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7 August 2014

The Hon Ian Hunter MLC
Minister for Water and the River Murray
GPO Box 1047
ADELAIDE SA 5001

Dear Minister

Reform of State Government Boards and Committees

I am writing in response to your correspondence dated 1 August 2014 to the Chairs of four committees of the Board of SA Water namely, the Customers and Regulation Committee, the Governance, Finance and Risk Committee, the People and Culture Committee, and the New Business and Innovation Committee. This consolidated response has been prepared in consultation with the Chairs of the four Committees.

My letter to you of 23 July 2014 sets out the arguments for retention of the SA Water Board established by the *South Australian Water Corporation Act 1994*. These are many and varied and in essence relate to the extent, complexity and breadth of functions of the Corporation. These functions impose substantial demands on the Board which in September 2013 decided to reform its supporting Committee structure to more closely align it to the reorganised business structure taking into account the new legislative umbrella, emerging water market and the commencement of economic regulation.

It should be noted that membership of these Board Committees is restricted to Directors of SA Water; they are part of our comprehensive governance approach to ensure complex matters are considered in detail away from the normal operations of the Board, and brought to the Board only after a thorough consideration at Committee level. Committees do not have delegated powers from the Board and do not make decisions. Obviously, if the Government decided to abolish the SA Water Board, these four Committees would be abolished automatically: their existence (apart from the Governance, Finance and Risk Committee which is a requirement of Parliament) is simply a decision of the Board to improve our governance arrangements.

A brief description of the purpose of each Committee is provided below:

Customers & Regulation Committee – to support and advise the Board on matters associated with the preparation of the Regulatory Business Proposal to ESCOSA, the condition, performance and efficiency of the Corporation's assets, matters regarding the maintenance,



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upgrading, installation of new or replacement assets, delivery of services to customers, compliance with the Corporation's licence and Customer Charter, issues relating to third party access to infrastructure and the Corporation's relationship with regulators;

Governance, Finance & Risk Committee – to support and advise the Board in fulfilling its corporate governance and oversight responsibilities (audit) in relation to SA Water's financial planning and reporting, internal control processes, risk management systems, legal compliance and the internal and external audit functions;

New Business & Innovation Committee – to support and advise the Board on matters relating to new business opportunities and initiatives (both regulated and non-regulated) and oversee the effectiveness of the Corporation research, development and innovation activities; and

People & Culture Committee – to support and advise the Board on matters associated with the planning, remuneration and culture of the Corporation's workforce, taking into account the Corporation's strategic plan, Government policy, relevant Board policies, business needs and regulatory requirements.

The *Public Corporations Act 1993* requires the establishment of an audit committee, in SA Water's case the Governance, Finance and Risk Committee. As indicated above, the other Committees are not statutorily based but are established administratively to assist the Board in its deliberations. They have no impact on external parties, have no decision-making responsibility and do not provide advice to the Minister. Each Committee has an operating charter that sets out its purpose, role and responsibility, reporting arrangements, composition, membership term, meeting frequency, access, conflict of interest, and a process for assessment performance. To ensure continuing relevance, the need for and performance of the Committees are reviewed annually.

For these reasons, I am of the view that the four committees established by the Board are not in the intended scope of the Premier's initiative to abolish all Government boards and committees, unless of course a decision is taken to abolish the SA Water Board, in which case the Committees would be abolished automatically.

If there is any additional information you require, I will be pleased to provide it on request.

Yours sincerely



Lewis W Owens

Chair, on behalf of the SA Water Board and its Committees