

**Deloitte**

**WestNet Rail Pty Ltd**

**Review of the compliance with the  
Segregation Arrangements, Train Path  
Policy and Train Management  
Guidelines**

**Year ended 30 June 2008**



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Mr Adam Sidebottom  
Senior Commercial Analyst  
WestNet Rail Pty Ltd  
2-10 Adams Drive  
Welshpool WA 6106

9 September 2008

Dear Adam

**Re: Review of compliance with the Train Path Policy and Train Management  
Guidelines for the year ended 30 June 2008**

We have completed our fieldwork on the above review and have received and incorporated WestNet Rail management's comments on each of the issues identified.

Accordingly, we are pleased to submit our report to you.

Yours sincerely

**Richard Thomas**  
Partner

Member of  
Deloitte Touche Tohmatsu

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# 1 Executive Summary

## 1.1 Introduction

In accordance with the letter of engagement accepted by the Senior Commercial Analyst on 21 July 2008, this report presents the results, conclusions and observations of the review of compliance by WestNet Rail Pty Ltd (WNR) for the year ended 30 June 2008 with the Train Path Policy (TPP) and Train Management Guidelines (TMG). The engagement was conducted in accordance with Australian Standard on Assurance Engagements ASAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

## 1.2 Objectives

This review involved an assessment of the compliance by WNR with the TPP and TMG as outlined in our letter of engagement dated 15 July 2008 and further detailed in the scope below.

## 1.3 Scope

The scope of this review was to address whether:

- all personnel who handle confidential information had been included in the Confidentiality Register
- all personnel who handle confidential information had undergone appropriate induction training within a week of commencement to understand their obligations
- WNR provided operators with a time profile of its schedule of repair, maintenance or upgrading works to be undertaken and the length of potential disruptions
- WNR advised the affected operators of the revised time profile within a reasonable period (in any instances when WNR was unable to meet identified time commitments)
- WNR scheduled train paths have been affected by planned track maintenance activities and planned track upgrades, where the parties cannot be provided satisfactory alternate train paths
- WNR imposition of temporary speed restrictions in various parts of the rail network resulted in a deterioration of agreed train transit times being achieved on a continuing basis
- the below rail delay recorded for track, signal and train control showed any deterioration over the reporting period.

## 1.4 Approach

The review involved the following activities:

- reviewing and understanding the relevant requirements of the TPP, the TMG, the Segregation Arrangements Management Manual, policies and procedures
- interviewing key staff to understand processes as they relate to the functions outlined under the scope
- performing walkthroughs of relevant processes
- assessing compliance with the relevant legislative requirements and policies & procedures
- performing compliance testing
- identifying areas of non-compliance
- finalising the report.

## 1.5 Opportunities for improvement

Our review highlighted four opportunities for improvement to strengthen the processes used by WNR to ensure compliance with the TPP and TMG:

1. confidentiality agreement sign off
2. maintenance of track closure information.
3. segregation arrangement management manual
4. confidentiality agreement register

These opportunities are further detailed in section 2, Observations and Agreed Action Plans.

## 1.6 Acknowledgement

We wish to place on record our appreciation of the assistance and cooperation received from the management and staff of WNR.

## 1.7 Conclusion

Based on our review, except for the matters noted above and detailed in section 2, Observations and Agreed Action Plans section of this report, nothing has come to our attention that causes us to believe that WNR has not, for the year ended 30 June 2008, complied with the TPP and TMG as detailed in the scope above.

# 2 Observations and Agreed Action Plans

## 1. Confidentiality agreement sign off

Observation	Risk/Implication	Recommendations	Management Comment / Action Plan
<p>WNR employees who have duties that include managing or conducting access related functions are required to undertake confidentiality agreement training and sign a confidentiality agreement. WNR process is that this training and agreement signing takes place within one week of commencement.</p> <p>Detailed testing of confidentiality agreements identified the following deficiencies:</p> <ul style="list-style-type: none"> <li>• one out of 29 new employees tested did not sign a confidentiality agreement</li> <li>• a further nine out of 29 new employees tested did not sign a confidentiality agreement within a reasonable timeframe i.e. within one week of commencement. Of these nine employees, one person had been employed for more than 11 months</li> <li>• one out of 15 terminated employees had not signed a confidentiality agreement before leaving WNR</li> <li>• two out of three Board members did not sign the agreement.</li> </ul>	<p>Employees who have access to confidential information may not</p> <ul style="list-style-type: none"> <li>• have received appropriate training</li> <li>• have signed a confidentiality agreement</li> <li>• fully appreciate their responsibilities around not divulging confidential information.</li> </ul>	<p>All employees should undergo confidentiality agreement training and subsequently sign a confidentiality agreement within a reasonable timeframe i.e. within one week of commencement.</p> <p>Confidentiality training should be incorporated into the employee induction process to avoid non compliance.</p> <p>All WNR Board members should sign the confidentiality agreement.</p>	<p>WNR will ensure that all employees and Board members sign a confidentiality agreement within a reasonable time of commencement.</p>
		<p>Responsibility</p> <p>Accountability</p> <p>Target Date</p>	<p>Compliance Officer</p> <p>Manager Safety &amp; Compliance</p> <p>30 September 2008</p>

## 2. Maintenance of track closure information

### Observation

Section 3.5 of the TMG requires WNR to notify its operators of track closures that could affect the use of the train paths. Information relating to track closures is reported to the Regulator as part of Key Performance Indicator (KPI) reporting.

A track closure spreadsheet has been developed, which captures the information communicated to operators as well as the actual times of each track closure via reference to train control diagrams.

We noted the following deficiencies:

- letters sent to operators are not maintained on the network for reference (only manual copies are available)
- there is no central repository of letters, with more than one file of letters being maintained by the Access Management team
- responsibility for the maintenance of the spreadsheet is not assigned and the spreadsheet is updated on an ad-hoc basis

Four out of 15 actual track closure times reported were not consistent with the train control diagrams.

### Risk/Implication

Increased potential for inaccurate information being reported to the Regulator.

### Recommendations

Letters sent to operators should be saved in a secure dedicated folder on the WNR network.

Responsibility for the maintenance of the track closure spreadsheet should be assigned to an appropriate WNR employee.

### Management Comment / Action Plan

WNR will save track closure letters in a designated folder on the WNR network

Responsibility for the Track Closure Spreadsheet will be given to the Revenue and Performance Analyst.

Responsibility  
Revenue and Performance Analyst

Accountability  
Snr Commercial Analyst

Target Date  
30 September 2008



### 3. Segregation arrangement management manual

Observation	Risk/Implication	Recommendations	Management Comment / Action Plan
<p>WNR has established a segregation arrangement management manual (Manual), which describes how the organisation manages its segregation obligations and processes.</p> <p>The Manual is not up to date as it refers to:</p> <ul style="list-style-type: none"> <li>■ the pre Babcock and Brown organisational structure</li> <li>■ processes in place prior to the separation from the above rail business.</li> </ul>	<p>Increased risk of inconsistent business practices, which may hinder compliance with the TPP and TMG.</p>	<p>The Manual should be updated to reflect current WNR structure and practices.</p>	<p>WNR is in the process of updating the Manual and completion is expected by the end of October 2008.</p>
		<p>Responsibility</p>	<p>Compliance Officer</p>
		<p>Accountability</p>	<p>Manager Safety &amp; Compliance</p>
		<p>Target Date</p>	<p>31 October 2008</p>

## 4. Confidentiality agreement register

Observation	Risk/Implication	Recommendations	Management Comment / Action Plan
<p>WNR does not maintain a confidentiality agreement register listing all employees that have received confidentiality agreement training and signed the agreement.</p> <p>An attendance listing is prepared for each confidentiality agreement training session conducted. However this listing does not confirm that the agreement has been signed because training can be delivered without the requirement to sign the agreement.</p> <p>This issue was also identified in the 2007 report.</p>	<p>Potentially inefficient and/or ineffective method of ensuring that all relevant WNR employees have signed a confidentiality agreement.</p> <p>Identification of those employees who had signed the agreements would be difficult if the signed confidentiality agreements were misplaced or lost.</p>	<p>A confidentiality agreement register should be created to keep track of all employees that have completed the confidentiality training and signed the agreement.</p> <p>Maintenance of the confidentiality agreement register should be assigned to a suitable WNR employee.</p>	<p>WNR will maintain an electronic list of all Confidentiality Agreement signees.</p>
<p>Responsibility Accountability Target Date</p>	<p>Compliance Officer Manager Safety &amp; Compliance 30 September 2008</p>		

## 3 Statement of Responsibility

This report has been prepared in accordance with the terms and conditions of the engagement letter dated 15 July 2008. Deloitte conducted this work in accordance with Australian Standard on Assurance Engagements ASAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". The work is subject to the following inherent limitations:

- the procedures were designed to provide limited assurance as defined by ASAE 3000. A limited assurance 'review' consists primarily of making enquiries, primarily of persons responsible for the area under review, applying analytical and other review procedures, and examination of evidence for a small number of transactions or events. A review is substantially less in scope than a reasonable assurance "audit" conducted in accordance with ASAE 3000. Accordingly, we do not express an *audit opinion*
- because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis
- any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate
- the matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist. Had we performed a reasonable assurance "audit" as defined by ASAE 3000 or an audit as defined by Australian Standards on Auditing, additional information may have come to our attention, which may have been included in the report.

Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

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