within the governance plan and will include accountabilities, responsibilities, duties, procedures and reporting.

All Water Corporation employees are required to take note of the Water Corporation Accountabilities Framework which provides clear direction for the management of business processes through Corporate and Line Accountabilities. This framework is linked to the various protocol owners within the Corporation and establishes the “touch points” where actions or decisions require the Alliance to liaise with Water Corporation.



**Figure 1 Water Corporation’s Corporate Governance Framework**



The Water Corporation's Corporate Governance Framework is based on the *ASX Corporate Governance Principles and Recommendations*, which are as follows:

- to lay solid foundations for management and oversight;
- to structure the board to add value;
- to promote ethical and responsible decision-making;
- to safeguard integrity in financial reporting;
- to make timely and balanced disclosure;
- to respect the rights of shareholders;
- to recognise and manage risk; and
- to remunerate fairly and responsibly.

To follow some of these principles the following pre-requisites should be established for each Alliance structure:

- establish clear accountabilities and responsibilities for each of the parties.
  - ensure that all parties understand their own accountabilities and responsibilities, and those of the other parties;
- have an effective governing body, i.e. the ALT;
- ensure that there are effective monitoring arrangements which link to the interests of the Water Corporation;
- have effective communication and constructive relationships between the Alliance Participants;
- ensure timely and appropriate reporting;
- establish sound documentation processes; and
- entrench sound risk management practices.

### 3 WATER CORPORATION ALLIANCE GOVERNANCE STRUCTURE

#### 3.1 Water Corporation

Water Corporation has developed a standard structure for governance of its Alliances. This structure shows the commercial framework between the Water Corporation and the Alliance. The ALT can only make decisions within the boundaries of the Alliance Agreement. Decisions which are beyond the mandate of the ALT i.e. not within the boundaries of the Alliance Agreement **must** be referred to the Corporation's Representative for consideration.

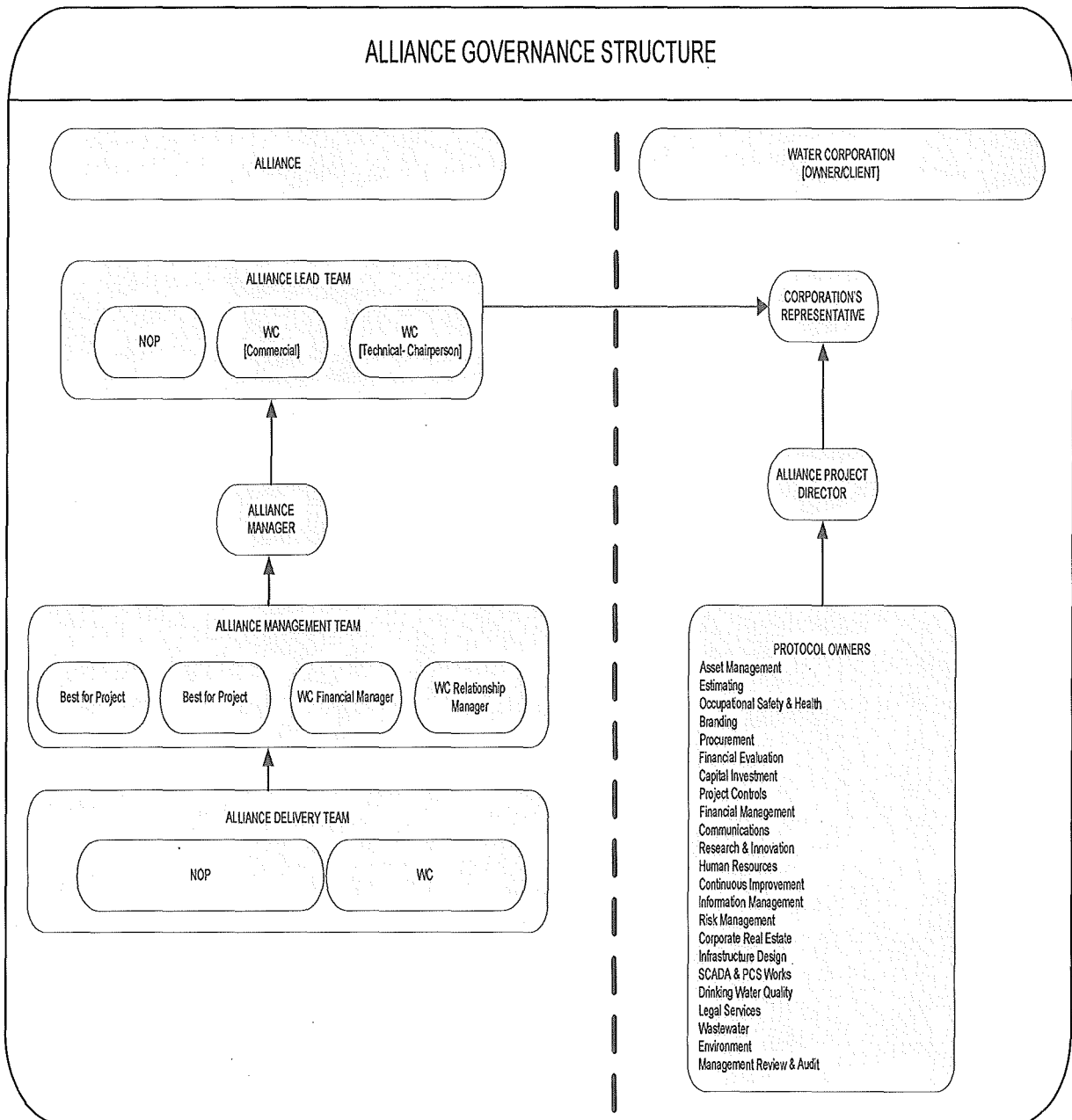


Figure 2 Water Corporation's Alliance Governance Structure 2009

#### 3.1.1 Owner/Client - Water Corporation

Water Corporation is the Owner of the assets to be delivered by the Alliance and pays the Non-Owner Participants for the delivery of the Alliance objectives based on the commercial terms in the Alliance Agreement.

### **3.1.2 Corporation's Representative [refer to Annexure A]**

The Corporation is represented by the Corporation's Representative (CR). The CR for the capital works Alliances is either the General Manager: Planning and Infrastructure Division (GM P&I) or the Chief Operating Officer (COO). The key role of the CR is to represent the interests of the Water Corporation to ensure that the Alliance delivers fit for purpose, value for money assets and any other specific objectives set out in the Alliance Agreement.

### **3.1.3 Alliance Project Director [refer to Annexure C]**

The CR will appoint a Alliance Project Director (APD) to assist the CR in fulfilling the CR's duties on a day to day basis. The APD plays a pivotal influencing role to ensure that the ALT and the Alliance Manager are delivering the project in the best interests of the Water Corporation as owner. The APD works closely with the Alliance Manager, Relationship Manager and Water Corporation's ALT members and is also an observer at all ALT meetings.

### **3.1.4 Partner Delivery Protocol Owners**

There are 23 partner delivery protocol owners within Water Corporation, each of whom has established a protocol for a key interface area between the Alliance and Water Corporation. The Alliance is required to liaise with the protocol owner through the Relationship Manager to confirm protocols and internal policies and standards.

The protocols have been developed to identify the key roles, resources, responsibilities and approval timeframes and are aimed at ensuring that appropriate governance, systems and procedures are in place for successful project delivery.

The overall philosophy for the protocols is to provide a 'no surprises' approach, ensuring the Water Corporation and Partner organisations are kept engaged where and when appropriate to achieve acceptable project outcomes.

## **3.2 The Alliance**

The Alliance generally has three levels of management :

- Alliance Lead Team (ALT)
- Alliance Management Team (AMT)
- Alliance Delivery Team [referred to in some instances as the Integrated Project Team]

### **3.2.1 Alliance Lead Team**

The ALT is comprised of representatives from each of the participating organisations in the Alliance. The ALT members are expected to act as directors of a board who are tasked with providing corporate governance and leadership to the Alliance. The ALT is responsible for two broad areas being business performance and compliance performance.

### **Non Owner Participant (NOP)**

The Water Corporation enters into the Alliance with the NOPs. The relationship between the Water Corporation and the NOPs is set out in the Alliance Agreement.

### **Water Corporation's ALT members [refer to Annexure B]**

The ALT shall have a broad range of skills similar to directors of a board. The Water Corporation will establish and maintain a pool of potential ALT members equipped with the necessary technical and commercial skills to be appointed to ALT's.

The Water Corporation will be represented by two employees appointed in writing to the ALT of each Alliance one with a technical focus and the other with a strong commercial background, skills and experience. One of the Water Corporation representatives will be appointed as the Chair of the ALT.

It is important that ALT members are able to dedicate sufficient time in order to effectively fulfil the requirements of the role. It is expected that ALT members will need to spend in the order of four to eight days per month to meet this obligation, depending on the phase of the project.

ALT members will be provided with an induction and appropriate training to assist them in performing their roles and they will also participate in the Water Corporation ALT forums.

Alliance training material is currently available to Water Corporation appointed ALT members.

### **Duties of the ALT**

Their duties are similar to the duties of Water Corporation directors and are set out in the Alliance Agreement and is further determined through Schedule 2 of the *Water Corporation Act, 1995*. These duties include the following:

- Duty to act honestly;
- Duty to exercise reasonable care and diligence;
- Duty not to make improper use of information;
- Duty not to make improper use of position; and
- Fiduciary duty.

The ALT member is obliged to be familiar with both the Water Corporation's vision and values statement as well as the Alliance Agreement and governance structure.

### **Scope of the ALT's role**

The ALT's primary responsibility is to ensure that the Alliance runs as smoothly and as efficiently as possible having regard to the undertakings, commitments and obligations made and set out in the Agreement.

The ALT will, as a general rule, deal only with matters :

- of policy,
- of alliance culture ; or
- relating to substantial issues or activities to be undertaken by the Alliance Participants.

The ALT is responsible for providing leadership, governance, ensuring performance and securing value for money for the Alliance.

### **Potential Conflict of Interest and Related Party Transactions**

ALT representatives must fully disclose any actual or potential personal conflict of interest they may have in respect of any action, decision or determination to be taken or made by the ALT before the ALT considers any action or makes a decision or determination on that matter.

In the absence of the relevant representative, the ALT will determine, adopting best corporate governance practices, whether the representative has an actual personal conflict of interest and if so will determine the Best for Project course of action to resolve it.

Where an ALT representative, on the grounds of a personal conflict of interest, is excluded from any discussion or determination arising out of or in connection with the acts, events or circumstances creating the personal conflict of interest, then any such discussion or determination cannot proceed:

- at the AMT meeting until the person who is excluded on the ground of a personal conflict of interest excuses him or herself and is replaced by an appropriate person on a best for project basis; and
- at the ALT meeting until at least two (2) representatives from the Corporation (or substitute where the member with the conflict is a Corporation representative) and one (1) representative from each NOP not affected by the personal conflict of interest attend the ALT meeting.

Where there is a corporate conflict of interest or a potential related party transaction, the ALT member must fully disclose any actual or potential conflict. The ALT must consider the disclosure of the corporate conflict of interest and determine, adopting best corporate governance practices, on a Best for Project basis, the resolution of the conflict of interest.

#### **Differentiation between the ALT and the AMT**

- The AMT reports to the ALT via the Alliance Manager.
- The ALT is responsible for two broad areas being business performance and compliance performance.
- The ALT is not involved in the day to day management of the Alliance.
- The Alliance Manager reports directly to the ALT.
- The ALT will conduct periodic performance and development reviews of the Alliance Manager's performance and provide feedback to the NOPs and the Water Corporation as the client.

#### **3.2.2 Alliance Manager**

- The Alliance Manager is appointed by the ALT.
- The role of the Alliance Manager is to lead the AMT, report directly to the ALT and take responsibility for direction of the managers in the AMT.
- The ALT will set the Alliance Manager's authorisation levels. While undertaking the role, the Alliance Manager must report exclusively to the ALT.
- The ALT will conduct periodic performance and development reviews of the Alliance Manager's performance of his/her role in the Alliance.

#### **3.2.3 Alliance Management Team**

- The ALT appoints the Alliance Management Team (AMT) which is managed by the Alliance Manager. AMT members are appointed to the AMT from Water Corporation, the NOP organisations or from outside these organisations on a best for project basis.
- During the ADA phase, the Corporation's Representative can nominate certain Water Corporation personnel to be appointed to the AMT to undertake particular roles. The Alliance Agreement sets out the members of the AMT.
- The members can however be changed by the ALT. For efficiency, the maximum number of AMT members is set at seven.
- Induction and training will be provided to all Corporation employees appointed to the AMT.

### **3.2.4 Relationship Manager [refer to Annexure D]**

- The Relationship Manager (RM) is appointed from within Water Corporation's Project Management Branch and :-
- is responsible for facilitating communication between the Water Corporation, the Alliance and other external stakeholders.
- reports to both the Alliance Manager and has a functional line to the Alliance Project Director .
- is a "hands-on" member of the Alliance providing expertise in the delivery of infrastructure assets on behalf of the Water Corporation.
- may be a member of the AMT and works closely with other Alliance members and line reports to the Alliance Manager on a day to day basis where applicable.
- provides essential stakeholder management for all day to day work performed by the Alliance and ensures the Water Corporation interests are maintained throughout the delivery of infrastructure assets.
- works closely with the Water Corporation's Relationship Contracting Support Manager in the development and refinement of Relationship Contracting supporting systems and procedures for the Alliance.

### **3.2.5 Finance Manager [refer to Annexure E]**

- The Finance Manager is appointed by Water Corporation and is responsible for all the financial accounting, reporting and provides advice to the ALT on financial governance.
- The Finance Manager :
  - shall report to the Alliance Manager;
  - shall attend ALT meetings to support the ALT; and
  - be a member of the AMT.

### **3.2.6 Engineering Interface Manager [refer to Annexure F]**

In some Alliances an Engineering Interface Manager is appointed by the Corporation and this person sits either on the AMT or is a member of the Alliance Delivery Team.

The Engineering Interface Manager is tasked with :

- ensuring proper engineering interfaces are maintained with the Water Corporation and input is timely and consistent;
- providing advice to the engineering team ;
- ensuring projects are delivered in accordance with the intent of the Water Corporation's Engineering Design Process and standards;
- ensuring Water Corporation acceptance and sign-off of all the technical requirements of the project;
- engaging the Water Corporation Technical Specialists as required; and
- approving the release of drawings to the Alliance from the Water Corporation's Drawing Management System.

### **3.2.7 Alliance Delivery Team**

The Alliance Delivery Team comprises members appointed on a best for project basis and are selected from the Water Corporation, the NOPs and externally where necessary. This team sits below the Alliance Management Team. It is highly recommended that a suitable mix of resources is made available to work within the Alliance. This will encourage cross learning and ensures that the Water Corporation retains and grows the knowledge internally.

All employment contracts for Alliance employees shall be made available to the Finance Manager.

Further detailed role descriptions of some of the key positions of employees interfacing with and embedded in Water Corporation's Alliances are included in the Appendices.

## 4 SYSTEMS AND PROCESSES

Each Alliance is required to maintain best practice business systems and follow the intent of the Water Corporation's procedures and policies where required by the Protocols.

### 4.1 Access to Water Corporation's Systems

A process has been established to provide Alliances with access to the Corporation's systems. The Alliance Project Director has responsibility to ensure that all contractors working in the Alliances who have access to Water Corporation's systems sign personal confidentiality undertakings. The required form and process are available on the Project Management Branch (PMB) website. All completed forms will be secured in a register which will be maintained by PMB.

### 4.2 Performance Agreements

All Water Corporation employees embedded in Alliances will have two managers i.e. one line function linking back to Water Corporation and the other within the Alliance. To ensure that accountability is embedded, it is important that their Alliance responsibilities and accountabilities are captured within their Water Corporation Performance Agreements.

Water Corporation ALT members should have alliance performance objectives included in their performance agreements.

### 4.3 Communication

The following communications framework guidelines are provided to encourage a disciplined approach to communication between the Water Corporation, Alliance Project Director, ALT and AMT.

- As a general rule, the Alliance Project Director and Relationship Manager are the primary conduits for all internal Water Corporation communication with the Alliance.
- As a team the ALT decides what information will be passed on to the AMT.
- As a general rule the ALT should communicate with the AMT through the Alliance Manager.
- The Alliance Manager should communicate ALT information to the AMT ensuring all AMT members receive the same information.

ROLE	MEETINGS GUIDELINE
Corporation's Representative	<ul style="list-style-type: none"><li>▪ Regular meetings with the Alliance Project Director and Water Corporation's ALT chair.</li><li>▪ Progress and issues meetings with the Alliance Project Director as required.</li></ul>
Alliance Lead Team Members [Water Corporation]	<ul style="list-style-type: none"><li>▪ The Chairperson is accountable for ensuring that the ALT meets regularly and that proper records of such meetings are maintained. The ALT will agree to a schedule of ALT meetings on a three to six month forward schedule. Meetings of the ALT will be held monthly unless otherwise agreed by the ALT.</li><li>▪ There will be no "closed" meetings as this transgresses the principle of openness and transparency.</li><li>▪ The costs of travel and other disbursements for ALT meetings are deemed non-direct costs and will be borne separately by the NOPs and</li></ul>



	<p>Water Corporation. <i>[specific to SSDP Alliance]</i></p> <ul style="list-style-type: none"> <li>▪ A quorum for an ALT meeting requires the attendance of one ALT representative appointed by the Water Corporation and one ALT representative appointed by every NOP or Joint Venture.</li> <li>▪ The ALT members must be committed to continuous representation on, involvement in and attendance at ALT meetings. The ALT should commit to a principle of not allowing substitutes, other than in the event of a personal conflict of interest or in exceptional circumstances. Each ALT representative has a positive obligation to ensure that any representative from his/her respective Alliance Participant that may attend an ALT meeting as an alternate ALT representative is fully briefed on the status of the Works and the Alliance and the business conducted at previous ALT meetings such that they can fully participate in, understand and support each determination of the ALT at any future ALT meeting and comply with the requirements of an ALT member.</li> <li>▪ Every determination, decision, outcome, solution or resolution of the ALT must be made unanimously on a Best for Project basis</li> <li>▪ All ALT papers must be distributed to ALT members five days prior to ALT meeting.</li> <li>▪ If new items of business are submitted it must be done three days prior to the ALT meeting and must be accompanied with a discussion paper.</li> <li>▪ The ALT must not be expected to resolve any material issue which is not set out in the ALT agenda.</li> <li>▪ ALT minutes are to be distributed within two business days following an ALT meeting.</li> <li>▪ ALT members are required to comment on such minutes within five business days of receipt of the minutes.</li> <li>▪ An absent ALT member is not entitled to object to the minutes.</li> <li>▪ The Alliance must maintain a log of all resolutions and actions taken by the ALT.</li> <li>▪ Water Corporation's representatives will hold a preparatory meeting, to be attended by the Corporation's ALT Representatives, the Alliance Project Director, the Relationship Manager, the Finance Manager and any other Water Corporation personnel as required, prior to each and every formal ALT meeting.</li> <li>▪ In instances where a Joint Venture exists within the Alliance structure, it is recommended that Water Corporation ALT members attend such meetings.</li> </ul>
<b>Alliance Project Director</b>	<p>The Alliance Project Director (APD) will ensure that the following internal Water Corporation meetings are convened – the APD will also attend these meetings:</p> <ul style="list-style-type: none"> <li>▪ Water Corporation's Representative, Alliance ALT Chairperson.</li> <li>▪ Before every ALT meeting the Water Corporation's representatives will hold a preparatory meeting, to be attended by the Corporation's ALT Representatives, the Alliance Project Director, the Relationship Manager, the Finance Manager and any other Water Corporation</li> </ul>

	<p>personnel as required. The meeting will review and discuss items on the upcoming Alliance ALT agenda.</p> <ul style="list-style-type: none"> <li>Water Corporation staff working within the Alliance meet regularly – at a minimum on a monthly basis.</li> </ul> <p>The APD will also maintain a strong link with the Alliance Manager and members of the ALT.</p>
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#### 4.4 Partner Delivery Protocols

The Water Corporation has developed partner delivery protocols which serve to guide an Alliance in the development of its own policies and procedures. Each of the protocols are owned by a Water Corporation process manager who is responsible for its content. The Relationship Manager will ensure that all protocols are made available to the Alliances. These protocols are available on the [Project Management Branch Website](#).

The Alliance may contact the process managers via the Relationship Manager to clarify any matters arising from the protocols.

The protocols are reviewed at least every two years and the updated versions communicated to the Alliances by the Relationship Managers.

Asset Management	Estimating	Occupational Safety & Health
Branding Guidelines	Procurement	Financial Evaluation
Capital Investment	Project Controls	Financial Management
Communications	Research & Innovation	Human Resources
Continuous Improvement	Information Management	Risk Management
Corporate Real Estate	Infrastructure Design	SCADA & PCS Works
Drinking Water Quality	Legal Services	Wastewater
Environment	Management Review & Audit	

**Table 1 Partner Delivery Protocols**

#### 4.5 Reporting

Effective reporting is critical for good governance. There are various levels of reporting both within the Alliance and between the Alliance and Water Corporation.

##### 4.5.1 Monthly Reporting by the Alliance to Water Corporation

The Water Corporation has established a monthly standard reporting template which defines the areas for reporting by all Alliances. The information reported to the ALT must include concise, accurate and up to date details about project/program progress, costing and where appropriate, plans to ensure that the objectives of the project will be delivered in accordance with the Alliance Agreement.

The report must be submitted to Water Corporation by the 15<sup>th</sup> day of each month. The Alliance Project Director must accept the report on behalf of the Water Corporation and is required to sign a copy acknowledging it meets the Water Corporation reporting requirements before forwarding to the Corporation's Representative. Copies of the reports from all the Alliances will be collated and submitted to the General Manager : Planning and Infrastructure and the Chief Operating Officer where the latter is the Corporation's Representative.

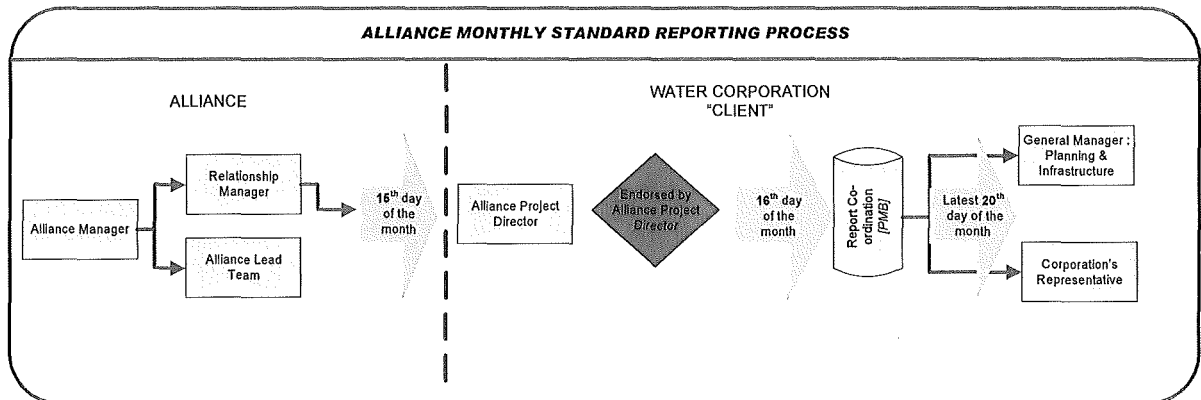


Figure 3 Alliance Reporting to Water Corporation : Monthly Process

#### 4.5.2 Internal Alliance Reporting

Each Alliance will have various layers of reporting to ensure effective controls are in place. The style and frequency of reporting will vary according to the individual Alliances. This will however be defined in the Alliance's Governance Plan.

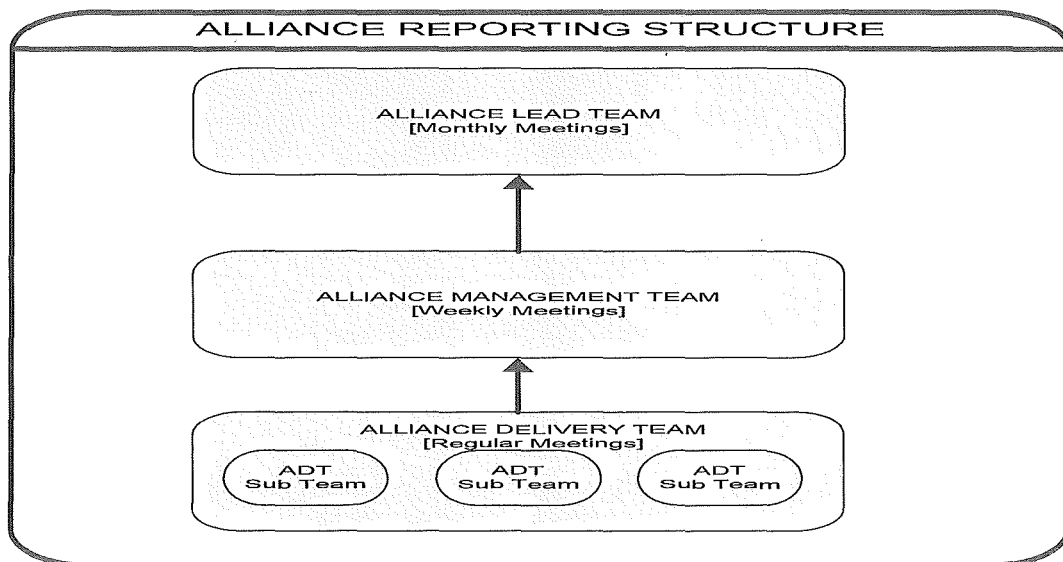


Figure 4 Alliance Reporting Structure

The figure above illustrates the three main levels of reporting within the Alliance.

- Alliance Lead Team - meets on a monthly basis.
- Alliance Management Team - meets weekly and feeds overall monthly results to the Alliance Lead Team.

- Alliance Delivery Team (ADT) - the ADT comprises various disciplines including engineering, procurement, OSH etc which will each have more frequent meetings. Issues and progress reports arising from the ADT level are tabled at the AMT meeting on a weekly basis.

The extent to which control reports are put in place by the Alliance will depend on the particular circumstances of each Alliance. The following list of control reports should be used as a guide by all Alliances.

Forecasting and cost control	Time control
Scope control	Quality control
OSH management	Stakeholders management
Environmental	Human Resources
Risk monitoring and control	Procurement control

**Table 2 Control Reports**

## **4.6 Performance Monitoring**

The Alliance Manager is accountable for reporting performance of the Alliance to the ALT. The standard monthly report template is available on the PMB website.

The following mechanisms are also used by Water Corporation to monitor Alliance performance:

- Water Scores
- White Collar Reports

### **4.6.1 Water Scores**

Water Scores is a benchmarking tool built on the Water Corporation's six business principles. Governance is one of the key areas of measurement and the following five benchmark categories are used to measure performance of the Alliances. Water Corporation uses a facilitated approach when collating data for the benchmarking. Each cycle of the benchmarking occurs at least annually and the results are not shared across all participants. The Alliance Manager is accountable for ensuring that the Alliance participates fully in the wave.

Both the Alliance and Water Corporation will use the benchmarking results to measure the performance of Alliances.

The following governance benchmark measures will be used to determine whether the Alliance is performing at a business as usual level i.e. the minimum requirements are being met or at a higher or lower level.

- **Management and oversight**
  - All internal delegations in-line with the authorities laid out in relevant documentation are in place.
  - Management and oversight policies have been fully implemented and reviewed annually.
  - Performance measures have been fully implemented and reviewed annually.
- **Delegation**

- Each ALT member has had clear and transparent authority delegated from their parent company to discharge their obligations effectively.
- Decisions on key recommendations have been documented in meeting minutes and deferred or delayed for a maximum of one month.
- **Ethical and responsible decision-making**
  - Conflict declarations are signed off regularly (at least annually) by all ALT / AMT.
  - A conflict register has been developed and is up-to-date.
- **Financial Reporting**
  - All financial audit or review findings have been rated minor or insignificant in nature.
  - Monthly reporting has occurred within the agreed reporting guidelines, including timing of reports and documents, and corrective actions against indicators.
- **Disclosure**
  - Adequate, complete and timely information has been provided to the ALT / AMT to allow for effective decision-making.
  - Adequate, complete and timely information has been provided to parent companies to allow for effective decision-making.
  - Meeting agendas and attached documents have been issued at least 7 days prior to the meeting, and the meeting minutes reflect decisions, actions and conflicts accurately and have been issued within 7 days.
  - An action log to monitor all decisions made during meetings has been developed, is up-to-date and shows that actions have been completed within their designated timeframes.
  - Regulatory and legislative compliance breaches have been reported and recorded on at least a monthly basis.

#### **4.6.2 White Collar Reports**

The White Collar report is produced on an annual basis and utilises the standard work breakdown structure in the Water Corporation's financial systems to identify non direct costs or 'white collar' costs. The Project Management Branch estimating guidelines identify Project costs under the heading of Base Cost and Non Directs. Non-Directs are costs necessary to manage and support the delivery of the physical assets included in the Base Cost.

These costs which are expended by the Water Corporation, over and above the actual cost of the physical asset, are referred to as "white collar costs". Non Directs are broken down in the White Collar report, and captured under the headings of 'Project Management', 'Design', and 'Other'. By capturing and reporting these costs on an annual basis, the Water Corporation is then able to benchmark White Collar costs across Alliances.

## **5 AUDITS AND COMPLIANCE**

The use of audit is a good governance practice and assists in providing assurance to the Water Corporation that controls are operating as intended.

Alliance contracts typically allow for audits to be undertaken at any time, by any of the participants.

### **Audits Undertaken by the Participants**

The alliance is required to cooperate with any audit undertaken by any of the participants or their representatives.

### **Audits Undertaken by the Water Corporation**

Where the Corporation requires that an audit of an alliance be undertaken, this will be arranged by Management Review & Audit, which is responsible for providing independent internal review and audit services for the Audit and Compliance Committee, the Chief Executive Officer and senior management of the Water Corporation. The Water Corporation's Audit and Compliance Committee requires that periodic reviews are conducted taking risk into account. This is undertaken by service providers appointed by the Water Corporation. These audit reports must be submitted to the Chair of the ALT and the Alliance Manager for their information and if appropriate, their action. It is expected that the results of these audits will be a matter of discussion for the Alliance Lead Team.

### **Internal Audit Undertaken by the Alliance**

Where there are many participants in an alliance it may be more efficient for the alliance to procure an internal audit service on which all of the participants rely for assurance rather than having separate reviews carried out by each participant independently. Internal audit reviews are proposed and agreed by the alliance and agreed on by all participants, and are usually conducted by External Audit firms. The ALT chairperson should ensure that Management Review & Audit is advised of any audit activities and the audit reports are provided to the Principal Auditor. This includes financial audits, management audits, OSH audits, environmental audits, internal audits and any other external assurance provider type audit or review services.

The purpose of each review may vary depending on the circumstances of each Alliance. The following provides guidance in determining what assurance is needed by the ALT:

- Appropriate and adequate systems and /or procedures have been implemented by the Alliance to manage the terms of the Alliance Agreement;
- The financial controls over revenue and expenditure are adequate and operating effectively;
- Appropriate record keeping by Alliance Participants is being maintained;
- Assets acquired by the Alliance are properly accounted for and protected against physical loss;
- The financial terms of the Alliance Agreement are being complied with by the Alliance;
- Management reporting to the ALT and the Water Corporation is reliable; and
- Information provided to participant organisations is complete and accurate.

The internal audit reviews form an integral part of the Water Corporation's assurance plan and the results are reported through Management Review and Audit (MR&A) to Water Corporation's Audit and Compliance Committee.

## ANNEXURE A: WATER CORPORATION'S REPRESENTATIVE

<b>Reports to</b>	Chief Executive Officer
<b>Direct Reports</b>	As per the organisational chart
<b>Responsibilities and Accountabilities</b>	<ul style="list-style-type: none"> <li>▪ Perform duties of the CR under the Alliance Agreement</li> <li>▪ Agreed individual scopes are delivered for agreed Target Outturn Costs ( TOC's)</li> <li>▪ Scope changes are directed under the definitions in the Alliance Agreement and these are delivered for agreed dollars.</li> <li>▪ The Water Corporation is getting value for money and fit for purpose assets.</li> <li>▪ Approve the Commercial Framework</li> <li>▪ Sign-off of : <ul style="list-style-type: none"> <li>○ TOC's</li> <li>○ Scope changes</li> <li>○ Amendments to Alliance Agreement</li> <li>○ Interim gain share payment</li> </ul> </li> <li>▪ Appointment of Alliance Project Director</li> <li>▪ Report progress of the Alliance to the Water Corporation Board</li> </ul>

## ANNEXURE B : WATER CORPORATION ALT MEMBER [INCLUDING THE CHAIR]

<b>Reports to</b>	Chief Operating Officer and General Manager: Planning and Infrastructure [Water Corporation's Representative]
<b>Responsibilities and Accountabilities</b>	<ul style="list-style-type: none"> <li>▪ Anticipate and address external issues and impediments that may impact on Alliance performance.</li> <li>▪ Represent and champion the Corporation's interests within the Alliance</li> <li>▪ Recommend scope changes to the Corporation's Representative <ul style="list-style-type: none"> <li>- TOC</li> <li>- Amendments to the Alliance Agreement</li> </ul> </li> <li>▪ Appoint and monitor the performance of the Alliance Manager and other key personnel</li> <li>▪ Champion and support the Alliance Strategic Framework.</li> <li>▪ Ensure that the Alliance delivers within budget and time.</li> <li>▪ Create an inspirational vision for the Alliance relationship established under this Agreement and reinforce and model the Alliance culture</li> <li>▪ Create and sustain the environment in which the Alliance Objectives can be met or exceeded.</li> <li>▪ Deal with disputes escalated to the ALT from the Alliance Management team.</li> <li>▪ Endorse the members of the Alliance Management Team.</li> <li>▪ Exercise the powers and responsibilities conferred on it under the Alliance Agreement.</li> <li>▪ Harness best resources and deliver commitments from Participant organisations.</li> <li>▪ Monitor Alliance performance, take corrective action and apply risk/reward payment regimes.</li> <li>▪ Provide strategic direction and leadership for the Alliance</li> <li>▪ Recommend to the Participants for their consideration changes to the Agreement, including those that might improve delivery of the Works or fulfilment of the Alliance vision.</li> <li>▪ Resolve Alliance relationship matters.</li> <li>▪ Resolve issues which are unable to be resolved by the Alliance Manager.</li> <li>▪ Set policy and delegations for the Alliance.</li> </ul>





## ANNEXURE C: ALLIANCE PROJECT DIRECTOR

<b>Reports to</b>	Chief Operating Officer; General Manager: Planning and Infrastructure [Water Corporation's Representative]; and Portfolio Manager [Project Management Branch]
<b>Responsibilities</b>	<p>[a] The Alliance Project Director is responsible for administering the Alliance Agreement on behalf of the Corporation's Representative [CR]:</p> <ul style="list-style-type: none"> <li>▪ Reviewing ALT recommendations to the CR including: <ul style="list-style-type: none"> <li>○ Amendments to the Alliance Agreement</li> <li>○ Project Target Outturn Costs (TOC's)</li> <li>○ Cost variations/changes to project scope</li> <li>○ Changes to implementation dates</li> <li>○ Achievement of practical completion &amp; final completion dates</li> </ul> </li> <li>▪ Approve progress payments &amp; risk/reward payment</li> </ul> <p>[b] Determine validity of variation claims and advise Corporation's Representative</p> <ul style="list-style-type: none"> <li>▪ Determine if the variation is part of normal detailed design (TOC unchanged), a design development (TOC unchanged), scope change or part of any contingency in the TOC (TOC unchanged).</li> <li>▪ Confer with Water Corporation stakeholders where a scope change has been driven by stakeholder involvement with the Alliance.</li> <li>▪ Convert provisional sums into the TOC ("bring above the line")</li> </ul> <p>Close down the Alliance (Asset disposal, close Alliance bank account, cancel security access etc) <u>Alliance Closure Checklist</u></p> <p>[c] Asset settlement (Project Director ensures this is undertaken by the Project Manager)</p> <ul style="list-style-type: none"> <li>▪ Settlement of the assets to the Functional Location &amp; Equipment Register (FLER). <ul style="list-style-type: none"> <li>○ FLER is the definitive list of infrastructure assets for the Water Corporation</li> <li>○ Enables operations and maintenance activities to be planned, scheduled and costed.</li> </ul> </li> <li>▪ Settlement of the assets to the Financial Fixed Asset Register (FAR) <ul style="list-style-type: none"> <li>○ Enables the asset to be depreciated.</li> </ul> </li> </ul> <p>[d] Attends ALT meetings as an observer:</p> <ul style="list-style-type: none"> <li>▪ Monitor Alliance governance</li> <li>▪ Ensure the ALT functions in accordance with the Project Alliance</li> </ul>

	<p>Agreement</p> <ul style="list-style-type: none"> <li>▪ Monitor time, cost, OSH &amp; environmental performance of the Alliance</li> <li>▪ Ensure Alliance reporting meets statutory and corporate reporting requirements – monthly reports, OSH reports, Alliance health, audit reports etc</li> <li>▪ Ensure actions from audits are closed out</li> </ul> <p>[e] Represent the interests of the Corporation's Representative:-</p> <ul style="list-style-type: none"> <li>▪ Administer the Alliance Agreement in a fair but firm manner</li> <li>▪ Ensure TOC's offer value for money and are commercially sound</li> <li>▪ Drive the Alliance to deliver the project on time, within TOC, in compliance with environmental approvals and in accordance with our Zero Harm philosophy</li> <li>▪ Manage scope creep driven from within the Alliance and from stakeholders</li> <li>▪ Regularly engage with the Water Corporation resources embedded in the Alliance. Ensure action items from audits (OSH, financial, environmental, quality etc) are closed out</li> <li>▪ Protect the reputation of the Water Corporation</li> </ul> <p>[f] The Alliance Project Director is the point of contact for the:</p> <ul style="list-style-type: none"> <li>▪ Corporation's Representative <ul style="list-style-type: none"> <li>○ APD provides timely reporting of commercial issues, time performance, Alliance health, environmental &amp; OSH incidents</li> <li>○ delivery of key messages from the GM &amp; COO to the ALT &amp; Alliance</li> </ul> </li> <li>▪ Program Manager (Capital Investment Branch) <ul style="list-style-type: none"> <li>○ APD provides forecast total project costs &amp; annual/monthly cash flows</li> </ul> </li> <li>▪ GM Asset Management Division <ul style="list-style-type: none"> <li>○ APD is responsible for Fit for purpose, commissioning, handover &amp; asset settlement</li> </ul> </li> <li>▪ Manager OSH Branch <ul style="list-style-type: none"> <li>○ APD is responsible for safety initiatives (Zero harm, Fall from heights)</li> <li>○ OSH performance and trends</li> </ul> </li> <li>▪ Manager Environment Branch <ul style="list-style-type: none"> <li>○ APD is responsible for environmental compliance/reporting</li> </ul> </li> <li>▪ Finance Manager &amp; Manager Commercial Support</li> </ul>
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	<ul style="list-style-type: none"> <li>○ APD is responsible for liaising with the above members in the Alliance.</li> <li>▪ APD is responsible for arranging Water Corporation Alliance meetings</li> <li>▪ APD is the line manager for the Relationship Manager.</li> <li>▪ Provides advice to the Water Corporation ALT members.</li> <li>▪ Ensures project control and all reporting is up to date in the Water Corporation's systems.</li> <li>▪ Plays a role in the Waterscores benchmarking program.</li> </ul>
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## ANNEXURE D : RELATIONSHIP MANAGER

<b>Reports to</b>	Alliance Manager and Water Corporation Project Director
<b>Financial Delegation</b>	As determined by the Alliance Agreement and the Water Corporation Financial Delegation
<b>Responsibilities</b>	<ul style="list-style-type: none"><li>▪ Participate as a member of the Alliance/Partner Management Team and responsible for stakeholder management.</li><li>▪ Represent Water Corporation's interests at the AMT</li><li>▪ Manage the internal customer expectations of the Alliance/Partner project delivery.</li><li>▪ Liaise with Water Corporation Program Managers to ensure workload and smoothing of projects into the Alliance/Partner.</li><li>▪ Facilitate good communication between the Water Corporation and the Alliance/Partner.</li><li>▪ Provide guidance to stakeholders on the application of the Alliance/Partner Agreement, project management and contract administration.</li><li>▪ Ensure all of the Alliance's activities comply with relevant legislation, regulatory requirements, corporate policy and ethical standards, and advise the Alliance manager in such matters.</li></ul>

## ANNEXURE E: FINANCE MANAGER

<b>Reports to</b>	Alliance Manager and Water Corporation Capital Finance Manager
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>▪ Develop and maintain all financial management policies for agreement by the ALT in order to implement and maintain a robust corporate and financial governance environment.</li> <li>▪ Maintain a schedule of delegations approved by the ALT, and to ensure that all transactions are appropriately authorised.</li> <li>▪ Establish and manage the accounting system. The accounting system should enable the Alliance to operate as a separate trading entity and be able to provide management with timely and accurate information to support the decision making process.</li> <li>▪ To provide financial and performance reports as required by the ALT, AMT and any of the Alliance's participants.</li> <li>▪ To act as the main point of contact for any financial audit or review required by any of the participants and to provide the auditor with any information necessary to enable such a review to be carried out.</li> <li>▪ To verify costs being claimed by the participants for inclusion in the Alliance's progress claims.</li> <li>▪ To compile and submit regular progress claims to the Water Corporation for payment and to ensure that claims are fully reconcilable to the Alliance's financial ledgers. To ensure that all claims submitted are in a format acceptable to the Water Corporation and fall within the definition of a direct cost.</li> <li>▪ To manage and control the Alliance's bank accounts.</li> <li>▪ To ensure that the costs claimed are recorded in the Water Corporation's ledgers in an appropriate way so that the asset created can be settled promptly in the Water Corporation's fixed asset register.</li> <li>▪ To provide the Water Corporation with any information that may be required in relation to foreign exchange transactions.</li> <li>▪ To arrange for internal audits on financial matters to be carried out if required by the participants.</li> <li>▪ To manage the finance function within the Alliance and to manage any additional staff required to service the function.</li> </ul>

## ANNEXURE F : ENGINEERING INTERFACE MANAGER

<b>Reports to</b>	Alliance Manager and Infrastructure Design Branch Manager
<b>Skills</b>	<p>Dedicated resource nominated by the Manager Infrastructure Design Branch and having relevant qualifications and background.</p> <p>Typically this position would be filled by the Water Corporation Design Manager for the project during the TOC development phase in a cost competitive Alliance selection process.</p> <p><b>Indicative</b> level of resource as required may vary over the life of the bundle as follows:</p> <ul style="list-style-type: none"> <li>▪ Design phase – 100%</li> <li>▪ Implementation phase – 50% to 100%</li> <li>▪ Commissioning Phase – 20% to 50%</li> </ul>
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>▪ Ensuring proper engineering interfaces are maintained with the Water Corporation and that Water Corporation input is timely and consistent.</li> <li>▪ Providing leadership to the engineering team as a member of the Alliance Management Team.</li> <li>▪ Ensuring projects are delivered in accordance with the intent of the Water Corporation's Engineering Design Process and standards.</li> <li>▪ Ensuring Water Corporation acceptance and sign-off of all the technical requirements of the project.</li> <li>▪ Engaging the Water Corporation Technical Specialists.</li> <li>▪ Approving the release of drawings to the Alliance from the Water Corporation's Drawing Management System.</li> </ul>