

Shire of Gnowangerup

Water Services (Operating) Licence

Operational Audit and Asset  
Management System  
Effectiveness Review

Report  
11 May 2018

**PAXON** GROUP

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# 1 Executive Summary

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## 1.1 Operational Audit

### Audit Objective

The operational audit (“Audit”) was conducted to assess the Shire of Gnowangerup’s (“Shire”) level of compliance with the conditions of its licence.

The Audit covered the period from 1 December 2014 to 30 November 2017 (“Audit Period”) inclusive.

### Licence, Business and Major Changes

The Shire provides water services under the provisions of a Water Services Licence issued by the Economic Regulation Authority (“ERA”).

The Shire was granted a Water Services Operating Licence (“WSOL”) by the ERA. The WSOL commenced on 29 April 1996 and authorises the Shire to provide non - potable water supply services and sewerage services.

The legislation that governs the licensing of water service providers is the Water Services Act 2012 (“Act”). The Act, except for some sections, commenced on 18 November 2013. An ‘amendment by substitution’ was made to the WSOL, dated 18 November 2013, to take account of the provisions of the Act.

No major change in the business of the Shire took place during the Audit Period.

### Shire’s Response to Previous Audit Report Recommendations

The previous Audit was conducted by Quantum Assurance in respect of the period 1 December 2011 to 30 November 2014. The Quantum Assurance Report, dated 10 March 2015, identified six “*Current Audit Non-Compliances and Recommendations*”.

This Audit concluded only one of the six recommendations included in the Quantum Assurance report, dated 10 March 2015, has been resolved. The remaining five recommendations are still unresolved.

Details of all six recommendations included in the Quantum Assurance report are included in section 3.1 of this Report entitled: “*Previous Audit: Non-Compliances and Recommendations*”.

### Summary of Non-Compliances and Recommendations Arising from the Current Audit

The Audit identified several non-compliances with the conditions of the Shire’s WSOL.

Two separate assessments are provided in respect of the individual compliance obligations and the controls for each obligation:

- A summarised assessment of both compliance and controls per individual obligation is disclosed in Table 9 entitled: “*Audit: Obligation Ratings Summary*” as in section 4.2 of this Report; and

- A detailed assessment of both compliance and controls per individual obligation, including recommendations for findings of non-compliance and/or weak controls, is disclosed in Table 10 entitled: *“Audit Observations and Recommendations”* as in section 4.3 of this Report.

Furthermore, specific detailed information as to those individual obligations assessed as being non-compliant and/or as having weak controls is disclosed in Table 11 entitled: *“Current Audit: Non-Compliances and Recommendations”* as included in section 4.4 of this Report.

#### Control Environment

The control environment operated by the Shire during the Audit Period to help ensure compliance with its Licence conditions was assessed to have been unsatisfactory.

#### Licence Compliance

In the auditor’s professional view, apart from the instances of non-compliance with the conditions of the Shire’s WSOL (as amended) referred to above, the Shire complied with the conditions of its Licence during the Audit Period.

Table 1 below provides a summary of the Audit ratings for both controls and compliance across all obligations. Table 1 provides this summary from the perspective of the Audit priorities determined during the Audit planning phase, and is as follows:

| Audit                 | Adequacy of Controls Rating |                             |                     |                     |               |                | Compliance Rating |                              |                                 |                              |           |                |
|-----------------------|-----------------------------|-----------------------------|---------------------|---------------------|---------------|----------------|-------------------|------------------------------|---------------------------------|------------------------------|-----------|----------------|
|                       | Adequate Controls           | Generally Adequate Controls | Inadequate Controls | No Controls Evident | Not Performed | Not Applicable | Compliant         | Non-compliant – Minor Impact | Non-compliant – Moderate Impact | Non-compliant – Major Impact | Not Rated | Not Applicable |
|                       |                             |                             |                     |                     |               |                |                   |                              |                                 |                              |           |                |
| <b>1 (Highest)</b>    |                             |                             |                     | 2                   | 1             |                |                   |                              |                                 |                              | 3         |                |
| <b>2</b>              | 1                           |                             |                     | 4                   | 6             | 2              | 3                 |                              |                                 |                              | 8         | 2              |
| <b>3</b>              | 3                           |                             |                     | 16                  |               | 1              | 2                 | 4                            | 1                               | 3                            | 9         | 1              |
| <b>4</b>              | 8                           | 1                           |                     | 16                  | 5             | 19             | 17                | 3                            | 2                               | 1                            | 6         | 20             |
| <b>5 (Lowest)</b>     | 5                           |                             |                     | 61                  | 10            | 4              | 12                | 1                            |                                 |                              | 63        | 4              |
| <b>Not applicable</b> |                             |                             |                     |                     |               | 20             |                   |                              |                                 |                              |           | 20             |
| <b>Not used</b>       |                             |                             |                     |                     |               | 5              |                   |                              |                                 |                              |           | 5              |
| <b>Total</b>          | <b>17</b>                   | <b>1</b>                    |                     | <b>99</b>           | <b>22</b>     | <b>51</b>      | <b>34</b>         | <b>8</b>                     | <b>3</b>                        | <b>4</b>                     | <b>89</b> | <b>52</b>      |

Table 1: Summary of Audit Ratings

## 1.2 Asset Management System Effectiveness Review

### Review Objective

The Water Services Licensing Act 1995 and the current Act each requires the Shire to provide for and to maintain an asset management system. The system should set out the processes to be taken by the Shire to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires the Shire to provide the ERA with a report by an independent expert on the effectiveness of the system.

This asset management system effectiveness review (“Review”) will provide the ERA with an independent opinion on whether or not the Shire has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

A detailed description of the scope of the Review and the methodology adopted is provided in Section 2 of this report.

The Review covered the period from 1 December 2014 to 30 November 2017.

### Summary of Conclusions

This review concludes the Shire has significantly improved its management and maintenance of its sewerage system, which is now being operated and maintained competently. However, during the review period, six non-compliances with its licence have occurred due to the late submission of reports to the ERA.

The Shire’s existing Asset Management Plan has not been implemented or updated. Preparation of a new plan is the basis of most of the twelve recommendations of this review. For this reason, a Policy Definition Rating of “C” (Requires Significant Improvement) was assigned to most areas of review, while a rating of “2” (Opportunity for Improvement) was generally assigned for the performance of its asset management.

In consequence of the recommendations of the previous review, the Shire has given priority to replacement and repair of the sewerage collection and treatment systems. As this work is nearing completion, Reviewer anticipates the Shire’s Asset & Waste Management Coordinator will prepare a competent Asset Management Plan in keeping with his experience managing the scheme and recent asset management and asset management plan preparation training.

### Shire’s Response to Previous Review Report Recommendations

The previous Review was conducted by Quantum in 2015. The Review Report, dated 10 March 2015, identified four issues and provided 6 detailed recommendations to resolve the issues identified.

This Review concluded that of the six recommendations included in the March 2015 report on the Asset Management System, one has been resolved. Of the remaining five recommendations, two were assessed as partly or mainly resolved – but require further minor document editing because of this review. Three previous recommendation are unresolved due to a lack of response to the previous recommendations.

Details of actions taken by the Shire in response to the recommendations, together with the Reviewer's assessment are provided in Table 7 entitled: "Previous Review: Deficiencies and Recommendations" as in section 3.2 of this Report.

The recommendations of the previous Review and subsequent status related to each recommendation as provided in Table 7 are summarised as follows:

#### **Asset Creation and Acquisition**

Recommendation 7/2014: status - unresolved

The legislative requirements section of the asset management plan should be updated to reflect the recent changes to the legislative requirements including the Act, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.

#### **Asset Disposal and Maintenance**

Recommendation 8/2014: status as indicated below:

- The Shire should review the July 2014 CCTV report on the condition of the access chamber and pipes and complete any further action required, whether immediate repairs or as part of the planned maintenance program over the next 12 months - (status: resolved);
- The Asset Register should be updated for the condition assessment and date inspected for future reference - (status: unresolved); and
- If planned maintenance is required, it needs to be included in the Shire's planned work program and marked off as it is completed - (status: mainly resolved).

#### **Asset Maintenance – Treatment Ponds**

Recommendation 9/2014: Status - partly resolved

As planned, the Shire should complete the planned major maintenance to clean and refurbish the treatment ponds. The system used to convey the flows between the ponds can be reviewed when it is cleaned. The breach wall should be rebuilt and a "tee" collection pipe rebuilt between ponds 3 and 4. There may be a need to ensure there are better baffles between the ponds to help prevent the sludge flowing through. The treatment ponds should have adequate security fencing around the perimeter to prevent unauthorised or accidental entry to the ponds.

#### **Financial Planning**

Recommendation 10/2014: status - unresolved

The Shire should determine, as part of its long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long-term operating, maintenance and capital renewal costs.

Licence Compliance

Tables 8 & 9 of the ERA's: "Audit and Review Guidelines: Water Licences – July 2014" provided the basis for the effectiveness ratings allocated for the "Asset Management Process and Policy Definition Adequacy" and "Asset Management Performance" during the Review.

The Reviewer's assessment (based on the above tables) of the effectiveness of the Shire's Asset Management System is summarised in Table 2 below:

| Asset Management System<br>Component | Asset Management Process and Policy Definition Adequacy Ratings |                           |                                  |            | Asset Management Performance Ratings |                             |                            |                         |
|--------------------------------------|---|---------------------------|----------------------------------|------------|--------------------------------------|-----------------------------|----------------------------|-------------------------|
|                                      | Adequately Defined  | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively               | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|                                      | A   | B                         | C                                | D          | 1                                    | 2                           | 3                          | 4                       |
| Asset Planning                       |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Asset Creation and Acquisition       |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Asset Disposal                       |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Environmental Analysis               |   |                           | ✓                                |            |                                      |                             | ✓                          |                         |
| Asset Operations                     |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Asset Maintenance                    |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Asset Management Information System  |   |                           | ✓                                |            |                                      | ✓                           |                            |                         |
| Risk Management                      |   |                           | ✓                                |            |                                      |                             | ✓                          |                         |
| Contingency Planning                 |   |                           | ✓                                |            |                                      |                             | ✓                          |                         |
| Financial Planning                   |   |                           | ✓                                |            |                                      |                             | ✓                          |                         |
| Capital Expenditure Planning         |   | ✓                         |                                  |            |                                      | ✓                           |                            |                         |
| Review of Asset Management System    |   |                           | ✓                                |            |                                      |                             | ✓                          |                         |

Table 2: Summary of Review Ratings

## 2 Scope of Work

### 2.1 Objectives

#### 2.1.1 Operational Audit

The objective of the Audit was to assess the effectiveness of measures taken by the Shire to meet the conditions referred to in the Licence including the legislative obligations called up by the Licence.

This Audit Report identifies areas where improvement is required and recommends corrective action (see Table 11 entitled: “*Current Audit: Non-Compliances and Recommendations*” as in section 4.4 of this Report).

#### 2.1.2 Asset Management System Effectiveness Review

The Act requires the Shire to provide for and maintain an asset management system. The system should set out the processes to be taken by the Shire to ensure the proper planning, operation, financing, maintenance, repair and renewal of its assets and for monitoring of its water services. The Act requires the Shire to provide the ERA with a report by an independent expert on the effectiveness of the system.

This review will provide the ERA with an independent opinion on whether or not the Shire has in place the appropriate systems for the planning, construction, operation and maintenance of its water services assets.

This Review Report identifies areas where improvement is required and recommends corrective action (see Table 16 entitled: “*Current Review: Deficiencies and Recommendations*” as in section 5.4 of this Report).

### 2.2 Scope

#### 2.2.1 Operational Audit

The Audit focused on the systems and effectiveness of processes used to ensure compliance with the standards, outputs and outcomes required by the Licence. The scope of the Audit included the adequacy and effectiveness of performance against the requirements of the Licence and considered:

- **Process compliance** – the effectiveness of systems and procedures in place throughout the Audit Period, including the adequacy of internal controls;
- **Outcome compliance** – the actual performance against standards prescribed in the Licence throughout the Audit Period;
- **Output compliance** – the existence of output from systems and procedures throughout the Audit Period (that is, proper records exist to provide assurance that procedures are being consistently followed and controls are being maintained);
- **Integrity of reporting** – the completeness and accuracy of the compliance and performance reports provided to the ERA during the Audit Period; and
- **Compliance with any individual licence conditions** – the requirements imposed on the specific licensee during the Audit Period by the ERA or specific issues advised

by the ERA.

Further references to the Audit scope are covered in detail in this section of the Report.

### **2.2.2 Asset Management System Effectiveness Review**

The Review focused on the asset management system, including asset management plans, which set out the measures that are to be taken by the Shire for the proper operation and maintenance of assets. The plans must convey the Shire's business strategies to ensure the effective management of assets over at least a five year period.

The scope of the Review included an assessment of the adequacy and effectiveness of the asset management system by evaluation of the 12 key asset management processes mandated, being:

- Asset planning;
- Asset creation/acquisition;
- Asset disposal;
- Environmental analysis;
- Asset operations;
- Asset maintenance;
- Asset management information system;
- Risk management;
- Contingency planning;
- Financial planning;
- Capital expenditure planning; and
- Asset management system.

Further references to the Review scope is covered in detail in this section of the Report.

## **2.3 Audit/Review Methodology**

### **2.3.1 Audit Plan**

A risk-based approach was used to develop an Audit and Review Plan. This approach assessed the appropriate risk factors and consequently the Audit and Review were focused on higher risk areas, with less intensive coverage of medium and lower risk areas.

### **2.3.2 Fieldwork**

The Audit fieldwork consisted of the following steps:

- Conducted an initial meeting with relevant staff at the Shire and reviewed processes to obtain an understanding of procedures, systems and controls which were in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit/review testing of higher risk areas to provide sufficient assurance and confirmed lower risk areas by discussion and observation;

- Assessed compliance with License conditions over the Audit Period as well as at the time of the Audit;
- Followed up and confirmed action taken on any previous Audit issues and recommendations;
- Researched the issues, weaknesses and potential improvements noted from our discussions and review of the existing processes; and
- Developed appropriate recommendations for improvement for discussion with management.

The Review fieldwork consisted of the following steps:

- In company with the Shire's Asset and Waste Management Coordinator, inspected the water services facilities, including the wastewater collection system and treatment plant, general operation practises, strategies, process implications and quality monitoring procedures were discussed during the inspection;
- The adequacy or otherwise of the outputs of the system - including documentation of performance standards and statutory requirements, system opportunities and threats, preparation of operations manuals, maintenance schedules and action records, registers of the location, condition, age etc. of assets;
- The extent to which the risks associated with the system environment and/or unexpected system failures have been assessed, quantified, documented as contingency plans and reduced by specific practices - such as stocking selected spare parts or, equipment items subject to extended delivery or repair periods, additional storage etc.;
- The existence and effectiveness of systems implemented for the assessment, planning, financing and construction of new, replacement and major maintenance works and disposal of redundant assets;
- Whether or not the system has been subject to regular internal review; with systems in place to ensure that plans are regularly updated to current status, provide for prior identification of new or replacement assets, their implementation; and initiatives to improve the overall effectiveness of the asset management system; and
- The Shire's response to the recommendations made in previous reviews.

### 2.3.3 Audit/Review Reporting

The Audit/Review reporting consisted of the following steps:

- Provided a draft Audit and Review Report to the ERA for review. The ERA forwarded the draft Audit and Review Report to the Shire for their comment;
- The ERA provided comments on the Draft Audit and Review Report to Paxon. Paxon considered the comments received and made amendments to the Draft Audit and Review Report, as appropriate; and
- Paxon provided the final Audit and Review Report to the ERA.

The ERA will procure the post-audit/review implementation plan from the Shire.

## 2.4 Time Interval Covered in Audit/Review

The Audit/Review covered the period from 1 December 2014 to 30 November 2017. The previous Audit covered the period from 1 December 2011 to 30 November 2014. The previous Review covered the period from 1 December 2013 to 30 November 2014.

## 2.5 Audit/Review Dates

The Audit/Review fieldwork was conducted during January 2018.

## 2.6 Licensee's Representatives

Shire employees who participated in the Audit are as follows:

| Staff Member       | Position                               |
|--------------------|--|
| Vin Fordham Lamont | Deputy Chief Executive Officer         |
| John Skinner       | Asset and Waste Management Coordinator |
| Sharon Minitier    | Finance Officer                        |

**Table 3: Shire Employees Who Participated in the Audit**

Shire employees who participated in the Review are as follows:

| Staff Member       | Position                               |
|--------------------|--|
| Vin Fordham Lamont | Deputy Chief Executive Officer         |
| John Skinner       | Asset and Waste Management Coordinator |
| Carol Shaddick     | Senior Finance Officer                 |
| Sharon Minitier    | Finance Officer                        |

**Table 4: Shire Employees Who Participated in the Review**

## 2.7 Key Documents and Other Information Sources

### 2.7.1 Operational Audit

Details of key documents and other information sources examined during the Audit are as follows:

- Water Services Act 2012;
- Water Services Code of Conduct (Customer Service Standards) 2013;
- Water Services Regulations 2013;
- Water Services Operating Licence – Shire of Gnowangerup – WL11, Version 4, 18 November 2013;
- Water Services Licence – Shire of Gnowangerup – WL11, Version 5, 1 July 2016;

- Shire of Gnowangerup - Audit and Review Plan – Operational Audit and Asset Management System Effectiveness Review of the Water Services (Operating) Licence for 2014 - 2017;
- Quantum Assurance – Shire of Gnowangerup – Operational Audit and Asset Management System Review – Water Licence WL11 (Non-potable and sewerage) - Report – Economic Regulation Authority – 10 March 2015;
- ERA’s Audit and Review Guidelines: Water Licences – July 2014;
- ERA’s Water Compliance Reporting Manual – Water Services Act 2012 – April 2014;
- ERA’s Water Compliance Reporting Manual – Water Services Act 2012 - July 2016;
- ERA’s Water Compliance Reporting Manual – Water Services Act 2012 – October 2017;
- ERA’s Water Services Act 2012 – Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2015;
- ERA’s Water Services Act 2012 – Water, Sewerage and Irrigation Licence Performance Reporting Handbook – May 2017;
- 2014/15 – Annual Report – Shire of Gnowangerup;
- Annual Report – 2015-2016 - Shire of Gnowangerup;
- Annual Report – 2016-2017 - Shire of Gnowangerup;
- Performance Reporting Data Sheets – 2015-2016;
- Core Business Australia - Shire of Gnowangerup - Asset Management Plan – Ongerup Sewerage and Effluent Reuse Scheme Assets;
- Shire of Gnowangerup – Complaints Form;
- Shire of Gnowangerup - Customer Service Charter - Version 2 – 2015;
- A sample of Rate Notice(s) issued during the Audit Period;
- Schedule of Fees and Charges 2016-2017;
- Schedule of Fees and Charges 2017-2018;
- Shire of Gnowangerup - Financial Hardship Policy – Water;
- A sample of Land Records as kept in SynergySoft;
- Shire of Gnowangerup – Council Policy Register – 2015;
- Shire of Gnowangerup – Procedure Manual – 2018; and
- Shire of Gnowangerup – Compliance Calendar.

### 2.7.2 Asset Management System Effectiveness Review

Details of key documents and other information sources examined during the Review are as follows:

- Water Services Operating Licence – Shire of Gnowangerup – WL11, Version 4, 18 November 2013;
- Water Services Licence – Shire of Gnowangerup – WL11, Version 5, 1 July 2016;
- Quantum Assurance – Shire of Gnowangerup – Operational Audit and Asset Management System Review – Water Licence WL11 (Non-potable and sewerage) - Report – Economic Regulation Authority – 10 March 2015;
- ERA’s Audit and Review Guidelines: Water Licences – July 2014;

- Performance Reporting Data Sheets – 2015-2016;
- Shire of Gnowangerup Asset Management Plan – November 2013;
- Shire of Gnowangerup – Long Term Financial Plan 2017/18 to 2026/27;
- 2014/15 – Annual Report – Shire of Gnowangerup;
- Annual Report – 2015-2016 - Shire of Gnowangerup;
- Annual Report – 2016-2017 - Shire of Gnowangerup;
- Shire of Gnowangerup - Sewerage System Budgets 2014/15 to 2017/18;
- Shire of Gnowangerup - Financial Hardship Policy – Water; and
- Shire of Gnowangerup - monthly budget and actual expenditure and rates income for 2014/15, 2015/16, 2016/17 and 2017/18.

## 2.8 Audit/Review Team Members and Hours Utilised

The Audit and Review team for this appointment was as follows:

| Team Member  | Hours     |
|--|-----------|
| Cameron Palassis – Executive Director                            | 4         |
| Anton Prinsloo – Senior Consultant                               | 32        |
| Barry Robbins - Barry Robbins Engineering and Project Management | 32        |
| <b>TOTAL</b>   | <b>68</b> |

**Table 5: Audit/Review Team Members and Hours Utilised**

### 3 Licensee’s Response to Previous Recommendations

#### 3.1 Previous Audit: Non-Compliances and Recommendations

| Previous Audit: Non-Compliances and Recommendations |   |   |               |   |  |  |
|---|---|---|---------------|---|--|--|
| A. Resolved Before End of Previous Audit Period     |   |   |               |   |  |  |
| Reference (no./year)                                | Control and Compliance Rating                   | Auditor’s Recommendation and Action Taken | Date Resolved | Further Action Required (FAR) (Yes/No/Not Applicable)   |  |  |
|   | Legislative Obligation and Details of the Issue |   |               | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |  |  |
| There is no content in Part A.                      |   |   |               |   |  |  |

Table 6: Previous Audit: Non-Compliances and Recommendations (Part A)

| Previous Audit: Non-Compliances and Recommendations |  |  |   |
|---|--|--|---|
| B. Resolved During Current Audit Period             |  |  |   |
| Reference (no./year)                                | Control and Compliance Rating  | Auditor's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   | Legislative Obligation and Details of the Issue  |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |
| 02/2014   | <ul style="list-style-type: none"> <li>Rating: B NR;</li> <li>Obligation: Water Services Code of Conduct (Customer Service Standards) 2013 - clause 26(6); and</li> <li>Details:                             <ul style="list-style-type: none"> <li>The Shire's Financial Hardship Policy was approved by the Authority on 15 May 2014 and is not due for review until 2019. The requirement to review the policy every 5 years is stated in the policy, however to ensure compliance with this requirement, the Shire's Compliance Schedule should be updated for the required policy review due date.</li> </ul> </li> </ul> | <p><u>Recommendation:</u></p> <ul style="list-style-type: none"> <li>The Shire should update the Compliance Schedule for the financial hardship policy next review due date.</li> </ul> <p><u>Action Taken:</u></p> <ul style="list-style-type: none"> <li>Paxon examined the document entitled: "<i>Shire of Gnowangerup – Compliance Calendar</i>" which records the review of the Shire's Financial Hardship Policy as a task with a February 2019 due date.</li> </ul> | <ul style="list-style-type: none"> <li>FAR: no.</li> </ul>                                    |

Table 6: Previous Audit: Non-Compliances and Recommendations (Part B)

| Previous Audit: Non-Compliances and Recommendations |  |  |   |
|---|--|--|---|
| C. Unresolved at End of Current Audit Period        |  |  |   |
| Reference (no./year)                                | Control and Compliance Rating  | Auditor's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   | Legislative Obligation and Details of the Issue  |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)   |
| 01/2014   | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• LO: Water Services Code of Conduct (Customer Service Standards) 2013 - clauses 18(1) – 18(6); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ The licensee must have a written procedure for the review of a bill on the customer's request;</li> <li>○ The Shire does not have a written procedure for review of a bill on the customer's request; and</li> <li>○ The CEO advised that no request for review of the rates notices relating to sewerage charges had been received during the audit period.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should develop a written procedure for review of bills (rates notices with sewerage charges);</li> <li>• The procedure should be made publicly available on the Shire's website and in hardcopy; and</li> <li>• The procedure should include:               <ul style="list-style-type: none"> <li>○ What happens if the customer has been undercharged or overcharged;</li> <li>○ What the customer can do if dissatisfied with the outcome of the review;</li> <li>○ That the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal; and</li> <li>○ That the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• FAR: yes; and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon found the Shire, during the Audit Period, did not have a written bill review procedure. See the findings for compliance obligation number 113 as included in: "Table 10: Audit Observations and Recommendations" as in section 4.3 of this Report. A recommendation 10/2017 was raised in this regard.</li> </ul> </li> </ul> |

| Previous Audit: Non-Compliances and Recommendations |   |  |  |
|---|---|--|--|
| C. Unresolved at End of Current Audit Period        |   |  |  |
| Reference (no./year)                                | Control and Compliance Rating   | Auditor's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)  |
|   | Legislative Obligation and Details of the Issue   |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)  |
| 03/2014   | <ul style="list-style-type: none"> <li>Rating: C 2;</li> <li>LO: Water Services Code of Conduct (Customer Service Standards) 2013 - clauses 35(3), (4) and (6); and</li> <li>Details:                             <ul style="list-style-type: none"> <li>The audit reviewed the Shire's Complaints Handling policy and noted that the policy does not cover the specific complaints procedures for sewerage charges as per the Code of Conduct. That is, the procedure does not inform the customer that they do not have to use the Shire's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</li> </ul> </li> </ul> | <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> <li>The Shire should update its Complaints Procedure to:                             <ul style="list-style-type: none"> <li>State that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</li> <li>In addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</li> <li>Set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</li> </ul> </li> </ul> <p><u>Action Taken:</u></p> <ul style="list-style-type: none"> <li>Paxon found both the Shire's Customer Service Charter and Financial Hardship Policy, which refer to customer complaints were available on the Shire's website on 12/02/2018.</li> </ul> | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>Paxon found the Shire's complaints procedure, during the Audit Period, did not comply with all the stipulations of clause 35(3) of the Water Services Code of Conduct (Customer Service Standards) 2013 ("Customer Service Code"). See the findings for compliance obligation number 147 as included in: "Table 10: Audit Observations and Recommendations" as in section 4.3 of this Report. A recommendation 16/2017 was raised in this regard; and</li> <li>Paxon found the Shire's complaints procedure, during the Audit Period, did not inform customers appropriately of the matters stipulated in Clause 35(4) of the Code of Conduct. See the findings for compliance obligation number 148 as included in: "Table 10: Audit Observations and Recommendations" as in section 4.3 of this Report. A recommendation 17/2017 was raised in this regard.</li> </ul> </li> </ul> |

| Previous Audit: Non-Compliances and Recommendations |  |   |  |
|---|--|---|--|
| C. Unresolved at End of Current Audit Period        |  |   |  |
| Reference (no./year)                                | Control and Compliance Rating  | Auditor's Recommendation and Action Taken   | Further Action Required (FAR) (Yes/No/Not Applicable)  |
|   | Legislative Obligation and Details of the Issue  |   | Details of Further Action Required (Including Current Recommendation Reference if Applicable)  |
| 04/2014   | <ul style="list-style-type: none"> <li>• Rating: C 3;</li> <li>• LO: Water Services Code of Conduct (Customer Service Standards) 2013 - clauses 36(1) and 37(1); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ The licensee must make the “prescribed information” publicly available. The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy;</li> <li>○ The “prescribed information” is set out in Section 37 of the Code and includes the fees and charges, bill payment options. Concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.; and</li> <li>○ The auditor noted that this information is not currently available to customers. This information could be partially provided by obtaining a copy of the Department of Water’s Easy Reference Guide to the Water Services Code of Conduct and making this available on the Shire’s website and in hardcopy at the Shire’s office. However, there also needs to be specific information in respect of the Shire’s fees and charges, payment options, etc.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should provide a brochure at the Shire office and on the website with the “prescribed information” for sewerage services as set out in Section 37 of the Code. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/ translator services, powers of access to premises, interruptions to supply, etc.</li> </ul> | <ul style="list-style-type: none"> <li>• FAR: yes; and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon found that, during the Audit Period, not all the prescribed information was publicly available. See the findings for compliance obligation numbers 150 and 153 as included in: “Table 10: Audit Observations and Recommendations” as in section 4.3 of this Report. Recommendations 18/2017 and 19/2017 were raised in this regard.</li> </ul> </li> </ul> |

| Previous Audit: Non-Compliances and Recommendations |   |  |   |
|---|---|--|---|
| C. Unresolved at End of Current Audit Period        |   |  |   |
| Reference (no./year)                                | Control and Compliance Rating   | Auditor's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   | Legislative Obligation and Details of the Issue   |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)   |
| 05/2014   | <ul style="list-style-type: none"> <li>Rating: B 2;</li> <li>LO: Water Services Operating Licence – clauses 16(1) and (2); and</li> <li>Details:                             <ul style="list-style-type: none"> <li>In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority:                                     <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> </li> <li>The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the Compliance Report for the year ended 30 June 2013 was submitted on 6 September 2013 rather than by the due date of 3 September 2013.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</li> </ul>  | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>Paxon was not provided with information confirming the timely submission of the Shire's 2014-2015 compliance report to the ERA. See the findings for compliance obligation number 166 as included in: "Table 10: Audit Observations and Recommendations" as in section 4.3 of this Report. A recommendation 20/2017 was raised in this regard.</li> </ul> </li> </ul> |
| 06/2014   | <ul style="list-style-type: none"> <li>Rating: D NR;</li> <li>LO:                             <ul style="list-style-type: none"> <li>Water Services Act 2012 - sections 84(4) &amp; (5), 84(2), 87(2), 90(7), 119(2), 122(2), 128(4), 142, 143(2) &amp; (3), 144(3), 145(2), 147(3) &amp; (4),</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>The Shire should develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, notification to</li> </ul> | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>Paxon found that, during the Audit Period, the Shire did not have adequate procedures to help ensure its compliance with the Act and related</li> </ul> </li> </ul>   |

| Previous Audit: Non-Compliances and Recommendations |   |  |  |
|---|---|--|--|
| C. Unresolved at End of Current Audit Period        |   |  |  |
| Reference (no./year)                                | Control and Compliance Rating   | Auditor's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)  |
|   | Legislative Obligation and Details of the Issue   |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)  |
| 06/2014 (continued)                                 | <p>151(1) -(3), 153(3), 186, 187(1) - (3), 190(4) - (5), 218(2);</p> <ul style="list-style-type: none"> <li>Water Services Regulations 2012 – regulation 85; and</li> <li>Water Services Code of Conduct (Customer Service Standards) 2013 - clauses 15.1(d), 16(2) - (5), 17(1) - (2).</li> </ul> <p>Details:</p> <ul style="list-style-type: none"> <li>The licence includes compliance obligations in respect of water service works, notification to the Authority of general or major water service works, road works, issue of work order notices or compliance notices, under and over charges, etc.; and</li> <li>Although the audit confirmed these activities had not occurred in the audit period, there are no documented internal procedures that would ensure compliance with these conditions of the licence in future.</li> </ul> | <p>the Authority within 10 business days of major or general water service works, etc. The detailed compliance obligations listed in this report could be used as a reference.</p> | <p>legislative requirements. See the findings for compliance obligation number 1 as included in: "Table 10: Audit Observations and Recommendations" as in section 4.3 of this Report. A recommendation 1/2017 was raised in this regard.</p> |

Table 6: Previous Audit: Non-Compliances and Recommendations (Part C)

### 3.2 Previous Review: Deficiencies and Recommendations

| Previous Review: Deficiencies and Recommendations |  |                                   |  |               |   |  |
|---|--|-----------------------------------|--|---------------|---|--|
| A. Resolved Before End of Previous Review Period  |  |                                   |  |               |   |  |
| Reference (no./year)                              | Asset Management System Effectiveness Rating           | Asset Management System Component | Reviewer's Recommendation and Action Taken | Date Resolved | Further Action Required (FAR) (Yes/No/Not Applicable)   |  |
|   | Criteria/Details of Asset Management System Deficiency |                                   |  |               | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |  |
| There is no content in Part A.                    |  |                                   |  |               |   |  |

**Table 7: Previous Review: Deficiencies and Recommendations (Part A)**

| Previous Review: Deficiencies and Recommendations |  |                                   |  |  |   |   |
|---|--|-----------------------------------|--|--|---|---|
| B. Resolved During Current Review Period          |  |                                   |  |  |   |   |
| Reference (no./year)                              | Asset Management System Effectiveness Rating | Asset Management System Component | Criteria/Details of Asset Management System Deficiency | Reviewer's Recommendation and Action Taken | Further Action Required (FAR) (Yes/No/Not Applicable) | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |
| There is no content in Part B.                    |  |                                   |  |  |   |   |

**Table 7: Previous Review: Deficiencies and Recommendations (Part B)**

| Previous Review: Deficiencies and Recommendations |   |  |  |
|---|---|--|--|
| C. Unresolved at End of Current Review Period     |   |  |  |
| Reference (no./year)                              | Asset Management System Effectiveness Rating  | Reviewer's Recommendation and Action Taken   | Further Action Required (FAR) (Yes/No/Not Applicable)  |
|   | Asset Management System Component   |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)  |
|   | Criteria/Details of Asset Management System Deficiency  |  |  |
| 07/2014   | <ul style="list-style-type: none"> <li>Rating: B 2;</li> <li>Asset Creation and Acquisition (Ongoing legal/environmental/safety obligations of the asset owner is assigned and understood.); and</li> <li>Details:                             <ul style="list-style-type: none"> <li>The Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>The Legislative Requirements Section of the AMP should be updated to reflect the recent changes to the legislative requirements including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.</li> </ul> | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See recommendation 4/2017 as included in: "Table 16: Current Review: Deficiencies and Recommendations" as in section 5.4 of this report.</li> </ul> </li> </ul>                            |
| 08/2014   | <ul style="list-style-type: none"> <li>Rating: B 2;</li> <li>Asset Disposal and Maintenance (Under-utilised and under-performing assets are identified as part of a regular systematic review process.); and</li> <li>Details:                             <ul style="list-style-type: none"> <li>The revised AMP includes annual physical</li> </ul> </li> </ul>   | <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> <li>The Shire should review the July 2014 CCTV report on the condition of the access chambers and pipes and complete any further action required, whether immediate repairs or as part of the planned maintenance program over the next 12 months;</li> </ul>  | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>Asset register update: See recommendation 5/2017 as included in: "Table 16: Current Review: Deficiencies and Recommendations" as in section 5.4 of this report; and</li> </ul> </li> </ul> |

| Previous Review: Deficiencies and Recommendations |  |  |   |
|---|--|--|---|
| C. Unresolved at End of Current Review Period     |  |  |   |
| Reference (no./year)                              | Asset Management System Effectiveness Rating   | Reviewer's Recommendation and Action Taken   | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   | Asset Management System Component  |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable)   |
|   | Criteria/Details of Asset Management System Deficiency   |  |   |
| 08/2014<br>(continued)                            | <p>inspections; and</p> <ul style="list-style-type: none"> <li>o A CCTV inspection and jet washing of access chambers and pipes was completed in July 2014. The assets are generally in good condition. There are some minor repairs and maintenance that need to be carried out.</li> </ul>   | <ul style="list-style-type: none"> <li>• The Asset Register should be updated for the condition assessment and date inspected for future reference; and</li> <li>• If planned maintenance is required, it needs to be included in the Shire's planned work programme and marked off as it is completed.</li> </ul> <p><u>Action Taken:</u></p> <ul style="list-style-type: none"> <li>• The Shire has re-lined or replaced most of the collection pipework, together with damaged access chamber bases.</li> </ul>   | <p>Planned maintenance: Future maintenance has been identified and included in budgets e.g. replacement of access chamber covers. However, this has not been documented in an updated AMP. See recommendation 6/2017 as included in: "Table 16: Current Review: Deficiencies and Recommendations" as in section 5.4 of this report.</p> |
| 09/2014   | <ul style="list-style-type: none"> <li>• Rating: A 3;</li> <li>• Asset Maintenance – Treatment Ponds (Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.); and</li> <li>• Details: <ul style="list-style-type: none"> <li>o As noted in the previous review in April 2014, remedial work is needed on the wastewater treatment ponds. This was due for completion in December 2014 but has not yet been completed. \$50,000 is included in the 2014/15 budget; and</li> <li>o From physical inspection of the treatment ponds during this review and the previous</li> </ul> </li> </ul> | <p><u>Recommendation:</u></p> <ul style="list-style-type: none"> <li>• As planned, the Shire should complete the planned major maintenance to clean and refurbish the treatment ponds. The system used to convey the flows between the ponds can be reviewed when it is cleaned. The breach wall should be rebuilt and a "tee" collection pipe rebuilt between the ponds 3 and 4. There may be a need to ensure there are better baffles between the ponds to help prevent the sludge flowing through. The treatment ponds should have adequate security fencing around the perimeter to prevent unauthorised or accidental entry to the ponds.</li> </ul> | <ul style="list-style-type: none"> <li>• FAR: yes; and</li> <li>• Details: <ul style="list-style-type: none"> <li>o Two of the four ponds have been cleaned and refurbished as recommended. Completion of the recommended work on the remaining two ponds is included in the 2018/19 Capital Works Program.</li> </ul> </li> </ul>      |

| Previous Review: Deficiencies and Recommendations |  |   |  |
|---|--|---|--|
| C. Unresolved at End of Current Review Period     |  |   |  |
| Reference (no./year)                              | Asset Management System Effectiveness Rating   | Reviewer's Recommendation and Action Taken  | Further Action Required (FAR) (Yes/No/Not Applicable)  |
|   | Asset Management System Component  |   | Details of Further Action Required (Including Current Recommendation Reference if Applicable)  |
|   | Criteria/Details of Asset Management System Deficiency   |   |  |
| 09/2014<br>(continued)                            | <p>review, it was noted that the ponds require desludging to remove the build-up of nutrients. The ponds do not appear to be progressively cleaning the water due to the build-up. Also, the levy bank between treatment ponds 3 and 4 has been breached which whilst not impacting the continued operation of the scheme, will affect the progressive cleaning of the incoming water once the ponds are cleaned. There is also overgrown vegetation around the ponds that is reducing the capacity of the ponds. The security fencing around the ponds also needs to be repaired.</p> | <p><u>Action Taken:</u></p> <ul style="list-style-type: none"> <li>Two of the four ponds have been successfully de-sludged, tee scum barriers installed on inlet and outlet pipes and the embankments repaired and graded.</li> </ul>   |  |
| 10/2014   | <ul style="list-style-type: none"> <li>Rating: A 3;</li> <li>Financial Planning – Source of Funding<br/>(The financial plan identifies the source of funds for capital expenditure and recurrent costs. The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.); and</li> <li>Details: <ul style="list-style-type: none"> <li>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in</li> </ul> </li> </ul>          | <ul style="list-style-type: none"> <li>The Shire should determine, as part of its long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long-term operating, maintenance and capital renewal costs.</li> </ul> | <ul style="list-style-type: none"> <li>FAR: yes; and</li> <li>Details: <ul style="list-style-type: none"> <li>See recommendation 11/2017 as included in: “Table 16: Current Review: Deficiencies and Recommendations” as in section 5.4 of this report.</li> </ul> </li> </ul> |

| Previous Review: Deficiencies and Recommendations |   |   |
|---|---|---|
| C. Unresolved at End of Current Review Period     |   |   |
| Reference (no./year)                              | Asset Management System Effectiveness Rating  | Reviewer's Recommendation and Action Taken  |
|   | Asset Management System Component   | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   | Criteria/Details of Asset Management System Deficiency  | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |
| 10/2014<br>(continued)                            | <p>the Ongerup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments;</p> <ul style="list-style-type: none"> <li>o The Shire also maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Ongerup Sewerage Scheme;</li> <li>o The AMP has been updated for capital expenditure and operating/maintenance costs for the 20 years to 2033. The AMP notes that additional funding sources may be needed and that the Shire should consider this in its long term financial planning;</li> <li>o The specified area rate income for the scheme in 2013/14 was \$4,055 in 2013/14 increasing to \$10,000 in the 2014/15 budget. The annual operating, maintenance and renewal costs range from \$15,610 in 2015/16 to \$25,310 in 2033; and</li> <li>o The capital and operating costs for the next 5 years are covered by the sewerage reserve of \$100,188 at 30 June 2014 and the \$10,000 per annum being set aside plus the \$50,000</li> </ul> |   |

| Previous Review: Deficiencies and Recommendations |  |                                   |   |  |   |
|---|--|-----------------------------------|---|--|---|
| C. Unresolved at End of Current Review Period     |  |                                   |   |  |   |
| Reference (no./year)                              | Asset Management System Effectiveness Rating | Asset Management System Component | Criteria/Details of Asset Management System Deficiency  | Reviewer's Recommendation and Action Taken | Further Action Required (FAR) (Yes/No/Not Applicable)   |
|   |  |                                   |   |  | Details of Further Action Required (Including Current Recommendation Reference if Applicable) |
| 10/2014<br>(continued)                            |  |                                   | operating budget for the refurbishment of the treatment ponds in 2014/15. However, over the next 20 years, there is an annual funding gap of \$5,610 in 2015/16 rising to \$15,310 in 2033/4. |  |   |

Table 7: Previous Review: Deficiencies and Recommendations (Part C)

## 4 Operational Audit: Comprehensive Report

### 4.1 Audit Controls and Compliance Rating Scales

The controls and compliance ratings allocated to each obligation are set out in the following table - taken from the ERA’s document entitled: “*Audit and Review Guidelines: Water Licences – July 2014*” (“ERA’s Guidelines”).

#### Audit Compliance and Controls Rating Scales ERA’s Guidelines: Table No. 6 (as amended)

| Operational Audit Controls and Compliance Rating Scales |  |  |                   |   |  |
|---|--|--|-------------------|---|--|
| Adequacy of Controls Rating                             |  |  | Compliance Rating |   |  |
| Rating  | Description  |  | Rating            | Description   |  |
| A   | Adequate controls – no improvement needed                        |  | 1                 | Compliant   |  |
| B   | Generally adequate controls – improvement needed                 |  | 2                 | Non-compliant – minor impact on customers or third parties  |  |
| C   | Inadequate controls – significant improvement required           |  | 3                 | Non-compliant – moderate impact on customers or third parties   |  |
| D   | No controls evident  |  | 4                 | Non-compliant – major impact on customers or third parties  |  |
| NP  | Not performed  |  | NR                | Obligation was not rated as no activity took place to exercise the obligation during the Audit Period |  |
| NA  | Obligations identified as not applicable during the Audit Period |  | NA                | Obligations identified as not applicable during the Audit Period                                      |  |

**Table 8: Audit Controls and Compliance Rating Scales**

The Audit Controls and Compliance Rating Scales, as contained in the ERA’s Guidelines: Table number 6 were amended to include the following ratings:

- Adequacy of controls rating: “NP”;
- Adequacy of controls rating: “NA”;
- Compliance rating: “NR”; and
- Compliance rating: “NA”.

## 4.2 Audit: Obligation Ratings Summary

| No. <sup>1</sup> | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>"Obligation Under" for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as:<br>1 – High<br>to 5 –<br>Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|------------------|--|---|---|---|---|---|---|---|----|----|--|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012<br><br>Section<br>Number   | Water<br>Services<br>(Operating)<br>Licence –<br>Versions 4 & 5<br><br>Clause<br>Number |   |   | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
| 1                | 21(1)(a)   | 27.1/3.3.1 (a)  |   | 2   |   |   |   | ✓ |    |    | ✓  |   |   |   |    |    |
| 2                | 21(1)(b)   | 27.1/3.3.1 (b)  | Duty to provide services and do works   | 2   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 3                | 21(1)(c)   | 27.1/3.1.1 & 3.5  |   | 2   | ✓   |   |   |   |    |    | ✓  |   |   |   |    |    |
| 4                | 22   | 28.1/3.4.1  | Provision of water services outside operating areas   | 2   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 5                | 23   | 29.1/3.5  | Works holding arrangements  | 2   |   |   |   | ✓ |    |    | ✓  |   |   |   |    |    |
| 6                | 24(1)(a) &<br>24 (2)   | 20.1/4.1.1  |   | 4   | ✓   |   |   |   |    |    | ✓  |   |   |   |    |    |
| 7                | 24(1)(b)   | 20.2/4.1.1 &<br>4.1.2   | Asset management system   | 3   |   |   |   | ✓ |    |    | ✓  |   |   |   |    |    |
| 8                | 24(1)(c)   | 20.3/4.1.3  |   | 5   | ✓   |   |   |   |    |    | ✓  |   |   |   |    |    |
| 9                | 25   | 14.1/4.3.1  | Operational audit   | 5   | ✓   |   |   |   |    |    | ✓  |   |   |   |    |    |
| 11               | 27   | 5.3/3.1.1   | Compliance with code of conduct made by Authority   | 4   |   |   |   |   |    |    | ✓  |   |   | ✓ |    |    |
| 12               | 29   | 26.1/3.1.1  | Licensee must comply with duties under Act  | 4   |   |   |   |   |    |    | ✓  |   |   | ✓ |    |    |
| 1                | The "No." refers to the compliance obligation reference number, as per the ERA's document entitled: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016". |   |   |   |   |   |   |   |    |    |  |   |   |   |    |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>"Obligation Under" for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as:<br>1 – High<br>to 5 –<br>Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|---|---|---|---|----|----|--|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|                  | Section<br>Number             | Clause<br>Number  |   |   |   |   |   |   |    |    |  |   |   |   |    |    |
| 13               | 36                            | 5.1/3.1.1   | Provision of a water service ceasing – duty to leave system in safe condition   | 2   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 14               | 60                            | 25.1/5.6.1  | Duty to perform functions of supplier of last resort  | 4   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 15               | 66                            | 21.1/5.5.1  | Water Services Ombudsman Scheme   | 4   |   |   |   | ✓ |    |    | ✓  |   |   |   |    |    |
| 16               | 77(3)                         | 5.1/3.1.1   | Interruption of water services generally  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 17               | 82(4) & (5)                   | 5.1/3.1.1   | Notification of and requirements as to building work  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 18               | 84(2)                         | 5.1/3.1.1   | Ensuring water service works are done   | 1   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 19               | 87(2)                         | 5.1/3.1.1   | Review of certain decisions under or relating to this division  | 1   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 20               | 90(7)                         | 5.1/3.1.1   | Construction over or in vicinity of water service works of licensee   | 1   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 21               | 95(3)                         | 5.1/3.1.1   | Disconnection or reduction in rate of flow  | 2   |   |   |   |   |    |    | ✓  |   |   | ✓ |    |    |
| 22               | 96(1)                         | 5.1/3.1.1   | Fire hydrants   | 2   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 23               | 96(5)                         | 5.1/3.1.1   |   | 2   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 24               | 98(3)                         | 5.1/3.1.1   | Minister may require connection to sewerage works   | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 25               | 106(2)                        | 5.1/3.1.1   | Compliance notices (discharge or wastewater inlet)  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as:<br>1 – High<br>to 5 –<br>Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|---|---|---|---|----|----|--|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|                  | Section<br>Number             | Clause<br>Number  |   |   |   |   |   |   |    |    |  |   |   |   |    |    |
| 28               | 119(2)                        | 5.1/3.1.1   | Compliance notices (non-compliance with specific sections of Act)   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 29               | 122(2)                        | 5.1/3.1.1   | Review of decisions relating to giving compliance notices   | 5   |   |   |   |   |    | ✓  |  |   |   |   | ✓  |    |
| 30               | 125(2)                        | 5.1/3.1.1   | Supplying groups of dwellings   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 31               | 128(4)                        | 5.1/3.1.1   | Prohibition on dealings in land   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 32               | 129(5)                        | 5.1/3.1.1   | Reading meters, routine inspection and maintenance  | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 33               | 139(3)                        | 5.1/3.1.1   | Ancillary works powers  | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 34               | 141(1)                        | 5.1/3.1.1   | Special provisions applicable to road works   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 35               | 142                           | 5.1/3.1.1   | Prerequisites to provision of major works   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 36               | 143 (2)                       | 5.1/3.1.1   | Licensee to prepare plans and publish and give notice of major works  | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 37               | 143 (3)                       | 5.1/3.1.1   |   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 38               | 144(3)                        | 5.1/3.1.1   | Objections and submissions  | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 39               | 145(2)                        | 5.1/3.1.1   | Licensee may amend proposal   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 40               | 147(3)                        | 5.1/3.1.1   | Powers of Minister in respect of proposal   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 41               | 147(4)                        | 5.1/3.1.1   |   | 5   |   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as:<br>1 – High<br>to 5 –<br>Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|---|---|---|---|----|----|--|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|                  | Section<br>Number             | Clause<br>Number  |   |   |   |   |   |   |    |    |  |   |   |   |    |    |
| 42               | 151(1)                        | 5.1/3.1.1   | Licensee to prepare plans and give notice of general works  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 43               | 151(2)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 44               | 152(3)                        | 5.1/3.1.1   |   | Objections and submissions  | 5   |   |   |   | ✓  |    |  |   |   |   | ✓  |    |
| 45               | 153(3)                        | 5.1/3.1.1   | Licensee may amend proposal   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 46               | 166(5)                        | 5.1/3.1.1   | Taking an interest in land for purposes of licensee   | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 47               | 166(6)                        | 5.1/3.1.1   |   | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 48               | 170                           | 5.1/3.1.1   |   | Sale of land  | 5   |   |   |   |    | ✓  |  |   |   |   | ✓  |    |
| 49               | 173(4)                        | 5.1/3.1.1   | Entry with consent or under notice or warrant   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 50               | 174(1)                        | 5.1/3.1.1   | Notice of entry   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 51               | 174(3)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 52               | 175(2)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 53               | 175(5)                        | 5.1/3.1.1   | Rights of occupier of dwelling  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 54               | 176(1)                        | 5.1/3.1.1   | When authorised person must leave   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 55               | 176(3)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |

| No. <sup>1</sup> | Obligation Under:             |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as:<br>1 – High<br>to 5 –<br>Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|------------------|-------------------------------|---|---|---|---|---|---|---|----|----|--|---|---|---|----|----|
|                  | Water<br>Services<br>Act 2012 | Water<br>Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|                  | Section<br>Number             | Clause<br>Number  |   |   |   |   |   |   |    |    |  |   |   |   |    |    |
| 56               | 176(4)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 57               | 181                           | 5.1/3.1.1   | Actions of authorised persons and others  | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 58               | 186                           | 5.1/3.1.1   | Contents of application (warrant to enter)  | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 59               | 187(1) –<br>(3)               | 5.1/3.1.1   | How application to be made (warrant to enter)   | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 60               | 190(4)                        | 5.1/3.1.1   | Execution of warrant  | 5   |   |   |   |   | ✓  |    |  |   |   | ✓ |    |    |
| 61               | 190(5)                        | 5.1/3.1.1   |   | 5   |   |   |   |   |    | ✓  |  |   |   |   | ✓  |    |
| 62               | 210(5)                        | 5.1/3.1.1   | Designation of inspectors and compliance officers   | 5   |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 63               | 218(2)                        | 5.1/3.1.1   | Liability of certain persons for damage caused in exercise<br>of powers   | 5   |   |   |   | ✓ |    |    | ✓  |   |   |   |    |    |
| 64               | 218(3)                        | 5.1/3.1.1   |   | 5   |   |   |   | ✓ |    |    |  |   |   |   | ✓  |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 1 to 64)]

| No. | Obligation Under:                     |  | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>"Obligation Under" for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as: 1 –<br>High to<br>5 – Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|-----|---------------------------------------|--|---|--|---|---|---|---|----|----|--|---|---|---|----|----|
|     | Water Services<br>Regulations<br>2013 | Water Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |  | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|     | Regulation<br>Number                  | Clause<br>Number   |   |  |   |   |   |   |    |    |  |   |   |   |    |    |
| 65  | 23(2)                                 | 5.1/3.1.1  | Installation of certain meters  | 4  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 66  | 24(4)                                 | 5.1/3.1.1  | Access to meters  | 4  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 67  | 26(3)                                 | 5.1/3.1.1  | Testing water meters  | 4  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 68  | 26(5)                                 | 5.1/3.1.1  |   | 4  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 69  | 29(2)                                 | 5.1/3.1.1  | Subdivision: deferring infrastructure contributions   | 5  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 70  | 42(2)                                 | 5.1/3.1.1  | Backflow prevention devices: installation   | 5  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 71  | 43(3)                                 | 5.1/3.1.1  | Backflow prevention devices: testing and maintenance  | 5  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 72  | 43(6)                                 | 5.1/3.1.1  |   | 5  |   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 73  | 53(3)                                 | 5.1/3.1.1  | Diagrams of drainage plumbing   | 2  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 74  | 60(2)                                 | 5.1/3.1.1  | Altering position of service infrastructure in roads  | 5  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 75  | 63                                    | 5.1/3.1.1  | Roads broken up to be reinstated  | 5  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 76  | 65(1)                                 | 5.1/3.1.1  | Records   | 5  | ✓   |   |   |   |    |    |  |   |   | ✓ |    |    |
| 77  | 65(2)                                 | 5.1/3.1.1  |   | 5  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |
| 78  | 65(4)                                 | 5.1/3.1.1  |   | 5  |   |   |   | ✓ |    |    |  |   |   | ✓ |    |    |

| No. | Obligation Under:                     |  | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading:<br>“Obligation Under” for the Exact Wording of the<br>Obligation) | Audit<br>Priority<br>Applied<br>(Rated<br>as: 1 –<br>High to<br>5 – Low) | Adequacy of Controls<br>Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating<br>scale in Table 8 for details) |   |   |   |    |    |
|-----|---------------------------------------|--|---|--|---|---|---|---|----|----|--|---|---|---|----|----|
|     | Water Services<br>Regulations<br>2013 | Water Services<br>(Operating)<br>Licence –<br>Versions 4 & 5 |   |  | A   | B | C | D | NP | NA | 1  | 2 | 3 | 4 | NR | NA |
|     | Regulation<br>Number                  | Clause<br>Number   |   |  |   |   |   |   |    |    |  |   |   |   |    |    |
| 79  | 67                                    | 5.1/3.1.1  | Records to be basis for water service charges   | 5  | ✓   |   |   |   |    |    | ✓  |   |   |   |    |    |
| 80  | 68(5)                                 | 5.1/3.1.1  | Objections to entries in records  | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 81  | 68(6)                                 | 5.1/3.1.1  |   | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 82  | 68(7)                                 | 5.1/3.1.1  | Objections to entries in records  | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 83  | 68(8)                                 | 5.1/3.1.1  |   | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 84  | 69(3)                                 | 5.1/3.1.1  | State Administrative Tribunal review of licensee’s decision on objection  | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 85  | 70(2)                                 | 5.1/3.1.1  | SAT review: licensee’s decision not to extend time for objection/review   | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 86  | 74(1)                                 | 5.1/3.1.1  | Amending records after objection or review  | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 87  | 74(2)                                 | 5.1/3.1.1  |   | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |
| 88  | 75(1)                                 | 5.1/3.1.1  | Certain information to be available to tenants and others   | 5  |   |   | ✓ |   |    |    | ✓  |   |   |   |    |    |
| 89  | 85                                    | 5.1/3.1.1  | Compliance notices  | 5  |   |   | ✓ |   |    |    |  |   |   | ✓ |    |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 65 to 91)]

| No. | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|--|---|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence – Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 92  | 7  | 5.3/3.1.1   | Information about connections   | 4   |   |   | ✓ |   |    |    |   |   | ✓ |   |    |    |
| 93  | 8  | 5.3/3.1.1   | Minimum performance standards: standard water supply connections  | 3   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 94  | 9  | 5.3/3.1.1   | Bills other than for quantities supplied, discharged  | 4   |   |   | ✓ |   |    |    | ✓   |   |   |   |    |    |
| 95  | 10(2)  | 5.3/3.1.1   | Bills for quantities supplied, discharged   | 4   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 96  | 10(3)  | 5.3/3.1.1   |   | 4   |   |   |   |   |    |    | ✓   |   |   |   | ✓  |    |
| 97  | 10(4)  | 5.3/3.1.1   |   | 4   |   |   |   |   |    |    | ✓   |   |   |   | ✓  |    |
| 98  | 10(5)  | 5.3/3.1.1   |   | 4   |   |   |   |   |    |    | ✓   |   |   |   | ✓  |    |
| 99  | 11   | 5.3/3.1.1   |   | Sending bills   | 4   |   |   | ✓ |    |    |   | ✓ |   |   |    |    |
| 100 | 12(1)  | 5.3/3.1.1   | Information on bills  | 4   |   |   | ✓ |   |    |    |   | ✓ |   |   |    |    |
| 101 | 12(2)  | 5.3/3.1.1   |   | 4   |   |   |   |   |    |    | ✓   |   |   |   | ✓  |    |
| 102 | 12(3)  | 5.3/3.1.1   |   | 4   |   |   | ✓ |   |    |    |   | ✓ |   |   |    |    |
| 103 | 13(1)  | 5.3/3.1.1   | Estimates: Licensees' obligations   | 4   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |

| No. | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |               |   |   |   |   | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |    |   |   |   |   |    |
|-----|--|---|---|---|---|---------------|---|---|---|---|---|----|---|---|---|---|----|
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence – Versions 4 & 5 |   |   | Clause Number   | Clause Number | A | B | C | D | NP  | NA | 1 | 2 | 3 | 4 | NR |
| 104 | 13(2)  | 5.3/3.1.1   | Estimates: Licensees' obligations   | 4   |   |               |   |   |   | ✓ |   |    |   |   |   | ✓ |    |
| 105 | 14(1)  | 5.3/3.1.1   | Requested meter readings, revised bills: Licensee's obligations   | 4   |   |               |   |   |   | ✓ |   |    |   |   |   | ✓ |    |
| 106 | 15   | 5.3/3.1.1   | Leaks   | 4   |   |               |   |   |   | ✓ |   |    |   |   |   | ✓ |    |
| 107 | 16(2)  | 5.3/3.1.1   | Undercharging in bills  | 3   |   |               | ✓ |   |   |   |   |    |   |   |   | ✓ |    |
| 108 | 16(3)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   |   | ✓  |
| 109 | 16(4)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   |   | ✓  |
| 110 | 16(5)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   |   | ✓  |
| 111 | 17(1)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   |   | ✓  |
| 112 | 17(2)  | 5.3/3.1.1   | Overcharging in bills   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   | ✓ |    |
| 113 | 18(1)  | 5.3/3.1.1   | Review of bills   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   | ✓ |    |
| 114 | 18(2)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   | ✓ |   |   |    |
| 115 | 18(3) & (6)  | 5.3/3.1.1   |   | 3   |   |               | ✓ |   |   |   |   |    |   |   |   | ✓ |    |

| No. | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|--|---|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence – Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 116 | 18(4)  | 5.3/3.1.1   | Review of bills   | 3   |   |   | ✓ |   |    |    |   | ✓ |   |   |    |    |
| 117 | 18(5)  | 5.3/3.1.1   |   | 3   |   |   | ✓ |   |    |    |   |   |   | ✓ |    |    |
| 118 | 20   | 5.3/3.1.1   | When payment due if not set under regulations   | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |
| 119 | 21(1)  | 5.3/3.1.1   | Payment methods   | 4   |   |   | ✓ |   |    |    |   | ✓ |   |   |    |    |
| 120 | 21(2)  | 5.3/3.1.1   |   | 4   |   |   |   | ✓ |    |    |   |   |   | ✓ |    |    |
| 121 | 22   | 5.3/3.1.1   | Consent for direct debits   | 4   |   |   |   | ✓ |    |    |   |   |   | ✓ |    |    |
| 122 | 23(1)  | 5.3/3.1.1   | Payment in advance  | 4   |   |   | ✓ |   |    | ✓  |   |   |   |   |    |    |
| 123 | 24   | 5.3/3.1.1   | Free redirection in absence, illness  | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |
| 124 | 25   | 5.3/3.1.1   | Assistance for customers experiencing payment difficulties  | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |
| 125 | 26(1) & (2)  | 5.3/3.1.1 & 5.4.1                                   | Financial hardship policy   | 4   |   |   |   | ✓ |    | ✓  |   |   |   |   |    |    |
| 126 | 26(3)  | 5.3/3.1.1   |   | 4   |   |   |   | ✓ |    | ✓  |   |   |   |   |    |    |
| 127 | 26(4)  | 5.3/3.1.1   |   | 4   |   |   |   |   |    | ✓  |   |   |   | ✓ |    |    |

| No. | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|--|---|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence – Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 128 | 26(5)  | 5.3/3.1.1   | Financial hardship policy   | 4   |   |   | ✓ |   |    | ✓  |   |   |   |   |    |    |
| 129 | 26(6)  | 5.3/3.1.1   |   | 3   | ✓   |   |   |   |    |    |   |   |   |   | ✓  |    |
| 130 | 27(2)  | 5.3/3.1.1   | Assistance for customers experiencing financial hardship  | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |
| 131 | 27(3)  | 5.3/3.1.1   |   | 4   |   | ✓ |   |   |    |    |   | ✓ |   |   |    |    |
| 132 | 28(1)  | 5.3/3.1.1   | Matters relating to customers experiencing payment difficulties or financial hardship   | 4   | ✓   |   |   |   |    |    |   |   |   |   | ✓  |    |
| 133 | 28(4) & (5)  | 5.3/3.1.1   |   | 4   |   |   |   | ✓ |    |    | ✓   |   |   |   |    |    |
| 134 | 29   | 5.3/3.1.1   | No debt collection in certain cases   | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |
| 139 | 33   | 5.3/3.1.1   | Water flow not to be reduced below minimum rate   | 4   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 142 | 34(4)  | 5.3/3.1.1   | Minimum performance standards for restoration of water supply   | 4   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 144 | 34(6)  | 5.3/3.1.1   | Minimum performance standards for restoration of water supply   | 4   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 145 | 35(1)  | 5.3/3.1.1   | Procedure for dealing with complaints about water services  | 4   | ✓   |   |   |   |    | ✓  |   |   |   |   |    |    |

| No. | Obligation Under:  |   | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|--|---|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence – Versions 4 & 5 |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 146 | 35(2)  | 5.3/3.1.1   |   | 4   |   |   | ✓ |   |    |    |   |   |   | ✓ |    |    |
| 147 | 35(3)  | 5.3/3.1.1   |   | 4   |   |   | ✓ |   |    |    |   |   |   | ✓ |    |    |
| 148 | 35(4)  | 5.3/3.1.1   |   | 3   |   |   | ✓ |   |    |    |   |   |   | ✓ |    |    |
| 149 | 35(6)  | 5.3/3.1.1   | Procedure for dealing with complaints about water services  | 4   |   |   | ✓ |   |    | ✓  |   |   |   |   |    |    |
| 150 | 36(1)  | 5.3/3.1.1   | Services to be provided without charge  | 4   |   |   | ✓ |   |    |    |   |   |   |   | ✓  |    |
| 151 | 36(1)  | 5.3/3.1.1   | Services to be provided without charge  | 4   |   |   |   |   | ✓  |    |   |   |   |   | ✓  |    |
| 152 | 36(2)  | 5.3/3.1.1   | Services to be provided without charge  | 4   |   |   | ✓ |   |    | ✓  |   |   |   |   |    |    |
| 153 | 37(1)  | 5.3/3.1.1   | Information to be publicly available - bills  | 3   |   |   | ✓ |   |    |    |   |   |   | ✓ |    |    |
| 154 | 12 [37(2)]   | 5.3/3.1.1   |   | 3   |   |   | ✓ |   |    |    | ✓   |   |   |   |    |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 92 to 154)]

| No. | Obligation Under:                         |  | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|---|--|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Act 2012<br>Section Number | Water Services (Operating) Licence – Versions 4 & 5<br>Clause Number |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 155 | 12  | 4/3.2.1  | Fees  | 5   |   |   |   |   |    |    |   |   |   | ✓ | ✓  |    |
| 156 | 12  | 5.1/3.1.1  | Compliance with applicable legislation  | 2   |   |   |   |   |    |    |   |   |   | ✓ | ✓  |    |
| 159 | 12  | 5.4/3.1.2  | Compliance with applicable legislation  | 5   |   |   |   |   | ✓  |    |   |   |   |   | ✓  |    |
| 160 | 12  | 12/3.6.1   | Accounting records  | 5   |   |   |   | ✓ |    |    | ✓   |   |   |   |    |    |
| 162 | 12  | 14.4/4.3.4   | Operational audit   | 5   |   |   |   | ✓ |    |    | ✓   |   |   |   |    |    |
| 163 | 12  | 15.1(a), (b), (c)/3.7.1 (a), (b), (c)                                | Reporting a change in circumstances   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 165 | 12  | 16.1/3.8.1   | Provision of information  | 3   |   |   |   | ✓ |    |    |   | ✓ |   |   |    |    |
| 166 | 12  | 16.2/3.8.2   |   | 3   | ✓   |   |   |   |    |    |   | ✓ |   |   |    |    |
| 167 | 12  | 16.3/3.8.3   |   | 3   | ✓   |   |   |   |    |    |   | ✓ |   |   |    |    |
| 168 | 12  | 17.2/2.8.1 & 2.8.2   | Publishing information  | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 169 | 12  | 18.1/2.7.1   | Notices   | 5   | ✓   |   |   |   |    |    | ✓   |   |   |   |    |    |
| 171 | 12  | 20.2/4.1.2   | Asset management system   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |

| No. | Obligation Under:                         |  | Abbreviated Description of Obligation<br>(See the Sources Quoted Below the Heading: "Obligation Under" for the Exact Wording of the Obligation) | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Adequacy of Controls Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    | Compliance Rating<br>(Refer to the 6-point rating scale in Table 8 for details) |   |   |   |    |    |
|-----|---|--|---|---|---|---|---|---|----|----|---|---|---|---|----|----|
|     | Water Services Act 2012<br>Section Number | Water Services (Operating) Licence – Versions 4 & 5<br>Clause Number |   |   | A   | B | C | D | NP | NA | 1   | 2 | 3 | 4 | NR | NA |
| 172 | 12  | 20.6/4.1.6   |   | 5   |   |   |   | ✓ |    |    |   | ✓ |   |   |    |    |
| 173 | 12  | 21.1/5.5.1   | Water Services Ombudsman Scheme   | 5   |   |   |   | ✓ |    |    |   | ✓ |   |   |    |    |
| 175 | 12  | 23.1/5.1.1   |   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 176 | 12  | 23.2/5.1.2   | Customer contract   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 177 | 12  | 23.3/5.1.3   |   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 178 | 12  | 23.6/5.1.5   |   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 179 | 12  | 24.1 & 24.2/<br>5.3.1 & 5.3.2  | Non-standard terms and conditions of service  | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 180 | 12  | 24.4/5.3.4   |   | 5   |   |   |   | ✓ |    |    |   |   |   |   | ✓  |    |
| 181 | 12  | 25.1/5.6.1   | Supplier of last resort   | 2   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 182 | 12  | 28.1(b)/3.4.1<br>(b)   | Provision of water services outside operating area  | 2   |   |   |   |   |    | ✓  |   |   |   |   | ✓  |    |
| 183 | 12  | 30.3/5.4.3   | Hardship policy   | 5   |   |   |   | ✓ |    |    |   | ✓ |   |   |    |    |

**Table 9: Audit: Obligation Ratings Summary**

[Obligations as per ERA's: "Water Compliance Reporting Manual – Water Services Act 2012 – July 2016" (Numbers 155 to 190)]

### 4.3 Audit Observations and Recommendations

| No. <sup>2</sup> | Obligation Under:   |                | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|------------------|---|----------------|---|--|--|---------------------------|----------|
|                  | Section Number  | Clause Number  |   |  |  | Including Recommendations | Controls |
| 1                | 21(1)(a)  | 27.1/3.3.1 (a) | The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act. | 2  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services to persons entitled to those services under the Act;</li> <li>Paxon examined a sample of “Rate Notices” issued during the Audit Period and confirmed these notices did include sewerage charges;</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 21(1)(a) of the Act. The Shire did provide Paxon with a document entitled: “Shire of Gnowangerup – Compliance Calendar”. This document is generic in nature and records numerous operational obligations across the calendar year. However, this document records an insignificant number of the Shire’s compliance obligations in terms of the:               <ul style="list-style-type: none"> <li>Water Services Act 2012;</li> </ul> </li> </ul> | D                         | 1        |
| 2                | The “No.” refers to the compliance obligation reference number, as per the ERA’s document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” |                |   |  |  |                           |          |

| No. <sup>2</sup> | Obligation Under:       | Summary Description of Obligation                     | Audit Priority Applied<br>(Rated as:<br>1 – High<br>to 5 -<br>Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  | Including Recommendations  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |  |  |                             |            |
| 1<br>(cont.)     |                         |   |  | <ul style="list-style-type: none"> <li>○ Water Services Code of Conduct (Customer Service Standards) 2013;</li> <li>○ Water Services Regulations 2013; and</li> <li>○ Water Services Licence, WL11, Version 5, 1 July 2016.</li> </ul> <p>(hereinafter collectively referred to as the “Water Legislation”). Paxon noted this document states: “Last Saved Date: 3/02/2014”;</p> <ul style="list-style-type: none"> <li>● Paxon examined the document entitled: “Shire of Gnowangerup – Council Policy Register – 2015” (“Policy Register”) which records an insignificant number of the Shire’s compliance obligations in terms of the Water Legislation;</li> <li>● Paxon examined the document entitled: “Shire of Gnowangerup - Asset Management Plan – Ongerup Sewerage and Effluent Reuse Scheme Assets” (“Asset Management Plan”). Paxon notes this document refers in section 3.10.2 entitled: “Specific Legislative Requirements” to the “Water Services Licensing Act 1995”. Paxon further notes this document refers to a copy of the Shire’s Water Services Operating Licence which was in place prior to the Audit Period;</li> </ul> |                             |            |

| No. <sup>2</sup>        | Obligation Under:  | Summary Description of Obligation | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |  |  |                           |          |            |
|-------------------------|--|-----------------------------------|--|---|--------------------------|--|--|---------------------------|----------|------------|
|                         | <table border="1"> <tr> <td>Water Services Act 2012</td> <td>Water Services (Operating) Licence – Versions 4 and 5</td> </tr> <tr> <td>Section Number</td> <td>Clause Number</td> </tr> </table> | Water Services Act 2012           | Water Services (Operating) Licence – Versions 4 and 5        | Section Number  | Clause Number            |  |  | Including Recommendations | Controls | Compliance |
| Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5  |                                   |  |   |                          |  |  |                           |          |            |
| Section Number          | Clause Number  |                                   |  |   |                          |  |  |                           |          |            |
| 1<br>(cont.)            |  |                                   |  | <ul style="list-style-type: none"> <li>• Paxon examined the document entitled: “Shire of Gnowangerup - Customer Service Charter – Version 2 – 2015” (“Customer Service Charter”) which records an insignificant number of the Shire’s compliance obligations in terms of the Water Legislation; and</li> <li>• Paxon examined the document entitled: “Shire of Gnowangerup – Procedure Manual - 2018” (“Procedure Manual”) which records an insignificant number of the Shire’s compliance obligations in terms of the Water Legislation.</li> </ul> <p><b>Recommendation 1/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should consider implementing a compliance register which records all its obligations in terms of the Water Legislation. This register should identify, per individual compliance obligation, appropriate policy and procedure documents and responsible employees. The ERA’s document entitled: “Water Compliance Reporting Manual - Water Services Act 2012 – October 2017” may help the Shire to develop its own compliance register.</li> </ul> |                          |  |  |                           |          |            |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|--|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |   | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |  |  |   |                             |            |
| 1<br>(cont.)     |                         |   |  |  | <b>Recommendation 2/2017:</b> <ul style="list-style-type: none"> <li>The Shire should update its Asset Management Plan to refer appropriately to the current Water Legislation.</li> </ul>  |                             |            |
| 2                | 21(1)(b)                | 27.1/3.3.1 (b)  | The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act. | 2  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no persons within the operating area who were not entitled to the service under the Act requested such a service; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 21(1)(b) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>                            | D                           | NR         |
| 3                | 21(1)(c)                | 27.1/3.1.1 & 3.5                                      | The licensee must provide, operate and maintain the water service works specified by the ERA in the licence.   | 2  | <ul style="list-style-type: none"> <li>The provision, operation and maintenance of water service works during the Audit Period are covered in comprehensive detail in the Review section of this report. The reviewer rated the asset management system across all 12-key asset management system processes. The Reviewer has stated:<br/><br/><i>“This review concludes that Shire of Gnowangerup has significantly improved its management and maintenance of its sewerage system, which is now</i> </li> </ul> | A                           | 1          |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings<br>(as per Table 8) |          |
|------------------|-------------------------|---|--|--|--|-----------------------------|----------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |  | Including Recommendations   | Controls |
|                  | Section Number          | Clause Number   |  |  |  |                             |          |
| 3<br>(cont.)     |                         |   |  |  | <p><i>being operated and maintained competently.</i></p> <p>A summary of his findings is included in Table 2 above; and</p> <ul style="list-style-type: none"> <li>• Paxon examined the Shire’s Asset Management Plan which addresses the: <ul style="list-style-type: none"> <li>○ Provision of water service works in section 6.8 entitled: “Renewal and Replacement Strategy” <i>Operational Funding</i>” and section 6.9 entitled: “<i>Capital Investment Strategy (New, Upgrade, Disposal)</i>”; and</li> <li>○ Operation and maintenance of the water service works in section 6.7 entitled: “<i>Operation and Maintenance Strategy</i>”.</li> </ul> </li> </ul> |                             |          |
| 4                | 22                      | 28.1/3.4.1  | The licensee must notify the ERA as soon as practicable before commencing to provide the water service outside of the operating area of the license. | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire did not provide the water service outside of the operating area of the license;</li> <li>• Paxon did request the Shire to provide the Auditor with a map disclosing its water services operating area during the Audit Period. The Shire did provide Paxon with a map of the Ongerup sewer lines. However, this map could not be compared with the Shire’s water services operating area as disclosed in plan OWR-OA-</li> </ul>  | NP                          | NR       |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |  |                             |            |
| 4<br>(cont.)     |                         |   |   |  | <p>090(C). Thus, Paxon could not independently confirm the Deputy CEO’s statement that, during the Audit Period, the Shire did not provide the water service outside of the operating area of the license; and</p> <ul style="list-style-type: none"> <li>• Paxon regards application of section 22 of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> <p><b>Recommendation 3/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should keep an appropriate record of its water services operating area to prove it matches the operating area disclosed in plan OWR-OA-090(C).</li> </ul> |                             |            |
| 5                | 23                      | 29.1/3.5  | All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by a works holding arrangement. | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire owned all water service works used by it for the provision of water services; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with section 23 of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>   | D                           | 1          |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|------------------|-------------------------|---|--|--|--|---------------------------|----------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |  | Including Recommendations | Controls |
|                  | Section Number          | Clause Number   |  |  |  |                           |          |
| 6                | 24(1)(a) & 24(2)        | 20.1/4.1.1  | The licensee must have an asset management system that provides for the operation and maintenance of the water service works.  | 2  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 3 above.</li> </ul>   | A                         | 1        |
| 7                | 24(1)(b)                | 20.2/4.1.1 & 4.1.2                                    | The licensee must give details of the asset management system and any changes to it to the ERA.  | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire informed the ERA of changes to its asset management system;</li> <li>Paxon examined a letter the Chief Executive Officer wrote to the ERA, dated 30 May 2016, which included details of changes to the Shire’s asset management system; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 24(1)(b) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | 1        |
| 8                | 24(1)(c)                | 20.3/4.1.3  | A licensee must provide the ERA with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the ERA. | 4  | <ul style="list-style-type: none"> <li>Quantum Assurance performed an “<i>Asset Management System Review</i>” of the Shire for the period 1 December 2013 to 30 November 2014;</li> <li>Paxon was appointed by the ERA to conduct an operational audit and asset management system effectiveness review of the Shire for the period 1 December 2014 to 30 November 2017; and</li> </ul>  | A                         | 1        |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|---|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |   |                             |            |
| 8<br>(cont.)     |                         |   |   |  | <ul style="list-style-type: none"> <li>Paxon examined the “Shire of Gnowangerup – Compliance Calendar” which records this obligation.</li> </ul>  |                             |            |
| 9                | 25                      | 14.1/4.3.1  | A licensee must, not less than once every 24 months, or such longer period as determined by the ERA, provide the ERA with an operational audit conducted by an independent expert appointed by the ERA. | 4  | <ul style="list-style-type: none"> <li>Quantum Assurance performed an “Operational Audit” of the Shire for the period 1 December 2011 to 30 November 2014;</li> <li>Paxon was appointed by the ERA to conduct an operational audit and asset management system effectiveness review of the Shire for the period 1 December 2014 to 30 November 2017; and</li> <li>Paxon examined the “Shire of Gnowangerup – Compliance Calendar” which records this obligation.</li> </ul> | A                           | 1          |
| 11               | 27                      | 5.3/3.1.1   | The licensee must comply with the code of conduct that may be made by the ERA to the extent to which it applies to the licensee and is not inconsistent with the licence.                               | 4  | <ul style="list-style-type: none"> <li>Compliance with the “Water Services Code of Conduct (Customer Service Standards) 2013” (“Code of Conduct”) is specifically addressed in this Report - see reference numbers 92 to 154 below in which both controls and compliance are rated.</li> </ul>  | NA                          | NA         |
| 12               | 29                      | 26.1/3.1.1  | The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.                    | 4  | <ul style="list-style-type: none"> <li>Compliance with the Act is specifically addressed in this Report - see reference numbers 1 to 64 and 155 to 190 below in which both controls and compliance are rated.</li> </ul>  | NA                          | NA         |

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|------------------|-------------------------|---|---|--|---|--------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Controls                 | Compliance |
|                  | Section Number          | Clause Number   |   |  | Including Recommendations   |                          |            |
| 13               | 36                      | 5.1/3.1.1   | If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.   | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire did not cease to provide a water service in an area; and</li> <li>• Paxon regards application of section 36 of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> | NP                       | NR         |
| 14               | 60                      | 25.1/5.6.1  | If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed. | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire was not a supplier of last resort; and</li> <li>• Paxon regards application of section 60 of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul>                   | NP                       | NR         |
| 15               | 66                      | 21.1/5.5.1  | Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.                                  | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire agreed to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with</li> </ul>  | D                        | 1          |

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|------------------|-------------------------|---|---|--|--|---------------------------|----------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Including Recommendations | Controls |
|                  | Section Number          | Clause Number   |   |  |  |                           |          |
| 15 (cont.)       |                         |   |   |  | section 66 of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).   |                           |          |
| 16               | 77(3)                   | 5.1/3.1.1   | The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for. | 2  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no interruption of the sewerage services it provided took place;</li> <li>Paxon was informed by the Shire’s Asset and Waste Management Coordinator (“AWMC”) the Shire did not keep a “works register” in respect of operational activities performed regarding the water services it provided during the Audit Period. The AWMC stated most operational activities regarding its water services were provided by external suppliers. The AWMC stated the only audit trail available in respect of such operational activities was the accounting records of the Shire (purchase orders, suppliers’ invoices etc.). Thus, no specific record was kept during the Audit Period, to support the Deputy CEO’s statement that no interruptions of sewerage services took place;</li> <li>Paxon examined the Shire’s Customer Service Charter which does not include any information</li> </ul> | D                         | NR       |

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|------------------|-------------------------|---|---|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |   |                             |            |
| 16<br>(cont.)    |                         |   |   |  | <p>as to service interruptions; and</p> <ul style="list-style-type: none"> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with section 77(3) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 4/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should implement a register in which it records appropriate details of service interruptions to proof its compliance with section 77(3) of the Act.</li> </ul> <p><b>Recommendation 5/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should include appropriate details of its obligations (from a service delivery perspective) in terms of the Water Legislation in its Customer Service Charter.</li> </ul> |                             |            |
| 17               | 82(4) & (5)             | 5.1/3.1.1   | If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that he has no knowledge of any instances during the Audit Period, in which the Shire gave written directions about proposed building work that the licensee considered necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided; and</li> </ul>  | D                           | NR         |

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|------------------|-------------------------|---|---|--|--|--------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                 | Compliance |
|                  | Section Number          | Clause Number   |   |  | Including Recommendations  |                          |            |
| 17<br>(cont.)    |                         |   | provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.   |  | <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with sections 82(4) and 82(5) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  |                          |            |
| 18               | 84(2)                   | 5.1/3.1.1   | If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days notice of its intention to commence the works.  | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no instances took place where it was required to give a person 21 days’ notice of its intention to commence works; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 84(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 4 above).</li> </ul> | D                        | NR         |
| 19               | 87(2)                   | 5.1/3.1.1   | If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee’s notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances. | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, he has no knowledge of any application made to the State Administrative Tribunal during the Audit Period; and</li> <li>Paxon regards application of section 87(2) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are</li> </ul>   | NP                       | NR         |

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|------------------|---|--|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012<br><br>Section Number | Water Services (Operating) Licence – Versions 4 and 5<br><br>Clause Number |   |  |  | Controls                    | Compliance |
| 19<br>(cont.)    |   |  |   |  | only expected to be put in place when the stipulations of this clause are applicable.  |                             |            |
| 20               | 90(7)   | 5.1/3.1.1  | If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land. | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no compliance notices were given; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with section 90(7) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  | D                           | NR         |
| 21               | 95(3)   | 5.1/3.1.1  | The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.   | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services. Thus, this obligation was not applicable to the Shire’s operations during the Audit Period; and</li> <li>• As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                          | NA         |

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|------------------|-------------------------|---|---|--|---|--------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Controls                 | Compliance |
|                  | Section Number          | Clause Number   |   |  | Including Recommendations   |                          |            |
| 22               | 96(1)                   | 5.1/3.1.1   | If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant. | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, FESA did not require the Shire to install fire hydrants; and</li> <li>• Paxon regards application of section 96(1) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul>                              | NP                       | NR         |
| 23               | 96(5)                   | 5.1/3.1.1   | The licensee must comply with requests made by FESA or a local government under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.   | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, FESA did not request the Shire to install, remove, repair or maintain a fire hydrant; and</li> <li>• Paxon regards application of section 96(3) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> | NP                       | NR         |
| 24               | 98(3)                   | 5.1/3.1.1   | If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.   | 2  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Minister did not require the Shire to connect a wastewater inlet on land to the sewerage works of the licensee; and</li> </ul>   | NP                       | NR         |

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|------------------|-------------------------|---|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |  |                             |            |
| 24<br>(cont.)    |                         |   |   |  | <ul style="list-style-type: none"> <li>Paxon regards application of section 98(3) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul>   |                             |            |
| 25               | 106(2)                  | 5.1/3.1.1   | The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no compliance notices were given; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 106(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                           | NR         |
| 28               | 119(2)                  | 5.1/3.1.1   | The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).            | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no compliance notices were given; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 119(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                           | NR         |

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|------------------|-------------------------|---|---|--|--|---------------------------|----------|------------|
|                  | Section Number          | Clause Number   |   |  |  | Including Recommendations | Controls | Compliance |
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  |                           |          |            |
| 29               | 122(2)                  | 5.1/3.1.1   | If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.   | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no compliance notices were given. Thus, no applications were made, during the Audit Period, to the State Administrative Tribunal; and</li> <li>Paxon regards application of section 122(2) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> | NP                        | NR       |            |
| 30               | 125(2)                  | 5.1/3.1.1   | If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> . | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did not apportion fees; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 125(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 4 above).</li> </ul>  | D                         | NR       |            |
| 31               | 128(4)                  | 5.1/3.1.1   | If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.  | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no circumstances necessitated the withdrawal of a memorial; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with</li> </ul>  | D                         | NR       |            |

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|------------------|-------------------|---------------|--|--|--|--------------------------|------------|
|                  | Section Number    | Clause Number |  |  |  | Controls                 | Compliance |
| 31 (cont.)       |                   |               |  |  | section 128(4) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 4 above).   |                          |            |
| 32               | 129(5)            | 5.1/3.1.1     | If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, no entry was made to a place for exercising a works power under the Act. Thus, it was not necessary for the Shire to give 48 hours’ notice of proposed entry to the occupier of a place;</li> <li>Paxon was informed by the Shire’s Asset and Waste Management Coordinator (“AWMC”) the Shire did not keep a “works register” in respect of operational activities performed regarding the water services it provided during the Audit Period. The AWMC stated most operational activities regarding its water services were provided by external suppliers. The AWMC stated the only audit trail available in respect of such operational activities was the accounting records of the Shire (purchase orders, suppliers’ invoices etc.). Thus, no specific record was kept during the Audit Period, to support the Asset and Waste Management Coordinator’s statement that</li> </ul> | D                        | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|--|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |  |  |  |                             |            |
| 32<br>(cont.)    |                         |   |  |  | <p>no entry was made to a place for exercising a works power under the Act; and</p> <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 129(5) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 6/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should implement a register in which it records appropriate details of notices of proposed entry (to undertake routine inspections or maintenance) given to the occupier of the place to prove its compliance with section 129(5) of the Act.</li> </ul> |                             |            |
| 33               | 139(3)                  | 5.1/3.1.1   | If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, the Shire did not remove or erected a fence or gate; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 139(3) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  | D                           | NR         |

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|------------------|-------------------------|---|---|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |   |                             |            |
| 34               | 141(1)                  | 5.1/3.1.1   | In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours notice to the public authority managing the road. | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, all road works were limited to Shire roads; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with section 141(1) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  | D                           | NR         |
| 35               | 142                     | 5.1/3.1.1   | The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.   | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no major works were undertaken;</li> <li>• Paxon confirmed this lack of major works during the Audit Period by an examination of the:               <ul style="list-style-type: none"> <li>○ “2014/15 – Annual Report – Shire of Gnowangerup”;</li> <li>○ “Annual Report - 2015-2016 - Shire of Gnowangerup”; and</li> <li>○ “Annual Report - 2016-2017 - Shire of Gnowangerup”.</li> </ul> </li> <li>• Paxon found the Shire’s annual report for 2016-2017 records an addition of \$143,702 to the “Infrastructure Sewer” asset group. Paxon</li> </ul> | D                           | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|------------------|-------------------------|---|---|--|---|---------------------------|----------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |   | Including Recommendations | Controls |
|                  | Section Number          | Clause Number   |   |  |   |                           |          |
| 35<br>(cont.)    |                         |   |   |  | <p>confirmed by interview of the Shire’s Asset and Waste Management Coordinator that this addition included: security fence, desludging of ponds, repair of sewer lines and rehabilitation of the area around the pump station. Thus, it is not major works within the stipulations of section 133 of the Act; and</p> <ul style="list-style-type: none"> <li>• Paxon found the Shire has no internal procedure in place to manage its compliance obligations in respect of major works. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |                           |          |
| 36               | 143(2)                  | 5.1/3.1.1   | Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.     | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 35 above.</li> </ul>   | D                         | NR       |
| 37               | 143(3)                  | 5.1/3.1.1   | The licensee must, within 5 days of publishing the plans and details on the licensee’s website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified. | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 35 above.</li> </ul>   | D                         | NR       |
| 38               | 144(3)                  | 5.1/3.1.1   | The licensee must have regard to an objection or submission lodged within the relevant period.  | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 35 above.</li> </ul>   | D                         | NR       |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations  | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|--|--|---|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |   | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |  |  |   |                             |            |
| 39               | 145(2)                  | 5.1/3.1.1   | If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations. | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 35 above.</li> </ul>   | D                           | NR         |
| 40               | 147(3)                  | 5.1/3.1.1   | The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).   | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 35 above.</li> </ul>   | D                           | NR         |
| 41               | 147(4)                  | 5.1/3.1.1   | If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.   | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 35 above.</li> </ul>   | D                           | NR         |
| 42               | 151(1)                  | 5.1/3.1.1   | A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.  | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no general works were undertaken;</li> <li>Paxon confirmed this lack of general works during the Audit Period by an examination of the:               <ul style="list-style-type: none"> <li>“2014/15 – Annual Report – Shire of Gnowangerup”;</li> <li>“Annual Report - 2015-2016 - Shire of Gnowangerup”; and</li> </ul> </li> </ul> | D                           | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |  |                             |            |
| 42<br>(cont.)    |                         |   |   |  | <ul style="list-style-type: none"> <li>○ "Annual Report - 2016-2017 - Shire of Gnowangerup".</li> <li>• Paxon found the Shire's annual report for 2016-2017 records an addition of \$143,702 to the "Infrastructure Sewer" asset group. Paxon confirmed by interview of the Shire's Asset and Waste Management Coordinator that this addition included: security fence, desludging of ponds, repair of sewer lines and rehabilitation of the area around the pump station. Thus, it is not general works within the stipulations of section 134 of the Act; and</li> <li>• Paxon found the Shire has no internal procedure in place to manage its compliance obligations in respect of general works. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |                             |            |
| 43               | 151(2)                  | 5.1/3.1.1   | The licensee must give a notice of general works setting out the matters referred to in section 151(3) to the persons and agencies specified. | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 42 above.</li> </ul>  | D                           | NR         |
| 44               | 152(3)                  | 5.1/3.1.1   | The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).            | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 42 above.</li> </ul>  | D                           | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |  |                             |            |
| 45               | 153(3)                  | 5.1/3.1.1   | If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.  | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 42 above.</li> </ul>  | D                           | NR         |
| 46               | 166(5)                  | 5.1/3.1.1   | On being advised by the Minister that an interest in land is appropriate to the licensee’s needs, the licensee is required to acquire the interest.   | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Minister did not advise the Shire to acquire an interest in land; and</li> <li>Paxon regards application of section 166(5) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> | NP                          | NR         |
| 47               | 166(6)                  | 5.1/3.1.1   | Any costs incurred in taking an interest in land are to be paid by the licensee.  | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 46 above.</li> </ul>  | NP                          | NR         |
| 48               | 170                     | 5.1/3.1.1   | The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire did not sell an interest in land; and</li> <li>Paxon regards application of section 170 of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are</li> </ul>  | NP                          | NR         |

| No. <sup>2</sup> | Obligation Under: |               | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|------------------|-------------------|---------------|--|--|---|---------------------------|----------|
|                  | Section Number    | Clause Number |  |  |   | Including Recommendations | Controls |
| 48 (cont.)       |                   |               |  |  | only expected to be put in place when the stipulations of this clause are applicable.   |                           |          |
| 49               | 173(4)            | 5.1/3.1.1     | In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Asset and Waste Management Coordinator that, during the Audit Period, no entry was made to a place for exercising a works power under the Act. Thus, it was not necessary for the Shire to give 48 hours' notice of proposed entry to the occupier or owner of a place;</li> <li>Paxon was informed by the Shire's Asset and Waste Management Coordinator ("AWMC") the Shire did not keep a "works register" in respect of operational activities performed regarding the water services it provided during the Audit Period. The AWMC stated most operational activities regarding its water services were provided by external suppliers. The AWMC stated the only audit trail available in respect of such operational activities was the accounting records of the Shire (purchase orders, suppliers' invoices etc.). Thus, no specific record was kept during the Audit Period, to support the Asset and Waste Management Coordinator's statement that no entry was made to a place for exercising a works power under the Act. A recommendation</li> </ul> | D                         | NR       |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |            |
|------------------|-------------------------|---|--|--|---|---------------------------|----------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |   | Including Recommendations | Controls | Compliance |
|                  | Section Number          | Clause Number   |  |  |   |                           |          |            |
| 49<br>(cont.)    |                         |   |  |  | (6/2017) was made in this regard (see compliance obligation number 32 above); and<br><br><ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with sections 173(4), 174(1), 174(3) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |                           |          |            |
| 50               | 174(1)                  | 5.1/3.1.1   | Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.  | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 49 above.</li> </ul>   | D                         | NR       |            |
| 51               | 174(3)                  | 5.1/3.1.1   | Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier. | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 49 above.</li> </ul>   | D                         | NR       |            |
| 52               | 175(2)                  | 5.1/3.1.1   | If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.   | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 49 above.</li> </ul>   | D                         | NR       |            |
| 53               | 175(5)                  | 5.1/3.1.1   | If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.   | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 49 above.</li> </ul>   | D                         | NR       |            |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations | Ratings (as per Table 8) |            |
|------------------|-------------------------|---|--|--|--|--------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |  | Controls                 | Compliance |
|                  | Section Number          | Clause Number   |  |  |  |                          |            |
| 54               | 176(1)                  | 5.1/3.1.1   | If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.   | 4  | • See the findings for compliance obligation number 49 above.  | D                        | NR         |
| 55               | 176(3)                  | 5.1/3.1.1   | The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act if they are not able to do so.  | 4  | • See the findings for compliance obligation number 49 above.  | D                        | NR         |
| 56               | 176(4)                  | 5.1/3.1.1   | If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise. | 4  | • See the findings for compliance obligation number 49 above.  | D                        | NR         |
| 57               | 181                     | 5.1/3.1.1   | The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.                                   | 4  | • See the findings for compliance obligation number 49 above.  | D                        | NR         |
| 58               | 186                     | 5.1/3.1.1   | If the licensee applies for a warrant, the application must contain the prescribed information.  | 3  | • Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no applications for warrants were made; and  | NP                       | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|--|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |  |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |  |  |  |                             |            |
| 58<br>(cont.)    |                         |   |  |  | <ul style="list-style-type: none"> <li>Paxon regards application of sections 186, 187(1)-(3), 190(4) and 190(5) of the Act to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> |                             |            |
| 59               | 187(1) – (3)            | 5.1/3.1.1   | If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.                                   | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 58 above.</li> </ul>  | NP                          | NR         |
| 60               | 190(4)                  | 5.1/3.1.1   | Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so. | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 58 above.</li> </ul>  | NP                          | NR         |
| 61               | 190(5)                  | 5.1/3.1.1   | On completing the execution of a warrant the licensee must record the prescribed information on that warrant.  | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 58 above.</li> </ul>  | NP                          | NR         |
| 62               | 210(5)                  | 5.1/3.1.1   | If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.                                 | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire did not designate a person as an inspector or compliance officer; and</li> </ul>  | D                           | NR         |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations<br><br>Including Recommendations   | Ratings<br>(as per Table 8) |            |
|------------------|-------------------------|---|---|--|--|-----------------------------|------------|
|                  | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Controls                    | Compliance |
|                  | Section Number          | Clause Number   |   |  |  |                             |            |
| 62<br>(cont.)    |                         |   |   |  | <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with section 210(5) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  |                             |            |
| 63.              | 218(2)                  | 5.1/3.1.1   | In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible. | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, the Shire did not obstruct the free use of any place, and it caused as little damage, harm or inconvenience as was possible; and</li> <li>Paxon found the Shire has no internal procedure in place to manage its compliance obligations in respect of section 218(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                           | 1          |
| 64.              | 218(3)                  | 5.1/3.1.1   | If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.      | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, the Shire did not obstruct the free use of any place, and it caused as little damage, harm or inconvenience as was possible; and</li> </ul>   | D                           | 1          |

| No. <sup>2</sup> | Obligation Under:       |   | Summary Description of Obligation | Audit Priority Applied<br>(Rated as:<br>1 – High to 5 - Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|------------------|-------------------------|---|-----------------------------------|--|--|---------------------------|----------|
|                  | Section Number          | Clause Number   |                                   |  |  | Including Recommendations | Controls |
| 64<br>(cont.)    | Water Services Act 2012 | Water Services (Operating) Licence – Versions 4 and 5 |                                   |  | <ul style="list-style-type: none"> <li>Paxon found the Shire has no internal procedure in place to manage its compliance obligations in respect of section 218(2) of the Act. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |                           |          |

**Table 10: Audit Observations and Recommendations**

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 1 to 64)]

| No. | Obligation Under:               |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|---------------------------------|---|--|---|--|---------------------------|----------|
|     | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |  |   |  | Including Recommendations | Controls |
|     | Regulation Number               | Clause Number   |  |   |  |                           |          |
| 65  | 23(2)                           | 5.1/3.1.1   | If the licensee provides a water supply service in respect of a multi-unit development, the licensee, on the owner's request, is to assess whether a meter is satisfactory for measuring the quantity or flow of water through a pipe supplying water to the unit. | 4   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services. Thus, the Shire did not use meters in respect of the water services it provided to customers during the Audit Period. Thus, this obligation was not applicable to the Shire's operations during the Audit Period; and</li> <li>As this compliance obligation was not applicable to the Shire's operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                        | NA       |
| 66  | 24(4)                           | 5.1/3.1.1   | If the licensee gives a compliance notice to a person in respect of access to meters, the notice must specify the specified information.   | 4   | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 65 above.</li> </ul>  | NA                        | NA       |
| 67  | 26(3)                           | 5.1/3.1.1   | If the owner or occupier requests the licensee to test a meter, subject to the payment of the charge (if any) for testing that type of meter, the licensee must test the meter in accordance with the approved procedure.  | 4   | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 65 above.</li> </ul>  | NA                        | NA       |

| No. | Obligation Under:               |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|-----|---------------------------------|---|--|---|---|---------------------------|----------|
|     | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |  |   |   | Including Recommendations | Controls |
|     | Regulation Number               | Clause Number   |  |   |   |                           |          |
| 68  | 26(5)                           | 5.1/3.1.1   | If a meter test finds that the meter is outside the prescribed tolerance applicable, the licensee must take the specified actions, bear the costs of testing and refund or credit any charges paid under regulation 26(3).   | 4   | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 65 above.</li> </ul>   | NA                        | NA       |
| 69  | 29(2)                           | 5.1/3.1.1   | <p>If the developer of a lot makes a request to the licensee to defer payment of an infrastructure contribution, the licensee must, subject to regulations 29(3) and 29(4), allow the payment to be deferred.</p> <p>(The licensee must, on the written request of a developer who is required to pay the licensee an infrastructure contribution in respect of a subdivided lot, defer the payment of the contribution unless regulations 29(3) or 29(4) applies - as per the ERA's document entitled: "Water Compliance Reporting Manual – Water Services Act 2012 – October 2017").</p> | 5   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Asset and Waste Management Coordinator that, during the Audit Period, no infrastructure contributions were payable as no developments in respect of sewerage infrastructure occurred; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with regulation 29(2). A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | NR       |
| 70  | 42(2)                           | 5.1/3.1.1   | The written order requiring the owner or occupier of land to install a backflow prevention device must set out the date which the device must be installed and tested (which must be at least 7 days after the order is given).  | 5   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Asset and Waste Management Coordinator that, during the Audit Period, the sewerages services provided by the Shire did not require the use of backflow prevention devices. Thus,</li> </ul>  | NA                        | NA       |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|---------------|---------------------------------|---|---|---|--|---------------------------|----------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |  | Including Recommendations | Controls |
|               | Regulation Number               | Clause Number   |   |   |  |                           |          |
| 70<br>(cont.) |                                 |   |   |   | <p>this obligation was not applicable to the Shire’s operations during the Audit Period; and</p> <ul style="list-style-type: none"> <li>As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> |                           |          |
| 71            | 43(3)                           | 5.1/3.1.1   | The compliance notice requiring the owner or occupier of land to have their backflow prevention device tested or maintained in accordance with the standard by a specified date (which must be at least 7 days after the notice is given).  | 5   | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 70 above.</li> </ul>  | NA                        | NA       |
| 72            | 43(6)                           | 5.1/3.1.1   | The compliance notice requiring the owner or occupier of land to have their backflow prevention device made good as specified in the notice must include the work that is required to be done, the manner in which the work is to be done and the date by which the work is to be done (which must be at least 7 days after the notice is given). | 5   | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 70 above.</li> </ul>  | NA                        | NA       |

| No. | Obligation Under:               |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-----|---------------------------------|---|--|---|--|--------------------------|------------|
|     | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |  |   |  | Controls                 | Compliance |
|     | Regulation Number               | Clause Number   |  |   | Including Recommendations  |                          |            |
| 73  | 53(3)                           | 5.1/3.1.1   | The licensee must provide a person with a plan of the existing drainage plumbing for a building on request and on receipt of payment from the person.  | 2   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states this obligation is not in use any longer;</li> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, no request was received for a plan of the existing drainage plumbing for a building; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with regulation 53(3). However, as this compliance obligation is no longer in use, no recommendation is made.</li> </ul> | D                        | NR         |
| 74  | 60(2)                           | 5.1/3.1.1   | If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice. | 5   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, no works power was exercised in a road which necessitated altering the position of infrastructure;</li> <li>Paxon examined the Shire’s Policy Register and found it contains a policy document entitled: <i>“5.9 Traffic Management (procedure 5.21)”</i>. This document is comprehensive and contains lists of both related documentation (for example,</li> </ul>   | D                        | NR         |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|---------------|---------------------------------|---|---|---|--|--------------------------|------------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |  |                          |            |
|               | Regulation Number               | Clause Number   |   |   | Including Recommendations  | Controls                 | Compliance |
| 74<br>(cont.) |                                 |   |   |   | <p>professional papers) and local laws and regulations but does not refer to regulation 60(2); and</p> <ul style="list-style-type: none"> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with regulation 60(2). A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  |                          |            |
| 75            | 63                              | 5.1/3.1.1   | If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous. | 5   | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, the Shire did not open or broke up the surface of a road;</li> <li>• Paxon examined the Shire’s Policy Register and found it contains a policy document entitled: “5.9 Traffic Management (procedure 5.21)”. This document is comprehensive and contains lists of both related documentation (for example, professional papers) and local laws and regulations but does not refer to regulation 63; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with regulation 63. A recommendation (1/2017) was</li> </ul> | D                        | NR         |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|---------------|---------------------------------|---|---|---|--|---------------------------|----------|------------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |  | Including Recommendations | Controls | Compliance |
|               | Regulation Number               | Clause Number   |   |   |  |                           |          |            |
| 75<br>(cont.) |                                 |   |   |   | made in this regard (see compliance obligation number 4 above).  |                           |          |            |
| 76            | 65(1)                           | 5.1/3.1.1   | The licensee must maintain records for all land in respect of which water service charges apply.              | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did maintain records for all land in respect of which water service charges applied in SynergySoft; and</li> <li>Paxon examined the Shire’s Procedure Manual and found it contains a procedure document 2.12 entitled: <i>“Information and Records Management Corporate Procedure”</i> to help it manage compliance with regulation 65(1).</li> </ul> | A                         | 1        |            |
| 77            | 65(2)                           | 5.1/3.1.1   | The records for all land in respect of which water service charges apply must contain prescribed information. | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>Paxon examined a sample of SynergySoft records and found it disclosed the following</li> </ul>   | D                         | 1        |            |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|---------------|---------------------------------|---|---|---|---|--------------------------|------------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |   | Controls                 | Compliance |
|               | Regulation Number               | Clause Number   |   |   | Including Recommendations   |                          |            |
| 77<br>(cont.) |                                 |   |   |   | <p>information in respect of individual land records:</p> <ul style="list-style-type: none"> <li>○ Description and situation of the land;</li> <li>○ Name and address of the owner of the land;</li> <li>○ Account number (assessment number);</li> <li>○ Gross rental value;</li> <li>○ Classification of the land; and</li> <li>○ Amount of any unpaid charges.</li> </ul> <ul style="list-style-type: none"> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with regulation 65(2). However, as this compliance obligation is no longer applicable to the Shire, no recommendation is made.</li> </ul> |                          |            |
| 78            | 65(4)                           | 5.1/3.1.1   | The licensee must make the records for all land in respect of which water service charges apply available for inspection by any person without charge, and give a copy of particular records to a person with a material interest in them, on payment of the prescribed charge. | 5   | <ul style="list-style-type: none"> <li>• Paxon notes the ERA document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – October 2017” states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no request for an inspection of land records was made;</li> </ul>  | D                        | NR         |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|---------------|---------------------------------|---|---|---|--|---------------------------|----------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |  | Including Recommendations | Controls |
|               | Regulation Number               | Clause Number   |   |   |  |                           |          |
| 78<br>(cont.) |                                 |   |   |   | <ul style="list-style-type: none"> <li>The Shire’s Customer Service Charter states:<br/><i>“If you make an enquiry in person we will: Act in accordance with legislation”</i></li> <li>Paxon regards this statement as being too vague; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with regulation 65(4). However, as this compliance obligation is no longer applicable to the Shire, no recommendation is made.</li> </ul>   |                           |          |
| 79            | 67                              | 5.1/3.1.1   | Except as otherwise provided under the Act, the records maintained by the licensee for a period in relation to land are the basis upon which the licensee must determine the water service charges applicable for the period. | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, its land records were the basis upon which the Shire determined its water service charges;</li> <li>Paxon examined a sample of <i>“Rate Notices”</i> issued during the Audit Period and found the <i>“GRV”</i>, as disclosed in the land records in SynergySoft, was used as a basis to calculate</li> </ul> | A                         | 1        |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|---------------|---------------------------------|---|---|---|--|---------------------------|----------|------------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |  | Including Recommendations | Controls | Compliance |
|               | Regulation Number               | Clause Number   |   |   |  |                           |          |            |
| 79<br>(cont.) |                                 |   |   |   | <p>the annual sewerage charges;</p> <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these procedures deal specifically with charging rates. Nevertheless, as this compliance obligation is no longer applicable to the Shire, no recommendation is made.</li> </ul>  |                           |          |            |
| 80            | 68(5)                           | 5.1/3.1.1   | The licensee must consider an objection to the records maintained by a licensee under regulation 65 as soon as practicable. | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – October 2017” states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, no objection was lodged to the records maintained by the Shire under regulation 65. The Finance Officer stated that, during the Audit Period, verbal enquiries were made in respect of the gross rental value used to calculate the annual sewerage rate. The Finance Officer further stated enquirers were informed written objections could be made for</li> </ul> |                           | D        | NR         |

| No.           | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|---------------|---------------------------------|---|---|---|---|---------------------------|----------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |   | Including Recommendations | Controls |
|               | Regulation Number               | Clause Number   |   |   |   |                           |          |
| 80<br>(cont.) |                                 |   |   |   | <p>submission to Council but that no such written objections were received; and</p> <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Customer Service Charter and found it refers to complaints in general terms but does not address objections to land records (regulations 68(5), 68(6), 68(7), 68(8), 69(3), 70(2), 74(1) and 74(2). However, as these compliance obligations are no longer applicable to the Shire, no recommendation is made.</li> </ul> |                           |          |
| 81            | 68(6)                           | 5.1/3.1.1   | The licensee must give the person by whom the objection was made written notice of the licensee’s decision on the objection together with a brief statement of the licensee’s reasons for the decision.                         | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – October 2017” states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul>   | D                         | NR       |
| 82            | 68(7)                           | 5.1/3.1.1   | If the licensee disallows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person who objected of any consequent amendment of the records. | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: “Water Compliance Reporting Manual – Water Services Act 2012 – October 2017” states obligations 76 to 88A are not applicable to the Shire any longer; and</li> </ul>  | D                         | NR       |

| No.        | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|------------|---------------------------------|---|---|--|--|---------------------------|----------|
|            | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |  |  | Including Recommendations | Controls |
|            | Regulation Number               | Clause Number   |   |  |  |                           |          |
| 82 (cont.) |                                 |   |   |  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 80 above.</li> </ul>  |                           |          |
| 83         | 68(8)                           | 5.1/3.1.1   | If the licensee allows an objection, wholly or in part, to entries in the records maintained by a licensee under regulation 65, the licensee must advise the person of the time within which and the manner in which a review of the decision may be sought.                                  | 5  | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul> | D                         | NR       |
| 84         | 69(3)                           | 5.1/3.1.1   | Upon receipt of a notice from a person dissatisfied with a decision of the licensee on an objection, the licensee must promptly refer the relevant records to the State Administrative Tribunal for a review.   | 5  | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul> | D                         | NR       |
| 85         | 70(2)                           | 5.1/3.1.1   | Upon receipt of a notice from a person dissatisfied with a decision of the licensee to refuse to extend the time for giving an objection to the licensee or a notice under regulation 69(2), the licensee must promptly refer the decision to the State Administrative Tribunal for a review. | 5  | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul> | D                         | NR       |

| No. | Obligation Under:               |   | Summary Description of Obligation   | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|-----|---------------------------------|---|---|---|---|---------------------------|----------|
|     | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |   |   |   | Including Recommendations | Controls |
|     | Regulation Number               | Clause Number   |   |   |   |                           |          |
| 86  | 74(1)                           | 5.1/3.1.1   | The licensee must make any amendment of the records necessary as a consequence of an allowance, wholly or in part, of an objection under the Act or the <i>Valuation of Land Act 1978</i> or as a consequence of a review by the State Administrative Tribunal.                         | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul>  | D                         | NR       |
| 87  | 74(2)                           | 5.1/3.1.1   | The licensee must, if necessary as a consequence of the amendment to the records under regulation 74(1) re-determine and if necessary provide a rebate or refund.   | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer; and</li> <li>See the findings for compliance obligation number 80 above.</li> </ul>  | D                         | NR       |
| 88  | 75(1)                           | 5.1/3.1.1   | If a person is liable, under an agreement with the owner of land, for payment of the water service charges in respect of certain land, the person is entitled to receive from the licensee all information necessary for the person to assess his or her liability under the agreement. | 5   | <ul style="list-style-type: none"> <li>Paxon notes the ERA document entitled: <i>“Water Compliance Reporting Manual – Water Services Act 2012 – October 2017”</i> states obligations 76 to 88A are not applicable to the Shire any longer;</li> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, all water service charges information was distributed to land owners; and</li> </ul> | D                         | 2        |

| No.           | Obligation Under:               |   | Summary Description of Obligation  | Audit Priority Applied<br>(Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|---------------|---------------------------------|---|--|---|--|---------------------------|----------|
|               | Water Services Regulations 2013 | Water Services (Operating) Licence – Versions 4 and 5 |  |   |  | Including Recommendations | Controls |
|               | Regulation Number               | Clause Number   |  |   |  |                           |          |
| 88<br>(cont.) |                                 |   |  |   | <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with regulation 75(1). However, as this compliance obligation is no longer applicable to the Shire, no recommendation is made.</li> </ul>   |                           |          |
| 89            | 85                              | 5.1/3.1.1   | Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review. | 5   | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, no compliance notices were given; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with regulation 85. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | NR       |

Table 10: Audit Observations and Recommendations

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 65 to 91)]

| No. | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |            |
|-----|--|---|---|--|---|---------------------------|----------|------------|
|     | Clause Number  | Clause Number   |   |  |   | Including Recommendations | Controls | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |   |                           |          |            |
| 92  | 7  | 5.3/3.1.1   | The licensee must have written information for customers about the prescribed matters.  | 4  | <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Customer Service Charter but could not find any references to the stipulations of clause 7(2) of the Water Services Code of Conduct (Customer Service Standards) 2013 (“Code of Conduct”); and</li> <li>Paxon searched the Shire’s website on 09/02/2018 but could not find any references to the stipulations of clause 7(2) of the Code of Conduct.</li> </ul> <p><b>Recommendation 7/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should make the information stipulated in clause 7(2) of the Code of Conduct publicly available to customers.</li> </ul> | D                         | 4        |            |
| 93  | 8  | 5.3/3.1.1   | The licensee must ensure that, in any 12-month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements. | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, customers employed independent plumbers to connect to the Shire’s sewerage infrastructure. Thus, this compliance obligation was not applicable to the Shire’s operations during the Audit Period; and</li> <li>As this compliance obligation was not applicable to the Shire’s operations during the</li> </ul>  | NA                        | NA       |            |

| No.        | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|------------|--|---|--|--|---|--------------------------|------------|
|            | Clause Number  | Clause Number   |  |  |   | Controls                 | Compliance |
| 93 (cont.) | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |   |                          |            |
| 94         | 9  | 5.3/3.1.1   | The licensee must issue a bill for non-quantity charges to each customer at least once in every 12-month period. | 4  | <p>Audit Period, no systems, processes and controls were required to have existed therefore.</p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, bills for sewerage charges were issued on an annual basis;</li> <li>• Paxon examined a sample of “Rate Notices” issued during the Audit Period and confirmed sewerage charges were an annual charge; and</li> <li>• Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these procedures deal specifically with charging rates; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 9 of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                        | 1          |

| No. | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|-----|--|---|---|--|--|---------------------------|----------|------------|
|     | Clause Number  | Clause Number   |   |  |  | Including Recommendations | Controls | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |  |                           |          |            |
| 95  | 10(2)  | 5.3/3.1.1   | The licensee must issue a bill for usage to each customer at least once in every 6-month period.                        | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire exclusively charged customers for the sewerage services it provided. Sewerage charges were based on gross rental values and not usage. Thus, this obligation was not applicable to the Shire’s operations during the Audit Period;</li> <li>• Paxon examined a sample of “Rate Notices” issued during the Audit Period and confirmed these notices did not contain any charges for water services other than sewerage charges; and</li> <li>• As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                        | NA       |            |
| 96  | 10(3)  | 5.3/3.1.1   | The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged. | 4  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 95 above.</li> </ul>  | NA                        | NA       |            |

| No. | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|-----|--|---|--|--|--|---------------------------|----------|------------|
|     | Clause Number  | Clause Number   |  |  |  | Including Recommendations | Controls | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |  |                           |          |            |
| 97  | 10(4)  | 5.3/3.1.1   | If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged. | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 95 above.</li> </ul>  | NA                        | NA       |            |
| 98  | 10(5)  | 5.3/3.1.1   | If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.  | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 95 above.</li> </ul>  | NA                        | NA       |            |
| 99  | 11   | 5.3/3.1.1   | The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.                                     | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did send bills to the water service delivery address, or a nominated address;</li> <li>Paxon examined a sample of “Rate Notices” issued during the Audit Period and found instances of bills sent to: <ul style="list-style-type: none"> <li>Water service delivery addresses; and</li> <li>Nominated addresses (postal addresses).</li> </ul> </li> <li>Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these</li> </ul> | D                         | 1        |            |

| No.        | Obligation Under: |               | Summary Description of Obligation                  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|------------|-------------------|---------------|--|--|--|--------------------------|------------|
|            | Clause Number     | Clause Number |  |  |  | Controls                 | Compliance |
| 99 (cont.) |                   |               |  |  | <p>procedures deal specifically with charging rates; and</p> <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 11 of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  |                          |            |
| 100        | 12(1)             | 5.3/3.1.1     | Each bill must contain the prescribed information. | 4  | <ul style="list-style-type: none"> <li>This clause came into operation on 18 November 2015;</li> <li>Paxon examined a sample of "Rate Notices" issued after this date and found these notices, with some exceptions, complied with the stipulations of clause 12(1) of the Code of Conduct. The examined "Rate Notices" did not disclose:               <ul style="list-style-type: none"> <li>Shire's website address;</li> <li>Contact details for account, payment and general enquiries for use by customers with hearing or speech impairment; and</li> <li>A statement that the website contains information about complaints and review.</li> </ul> </li> </ul> | D                        | 2          |

| No.            | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|----------------|-------------------|---------------|---|--|---|---------------------------|----------|
|                | Clause Number     | Clause Number |   |  |   | Including Recommendations | Controls |
| 100<br>(cont.) |                   |               |   |  | <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these procedures deal specifically with charging rates; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 12(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 8/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should amend its “Rate Notices” to comply with the stipulations of clauses 12(1)(m), (o) and (p) of the Code of Conduct.</li> </ul> |                           |          |
| 101            | 12(2)             | 5.3/3.1.1     | Each bill for usage for a metered water service must, in addition to the requirements of clause 12(1), contain the specified information. | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 95 above.</li> </ul>   | NA                        | NA       |
| 102            | 12(3)             | 5.3/3.1.1     | Each bill must inform the customer of the specified information and where further details can be obtained.                                | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 95 above in respect of compliance with the stipulations of clause 12(3)(a);</li> <li>See the findings for compliance obligation</li> </ul>   | D                         | 2        |

| No.         | Obligation Under: |               | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-------------|-------------------|---------------|--|--|--|---------------------------|----------|
|             | Clause Number     | Clause Number |  |  |  | Including Recommendations | Controls |
| 102 (cont.) |                   |               |  |  | <p>number 65 above in respect of compliance with the stipulations of clauses 12(3)(b) to (d) of the Code of Conduct; and</p> <ul style="list-style-type: none"> <li>Paxon could not find any reference to the provisions of clauses 12(3)(e) and (f) of the Code of Conduct.</li> </ul> <p><b>Recommendation 9/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should amend its “Rate Notices” to comply with the stipulations of clauses 12(3)(e) and (f) of the Code of Conduct.</li> </ul>   |                           |          |
| 103         | 13(1)             | 5.3/3.1.1     | If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate. | 4  | <ul style="list-style-type: none"> <li>Paxon examined a sample of “Rate Notices” issued during the Audit Period and confirmed sewerage charges were an annual charge which was based on the gross rental value of the property. Thus, no estimates were made during the Audit Period. Thus, this compliance obligation was not applicable to the Shire’s operations during the Audit Period; and</li> <li>As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                        | NA       |

| No. | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|--|---|---|--|--|---------------------------|----------|
|     | Clause Number  | Clause Number   |   |  |  | Including Recommendations | Controls |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |  |                           |          |
| 104 | 13(2)  | 5.3/3.1.1   | The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.  | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 103 above.</li> </ul>   | NA                        | NA       |
| 105 | 14(1)  | 5.3/3.1.1   | The licensee must provide to the customer on request a meter reading and a bill in the prescribed circumstances.  | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 65 above</li> </ul>   | NA                        | NA       |
| 106 | 15   | 5.3/3.1.1   | The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak. | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 65 above</li> </ul>   | NA                        | NA       |
| 107 | 16(2)  | 5.3/3.1.1   | The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12-month period ending on the day on which the licensee informed the customer of the undercharging.  | 3  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, no undercharging of customers took place;</li> <li>Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these procedures deal specifically with charging rates; and</li> </ul> | D                         | NR       |

| No.         | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|---|--|---|--------------------------|------------|
|             | Clause Number     | Clause Number |   |  |   | Controls                 | Compliance |
| 107 (cont.) |                   |               |   |  | <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 16(2) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |                          |            |
| 108         | 16(3)             | 5.3/3.1.1     | An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct. | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 107 above.</li> </ul>  | D                        | NR         |
| 109         | 16(4)             | 5.3/3.1.1     | The licensee must not charge interest or late payment fees on an undercharged amount.   | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 107 above.</li> </ul>  | D                        | NR         |
| 110         | 16(5)             | 5.3/3.1.1     | The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.  | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 107 above.</li> </ul>  | D                        | NR         |

| No. | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|-----|--|---|--|--|--|---------------------------|----------|------------|
|     | Clause Number  | Clause Number   |  |  |  | Including Recommendations | Controls | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |  |                           |          |            |
| 111 | 17(1)  | 5.3/3.1.1   | If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount. | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, no overcharging of customers took place;</li> <li>• Paxon examined the Shire's Procedure Manual and found it contains several "Finance" procedures. However, none of these procedures deal specifically with charging rates; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 17(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above.)</li> </ul> | D                         | NR       |            |
| 112 | 17(2)  | 5.3/3.1.1   | The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.  | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 111 above.</li> </ul>   | D                         | NR       |            |
| 113 | 18(1)  | 5.3/3.1.1   | The licensee must review a bill on the customer's request  | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, no customer requested the review of the sewerage charges included in a bill. The</li> </ul>  | D                         | NR       |            |

| No.         | Obligation Under:  | Summary Description of Obligation                     | Audit Priority Applied (Rated as: 1 – High to 5 – Low)  | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations | Ratings (as per Table 8) |
|-------------|--|---|---|---|--------------------------|
|             | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 | Including Recommendations   | Controls  | Compliance               |
| 113 (cont.) |  |   | <p>Finance Officer stated that, during the Audit Period, only verbal enquiries were made in respect of the gross rental value used to calculate the annual sewerage rate;</p> <ul style="list-style-type: none"> <li>• Paxon examined the Shire’s Procedure Manual and found it contains several “Finance” procedures. However, none of these procedures deal with the review of bills;</li> <li>• Paxon examined the Shire’s Customer Service Charter and found it contains no reference to the review of bills;</li> <li>• Paxon searched the Shire’s website on 09/02/2018 but could not find any references to the stipulations of clause 18 of the Code of Conduct;</li> <li>• Paxon examined the document entitled: “Shire of Gnowangerup - Financial Hardship Policy – Water” (“Financial Hardship Policy”) which states in the section entitled: “Complaints Handling”:</li> </ul> <p>“If you are not satisfied with the way we handle your complaint, you may refer your complaint to the Energy &amp; Water Ombudsman. The Energy &amp;</p> |   |                          |

| No.         | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|--|---|--|--|--|--------------------------|------------|
|             | Clause Number  | Clause Number   |  |  |  | Controls                 | Compliance |
| 113 (cont.) | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  | <p><i>Water Ombudsman will investigate your complaint and may mediate the dispute between you and us.”</i></p> <p>Paxon regards this information as being too vague and thus does not regard it as a reference to bill reviews; and</p> <ul style="list-style-type: none"> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 18 of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 10/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should write a bill review procedure which complies with the stipulations of section 18 of the Code of Conduct.</li> </ul> |                          |            |
| 114         | 18(2)  | 5.3/3.1.1   | The license must have a written procedure for the review of a bill on the customer’s request.          | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 113 above.</li> </ul>   | D                        | 4          |
| 115         | 18(3) & (6)  | 5.3/3.1.1   | The review procedure in clause 18(2) must include the specified information and be publicly available. | 3  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 113 above.</li> </ul>   | D                        | 4          |

| No. | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|--|---|---|--|--|---------------------------|----------|
|     | Clause Number  | Clause Number   |   |  |  | Including Recommendations | Controls |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |  |                           |          |
| 116 | 18(4)  | 5.3/3.1.1   | The review procedure must state that the customer may, but does not have to, use the licensee’s complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act. | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 113 above.</li> </ul>   | D                         | 4        |
| 117 | 18(5)  | 5.3/3.1.1   | The licensee must inform the customer of the outcome of a review of the customer’s bill as soon as practicable or otherwise less than 15 business days from the day the customer’s request for review was received.   | 3  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 113 above.</li> </ul>   | D                         | NR       |
| 118 | 20   | 5.3/3.1.1   | The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.  | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the due date for the payment of a bill was 35 days after the bill was issued; and</li> <li>Paxon examined a sample of “Rate Notices” issued during the Audit Period and found the notices state:<br/><i>“rates and services are payable within 35 days of the date of issue of the original rate notice”.</i></li> </ul> | A                         | 1        |

| No. | Obligation Under: |               | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|-----|-------------------|---------------|--|--|---|---------------------------|----------|
|     | Clause Number     | Clause Number |  |  |   | Including Recommendations | Controls |
| 119 | 21(1)             | 5.3/3.1.1     | The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer. | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did allow customers to pay bills using any of the prescribed methods, excluding direct debit;</li> <li>• Paxon examined a sample of “Rate Notices” issued during the Audit Period and found it provided for payment by:               <ul style="list-style-type: none"> <li>○ By phone or internet (Bpay);</li> <li>○ By mail; and</li> <li>○ In person.</li> </ul>               Thus, neither the direct debit nor the Centrepay option was available to customers during the Audit Period;</li> <li>• Paxon searched the Shire’s website on 09/02/2018 but could not find any references to the different payment methods stipulated in clause 21(1) of the Code of Conduct. The website only provides “Schedules of Fees and Charges” for different financial years, but this information is limited to actual tables of fees and charges (no rates brochures); and</li> </ul> | D                         | 4        |

| No.         | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|--|---|--|--|--|--------------------------|------------|
|             | Clause Number  | Clause Number   |  |  |  | Controls                 | Compliance |
| 119 (cont.) | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  | <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 21(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 11/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should allow customers to pay bills using all the prescribed methods listed in clause 21(1) of the Code of Conduct. The “Rate Notices” should refer to all these prescribed methods.</li> </ul> |                          |            |
| 120         | 21(2)  | 5.3/3.1.1   | The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did not levy fees or charges for the different bill payment methods offered to customers;</li> <li>Paxon examined a sample of “Rate Notices” issued during the Audit Period and found it did not contain any references to fees and charges associated with the different bill payment method offered; and</li> </ul>  | NP                       | NR         |

| No.         | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|-------------|-------------------|---------------|---|--|---|---------------------------|----------|
|             | Clause Number     | Clause Number |   |  |   | Including Recommendations | Controls |
| 120 (cont.) |                   |               |   |  | <ul style="list-style-type: none"> <li>Specific systems, processes and controls are only expected to be put in place when the Shire starts to levy fees and charges on the different payment methods offered.</li> </ul>  |                           |          |
| 121         | 22                | 5.3/3.1.1     | Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did not allow payment by direct debit; and</li> <li>Specific systems, processes and controls are only expected to be put in place when the Shire starts to offer direct debit as a payment method.</li> </ul>   | NP                        | NR       |
| 122         | 23(1)             | 5.3/3.1.1     | The licensee must accept payment in advance from a customer on a customer’s request.  | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did accept payment in advance from a customer on a customer’s request;</li> <li>Paxon searched the Shire’s website on 09/02/2018 but could not find any references to accepting payment in advance from a customer at the customer’s request. The website only provides “Schedules of Fees and Charges” for different financial years, but this information is</li> </ul> | D                         | 1        |

| No.         | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|---|--|---|--------------------------|------------|
|             | Clause Number     | Clause Number |   |  |   | Controls                 | Compliance |
| 122 (cont.) |                   |               |   |  | limited to actual tables of fees and charges (no rates brochures); and <ul style="list-style-type: none"> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 23(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 12/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should consider informing customers that customers can make payments in advance.</li> </ul> |                          |            |
| 123         | 24                | 5.3/3.1.1     | The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did on request and at no charge redirect a customer's bills because of the customer's absence or illness; and</li> <li>Paxon examined the Shire's Financial Hardship Policy which states under the heading: "Useful Information":<br/><i>"Redirection of rate notice: We will advise you of your right to have your rate notice redirected to</i></li> </ul>                            | A                        | 1          |

| No.         | Obligation Under: |                   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|-------------------|-------------------|--|--|--|--------------------------|------------|
|             | Clause Number     | Clause Number     |  |  |  | Controls                 | Compliance |
| 123 (cont.) |                   |                   |  |  | another person free of charge if you are absent or ill."   |                          |            |
| 124         | 25                | 5.3/3.1.1         | The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did allow customers more time to pay bills or to pay arrears, in cases where it assessed the customer as experiencing payment difficulties; and</li> <li>Paxon examined the "Shire of Gnowangerup - Procedure Manual - 2018" and found procedure "4.7 Collection of Outstanding Debts Procedure (Policy 4.4)" addresses clause 25 of the Code of Conduct in appropriate detail.</li> </ul> | A                        | 1          |
| 125         | 26(1) & (2)       | 5.3/3.1.1 & 5.4.1 | The licensee must have a written policy in relation to financial hardship that is approved by the ERA.   | 4  | <ul style="list-style-type: none"> <li>The Shire does have a financial hardship policy entitled: "Shire of Gnowangerup - Financial Hardship Policy – Water";</li> <li>The ERA approved the Shire's Financial Hardship Policy on 16 May 2014; and</li> <li>This compliance obligation was a once-off requirement and does not require any systems, processes and controls on a perpetual basis.</li> </ul>  | NP                       | 1          |

| No.  | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|------|--|---|--|--|---|--------------------------|------------|
|      | Clause Number  | Clause Number   |  |  |   | Controls                 | Compliance |
|      | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |   |                          |            |
| 126  | 26(3)  | 5.3/3.1.1   | If the licensee’s licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6-month period starting on the day on which section 27 of the Act comes into effect. | 4  | <ul style="list-style-type: none"> <li>The Shire’s Water Services Licence commenced on 29 April 1996. As such, it was in place before the commencement of the Act;</li> <li>Section 27 of the Act took effect on 18 November 2013. As such, the Shire’s Financial Hardship Policy must have been finalised by 17 May 2014;</li> <li>The Shire’s Financial Hardship Policy was approved by the ERA on 16 May 2014. Thus, the Shire complied with clause 26(3) in the Code of Conduct; and</li> <li>This compliance obligation was a once-off requirement and does not require any systems, processes and controls on a perpetual basis.</li> </ul> | NP                       | 1          |
| 127. | 26(4)  | 5.3/3.1.1   | If the licensee’s licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.  | 4  | <ul style="list-style-type: none"> <li>The Shire’s Water Services Licence commenced on 29 April 1996. The Act, with some exceptions, came into effect on 18 November 2013. As such, the Shire’s Licence was in place before the commencement of the Act; and</li> <li>Thus, this clause is not applicable to the Shire.</li> </ul>  | NA                       | NA         |

| No. | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|--|---|---|--|--|---------------------------|----------|
|     | Clause Number  | Clause Number   |   |  |  | Including Recommendations | Controls |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |  |                           |          |
| 128 | 26(5)  | 5.3/3.1.1   | The licensee's financial hardship policy must be publicly available   | 4  | <ul style="list-style-type: none"> <li>• Paxon found the Shire's Financial Hardship Policy was available on the Shire's website on 09/02/2018; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 26(5) of the Code of Conduct. A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  | D                         | 1        |
| 129 | 26(6)  | 5.3/3.1.1   | The licensee must review its financial hardship policy at least once in every 5-year period and, as part of the review process, consult with relevant consumer organisations                      | 3  | <ul style="list-style-type: none"> <li>• The Shire's Financial Hardship Policy is dated February 2014. Thus, a review of the document is only required by February 2019, which date follows the Audit Period; and</li> <li>• Paxon examined the Shire's Financial Hardship Policy which states under the heading: "Approval and Review":<br/><i>"We will review our policy at least every five years to ensure it remains up-to-date and relevant."</i></li> </ul> | A                         | NR       |
| 130 | 27(2)  | 5.3/3.1.1   | The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to | 4  | <ul style="list-style-type: none"> <li>• The Shire does have a financial hardship policy entitled: "Shire of Gnowangerup - Financial Hardship Policy – Water"; and</li> </ul>  | A                         | 1        |

| No.         | Obligation Under: |               | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|--|--|--|--------------------------|------------|
|             | Clause Number     | Clause Number |  |  |  | Controls                 | Compliance |
| 130 (cont.) |                   |               | pay the bill or to pay arrears.  |  | <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Financial Hardship Policy which states under the heading: <i>“Identifying Customers in Financial Hardship”</i>:<br/><i>“If we determine that you are in financial hardship, we will offer you more time to pay the water services portion of your rate notice or a payment plan for this portion. We will not charge you any fees or interest as part of your extension or payment plan.”</i></li> </ul>   |                          |            |
| 131         | 27(3)             | 5.3/3.1.1     | The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire did not consider reducing the amount owed, where the customer was experiencing financial hardship. However, Paxon examined the Shire’s Financial Hardship Policy which states under the heading entitled: <i>“Debt Reduction and Collection”</i>:<br/><i>“If you are in financial hardship, we will consider reducing the amount you owe us.”</i></li> </ul> <p>Thus, the Shire did not comply with the stipulations of its Financial Hardship Policy during the Audit Period;</p> | B                        | 2          |

| No.         | Obligation Under:  |   | Summary Description of Obligation | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|--|---|-----------------------------------|--|--|--------------------------|------------|
|             | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |                                   |  | Including Recommendations  | Controls                 | Compliance |
| 131 (cont.) |  |   |                                   |  | <ul style="list-style-type: none"> <li>• The Shire’s Financial Hardship Policy states under the heading entitled: “Useful Information”:               <ul style="list-style-type: none"> <li>○ “Redirection of rate notice: We will advise you of your right to have your rate notice redirected to another person free of charge if you are absent or ill.”;</li> <li>○ “Payment options: You may pay your rate notice by direct debit, Centrepay, internet, telephone or post.”; and</li> <li>○ “Financial counselling: We will advise you of any financial counselling services or other organisations that may be available to you.”</li> </ul> </li> <li>• Paxon examined a sample of “Rate Notices” issued during the Audit Period and found payment by direct debit and the Centrepay option were not available to customers during the Audit Period. A recommendation (11/2017) was made in this regard (see reference number 119 above);</li> <li>• Paxon examined the Shire’s Financial Hardship Policy but could not find any reference to any other financial assistance to</li> </ul> |                          |            |

| No.         | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|---|--|--|--------------------------|------------|
|             | Clause Number     | Clause Number |   |  | Including Recommendations  | Controls                 | Compliance |
| 131 (cont.) |                   |               |   |  | <p>which the customer may be entitled including from Government-funded grant schemes.</p> <p><b>Recommendation 13/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should: <ul style="list-style-type: none"> <li>Consider reducing an amount owing by a customer to the Shire if the customer is assessed to be in financial hardship; and</li> <li>Inform its customers appropriately of the stipulations of clauses 27(3)(c)(v) of the Code of Conduct.</li> </ul> </li> </ul>  |                          |            |
| 132         | 28(1)             | 5.3/3.1.1     | Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s Finance Officer that, during the Audit Period, the Shire only entered into payment plans or other similar arrangements with property owners; and</li> <li>Paxon examined the Shire’s Financial Hardship Policy which states under the heading: <i>“Identifying Customers in Financial Hardship”</i>:<br/><br/><i>“If you are a tenant, we must make sure that the land owner is aware of us giving you an extension or entering into a payment plan with you before we</i></li> </ul> | A                        | NR         |

| No.         | Obligation Under: |               | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-------------|-------------------|---------------|--|--|--|---------------------------|----------|
|             | Clause Number     | Clause Number |  |  |  | Including Recommendations | Controls |
| 132 (cont.) |                   |               |  |  | <i>do so. We can agree that you notify the land owner of the proposed extension or payment plan (and provide us with evidence that you have done so), or you can give us permission to notify the land owner."</i>   |                           |          |
| 133         | 28(4) & (5)       | 5.3/3.1.1     | The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.   | 4  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 128 above</li> </ul>  | D                         | 1        |
| 134         | 29                | 5.3/3.1.1     | The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship. | 4  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did not commence or continue proceedings to recover a debt from a customer who was complying with a payment plan or other arrangement; and</li> <li>Paxon examined the Shire's Financial Hardship Policy which states under the heading: "<i>Debt Reduction and Collection</i>":                             <ul style="list-style-type: none"> <li><i>"We will also not commence or continue proceedings to recover your debt:</i> <ul style="list-style-type: none"> <li><i>o while we are assessing whether or not you are in financial hardship; or</i></li> </ul> </li> </ul> </li> </ul> | A                         | 1        |

| No.         | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-------------|--|---|---|--|--|---------------------------|----------|
|             | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  |  | Including Recommendations | Controls |
|             | Clause Number  | Clause Number   |   |  |  |                           |          |
| 134 (cont.) |  |   |   |  | o if you are complying with your payment plan or another payment arrangement you have with us.   |                           |          |
| 139         | 33   | 5.3/3.1.1   | The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.   | 4  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services. Thus, this obligation was not applicable to the Shire’s operations during the Audit Period; and</li> <li>• As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                        | NA       |
| 142         | 34(4)  | 5.3/3.1.1   | The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise. | 4  | <ul style="list-style-type: none"> <li>• See the findings for reference number 139 above.</li> </ul>   | NA                        | NA       |
| 144         | 34(6)  | 5.3/3.1.1   | The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12-month period ending on 30 June.                     | 4  | <ul style="list-style-type: none"> <li>• See the findings for reference number 139 above.</li> </ul>   | NA                        | NA       |

| No. | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-----|--|---|--|--|--|--------------------------|------------|
|     | Clause Number  | Clause Number   |  |  |  | Controls                 | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |  |                          |            |
| 145 | 35(1)  | 5.3/3.1.1   | The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service. | 4  | <ul style="list-style-type: none"> <li>o Paxon examined the Shire’s Customer Service Charter which under the heading: “Complaints” addresses complaints from a general perspective (not specifically in respect of complaints regarding the provision of water services); and</li> <li>o Paxon examined the Shire’s Financial Hardship Policy which in section 7 entitled: “Complaints handling” contains a very basic complaint handling procedure.</li> </ul>  | A                        | 1          |
| 146 | 35(2)  | 5.3/3.1.1   | The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the ERA's guidelines (if any).   | 4  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 145 above; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 35(2) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 14/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should review its complaints procedure to ensure it meets the relevant provisions of AS ISO 10002-2006 and the ERA document entitled: “Customer Complaints</li> </ul> | D                        | 3          |

| No.         | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|--|---|--|--|--|--------------------------|------------|
|             | Clause Number  | Clause Number   |  |  |  | Controls                 | Compliance |
| 146 (cont.) | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  | Guidelines: distinguishing customer queries from complaints."  |                          |            |
| 147         | 35(3)  | 5.3/3.1.1   | The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints. | 4  | <ul style="list-style-type: none"> <li>Paxon examined the Shire's Customer Service Charter and Financial Hardship Policy;</li> <li>The Customer Service Charter states:                             <p><i>"In handling your complaint we will:...</i></p> <p><i>Ensure that you will be contacted and advised of the course of action to be taken in a timeframe of 3 business days."</i></p> </li> <li>Paxon found a document entitled: <i>"Shire of Gnowangerup – Complaints Form"</i> on the Shire's website on 13/02/2018. This form states:                             <p><i>"We aim to respond to all complaints within 5 – 15 working days (depending on the nature of the complaint)."</i></p> <p>Paxon notes this form refers to responding to complaints within 15 working days and not resolving complaints within 15 business days starting on the date the complaint was received;</p> </li> <li>The Financial Hardship Policy does address dispute resolution arrangements – referring</li> </ul> | D                        | 3          |

| No.            | Obligation Under:  |   | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|----------------|--|---|---|--|--|--------------------------|------------|
|                | Clause Number  | Clause Number   |   |  |  | Controls                 | Compliance |
| 147<br>(cont.) | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |   |  | <p>complaints to the “Energy &amp; and Water Ombudsman”;</p> <ul style="list-style-type: none"> <li>• However, neither of the above-mentioned two documents addresses the resolving of a complaint before the end of the period of 15 business days starting on the day the complaint was received; and</li> </ul> <p>Paxon found the Shire has no systems and controls in place to manage compliance with clause 35(3) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 4 above).</p> <p><b>Recommendation 15/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should ensure its complaints procedure provides for all the matters stipulated in Clause 35(3) of the Code of Conduct.</li> </ul> |                          |            |
| 148            | 35(4)  | 5.3/3.1.1   | The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the | 3  | <ul style="list-style-type: none"> <li>• Paxon examined the Shire’s Customer Service Charter and Financial Hardship Policy;</li> <li>• The Financial Hardship Policy states:<br/>“If you are not satisfied with the way we handle</li> </ul>   | D                        | 3          |

| No.         | Obligation Under:  | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |
|-------------|--|--|--|---|--------------------------|
|             | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5                      |  | Including Recommendations   | Controls Compliance      |
| 148 (cont.) |  | complaint resolution procedure or instead of the procedures under the Act. |  | <p><i>your complaint, you may refer your complaint to the Energy &amp; Water Ombudsman.</i></p> <p>In other words, this referral is stated as a dispute resolution procedure and not as an alternative complaint reporting avenue;</p> <ul style="list-style-type: none"> <li>• Neither of the above-mentioned two documents refer to applications to the State Administrative Tribunal as provided for in section 222(2)(k) of the Act;</li> <li>• Neither of the above-mentioned two documents set out the costs and benefits to the customer if he/she uses the Shire’s complaint resolution procedure or instead of the procedures under the Act; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 35(4) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 4 above).</li> </ul> <p><b>Recommendation 16/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should ensure its complaints procedure informs customers of the matters</li> </ul> |                          |

| No.         | Obligation Under: |               | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|---|--|---|--------------------------|------------|
|             | Clause Number     | Clause Number |   |  |   | Controls                 | Compliance |
| 148 (cont.) |                   |               |   |  | stipulated in Clause 35(4) of the Code of Conduct.  |                          |            |
| 149         | 35(6)             | 5.3/3.1.1     | The licensee's complaints procedure must be publicly available.                               | 4  | <ul style="list-style-type: none"> <li>• Paxon found both the Shire's Customer Service Charter and Financial Hardship Policy was available on the Shire's website on 12/02/2018; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 35(6) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>  | D                        | 1          |
| 150         | 36(1)             | 5.3/3.1.1     | The licensee must provide a customer with the specified services on request and at no charge. | 4  | <ul style="list-style-type: none"> <li>• Paxon examined the Shire's Financial Hardship Policy which on the front page of the document provides contact details in respect of: <ul style="list-style-type: none"> <li>○ Services for use by customers with hearing or speech impairment; and</li> <li>○ Interpreter services.</li> </ul> </li> <li>• Paxon also examined the Shire's Customer Service Charter and a sample of "Rate Notices" issued during the Audit Period. However,</li> </ul> | D                        | NR         |

| No.         | Obligation Under: |               | Summary Description of Obligation | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-------------|-------------------|---------------|-----------------------------------|--|--|--------------------------|------------|
|             | Clause Number     | Clause Number |                                   |  |  | Controls                 | Compliance |
| 150 (cont.) |                   |               |                                   |  | <p>neither of these documents refers to the above-mentioned types of services, and more specifically to providing it for for account, payment and general enquiries;</p> <ul style="list-style-type: none"> <li>• None of the above-mentioned three documents addresses providing, at the customer’s request and free of charge, a large-print version of any of the licensee’s publicly available documents; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 36(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 17/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should consider providing details of the services stipulated in Clause 36(1) of the Code of Conduct on “Rate Notices” and in its Customer Service Charter.</li> </ul> |                          |            |
| 151         | 36(1)             | 5.3/3.1.1     |                                   | 4  | <ul style="list-style-type: none"> <li>• This obligation is a duplication of compliance obligation 150 above.</li> </ul>   | NA                       | NA         |

| No. | Obligation Under:  |   | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |            |
|-----|--|---|--|--|--|---------------------------|----------|------------|
|     | Clause Number  | Clause Number   |  |  |  | Including Recommendations | Controls | Compliance |
|     | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  |  |  |                           |          |            |
| 152 | 36(2)  | 5.3/3.1.1   | The licensee must make available to each customer the customer’s personal account information. | 4  | <ul style="list-style-type: none"> <li>• Paxon examined a sample of “Rate Notices” issued during the Audit Period and found customers’ personal account information was disclosed thereon; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 36(2) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>   | D                         | 1        |            |
| 153 | 37(1)  | 5.3/3.1.1   | The licensee must make the prescribed information publicly available.                          | 3  | <ul style="list-style-type: none"> <li>• Paxon searched the Shire’s website and found: <ul style="list-style-type: none"> <li>◦ Schedule of Fees and Charges 2017-2018; and</li> <li>◦ Schedule of Fees and Charges 2016-2017.</li> </ul> </li> <li>• However, these documents do not provide any information in respect of the annual sewerage charges levied by the Shire;</li> <li>• Paxon also examined the Shire’s Customer Service Charter and Financial Hardship Policy. However, Paxon could not find any references in the above-mentioned two documents examined nor on the Shire’s website in respect of planned and unplanned interruptions of water supply or other incidents that may</li> </ul> | D                         | 3        |            |

| No.         | Obligation Under:  | Summary Description of Obligation                     | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |
|-------------|--|---|--|---|--------------------------|
|             | Water Services Code of Conduct (Customer Service Standards) 2013 | Water Services (Operating) Licence - Versions 4 and 5 |  | Including Recommendations   | Controls Compliance      |
| 153 (cont.) |  |   |  | <p>significantly affect the provision of water services to customers;</p> <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services. Thus, the provisions of clause 37(1) (e) to (k) of the Code of Conduct was not applicable to the Shire’s operations during the Audit Period;</li> <li>• See the findings for compliance obligation 150 above in respect of compliance with clause 37(1)(d) of the Code of Conduct; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 37(1) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> <p><b>Recommendation 18/2017:</b></p> <ul style="list-style-type: none"> <li>• The Shire should make the prescribed information stipulated in clauses 37(1) (a), (b), and (l) of the Code of Conduct publicly available.</li> </ul> |                          |

| No. | Obligation Under:  |  | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|--|--|--|--|--|---------------------------|----------|
|     | Clause Number  | Clause Number  |  |  |  | Including Recommendations | Controls |
| 154 | Water Services Code of Conduct (Customer Service Standards) 2013<br>Notes – Clause 12 [clause 37(2)] | Water Services (Operating) Licence - Versions 4 and 5<br>5.3/3.1.1 | The licensee must ensure that the specified information about bill may be obtained from its website. | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the Shire provided non-potable water supply services (limited to Shire property) and sewerage services. Thus, the provisions of clauses 37(2) (a) to (d) of the Code of Conduct was not applicable to the Shire’s operations during the Audit Period;</li> <li>• See the findings for compliance obligation 113 above in respect of review information available on the Shire’s website;</li> <li>• See the findings for compliance obligations 145 to 149 above in respect of complaints information available on the Shire’s website; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 37(2) of the Code of Conduct. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | 2        |

**Table 10: Audit Observations and Recommendations**

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 92 to 154)]

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12)<br><br>Clause Number | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|-----|--|--|--|---|--------------------------|------------|
|     |  |  |  | Including Recommendations   | Controls                 | Compliance |
| 155 | 4/3.2.1  | The licensee must pay the applicable fees and charges in accordance with the applicable regulations.   | 5  | <ul style="list-style-type: none"> <li>The State Government determined in 2010 that small local government water service providers (with fewer than 1000 connections) would not be required to pay the ERA’s licence fees;</li> <li>The Shire’s performance data sheet for 2015-2016 shows the Shire had 75 connected properties for sewerage services during that period. Thus, this compliance obligation was not applicable to the Shire’s operations during the Audit Period; and</li> <li>As this compliance obligation was not applicable to the Shire’s operations during the Audit Period, no systems, processes and controls were required to have existed therefore.</li> </ul> | NA                       | NA         |
| 156 | 5.1/3.1.1  | Subject to any modifications or exemptions granted pursuant to the Act and this licence, the licensee must comply with any applicable legislation. | 2  | <ul style="list-style-type: none"> <li>The Shire’s compliance during the Audit Period, with the following legislative instruments is specifically addressed within this Report:                             <ul style="list-style-type: none"> <li>Water Services Act 2012 (see reference numbers 1 to 64 and 155 to 190);</li> <li>Water Services Regulations 2013 (see reference numbers 65 to 91);</li> </ul> </li> </ul>  | NA                       | NA         |

| No.         | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  |          | Ratings (as per Table 8) |  |
|-------------|---|---|--|--|----------|--------------------------|--|
|             |   |   |  | Including Recommendations  | Controls | Compliance               |  |
| 156 (cont.) |   |   |  | <ul style="list-style-type: none"> <li>Water Services Code of Conduct (Customer Service Standards) 2013 (see reference numbers 92 to 154); and</li> <li>Water Services (Operating) Licences, versions 4 and 5 (see reference numbers 155 to 190).</li> </ul>   |          |                          |  |
| 159         | 5.4/3.1.2   | The licensee must comply with a direction from the ERA in relation to a breach of applicable legislation.   | 5  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s CEO that, as per her recollection, no breaches of applicable legislation took place during the Audit Period; and</li> <li>Paxon regards application of clause 3.1.2 of the Water Services Licence - Version 5 to the Shire’s operations will be a rare event. Thus, specific systems, processes and controls are only expected to be put in place when the stipulations of this clause are applicable.</li> </ul> | NP       | NR                       |  |
| 160         | 12/3.6.1  | The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards. | 5  | <ul style="list-style-type: none"> <li>Paxon examined financial reports for the years 2014-2015 to 2016-2017. The independent auditor’s report across all three these financial years stated the financial report complied with Australian Accounting Standards; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 3.6.1 of its</li> </ul>  | D        | 1                        |  |

| No.         | Obligation Under:<br>Water Services Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  |          | Ratings (as per Table 8) |    |
|-------------|---|--|--|--|----------|--------------------------|----|
|             |   |  |  | Including Recommendations  | Controls | Compliance               |    |
| 160 (cont.) |   |  |  | Water Services Licence (“WSL”). A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).  |          |                          |    |
| 162         | 14.4/4.3.4  | The licensee must cooperate with the independent expert and comply with the ERA’s standard audit guidelines dealing with the operational audit.  | 5  | <ul style="list-style-type: none"> <li>The Shire did cooperate with Paxon during the performance of the operational audit and specifically complied with section 10.1 “Assistance provided by the Licensee” as included in the ERA’s document entitled: “Audit and Review Guidelines: Water Licences – July 2014”; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 4.3.4 of its WSL. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |          | D                        | 1  |
| 163         | 15.1(a), (b), (c)/3.7.1 (a), (b), (c)   | The licensee must report to the ERA, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee’s ability to meet its obligations. | 5  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s CEO that, during the Audit Period, it was not under external administration, nor did a material change take place in the circumstances upon which the licence was granted which affected its ability to meet its obligations during the Audit Period; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clause 3.7.1 of its</li> </ul>  |          | D                        | NR |

| No.         | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  |          | Ratings (as per Table 8) |   |
|-------------|---|---|--|--|----------|--------------------------|---|
|             |   |   |  | Including Recommendations  | Controls | Compliance               |   |
| 163 (cont.) |   |   |  | WSL. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).   |          |                          |   |
| 165         | 16.1/3.8.1  | The licensee must provide the ERA specified information relevant to the operation of the licence or the licensing scheme, or the performance of the ERA's function under the Act in the manner and form specified by the ERA. | 3  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire's CEO that, during the Audit Period, the Shire did provide specified information to the ERA in the manner and form specified by the ERA;</li> <li>• Paxon examined documentation in respect of standing charges data which the Shire provided to the ERA in 2017. Paxon noted the ERA stated the information was submitted late and as a result was a contravention of clause 3.8 of the Shire's water services licence. Paxon noted the ERA instructed the Shire to include this non-compliance in the Shire's compliance report for the year ending 30 June 2018; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 3.8.1 of its WSL. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |          | D                        | 2 |

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12)<br><br>Clause Number | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8) |            |
|-----|--|---|--|---|--------------------------|------------|
|     |  |   |  | Including Recommendations   | Controls                 | Compliance |
| 166 | 16.2/3.8.2   | The licensee must comply with any information reporting requirements prescribed by the ERA, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee. | 3  | <ul style="list-style-type: none"> <li>• The Shire’s Compliance Report for 2014-2015 identified four breaches in Schedule A. The front page of this compliance report was not provided for Audit purposes. The cover letter which supported this report is dated 31 August 2015. However, the Shire did not provide Paxon with any documentation to proof the timely submission of this report to the ERA;</li> <li>• The Shire’s Compliance Report for 2015-2016 identified two breaches in Schedule A. The front page of this compliance report as provided to Paxon was not signed by the Shire’s CEO. The ERA acknowledged receipt of this report on 31 August 2016;</li> <li>• The Shire’s Compliance Report for 2016-2017 identified two breaches in Schedule A. Paxon examined an e-mail which shows this report was submitted to the ERA on 29 August 2017;</li> <li>• Paxon examined Schedule A of all three the above-mentioned reports and is satisfied the information provided was in the manner and form specified by the ERA; and</li> </ul> | A                        | 2          |

| No.         | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  |          | Ratings (as per Table 8) |  |
|-------------|---|--|--|--|----------|--------------------------|--|
|             |   |  |  | Including Recommendations  | Controls | Compliance               |  |
| 166 (cont.) |   |  |  | <ul style="list-style-type: none"> <li>Paxon examined the document entitled: “Shire of Gnowangerup – Compliance Calendar” which records this obligation.</li> </ul> <p><b>Recommendation 19/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should keep:                             <ul style="list-style-type: none"> <li>Intact compliance reports as duly completed for future reference (front page as signed off by the CEO and Schedule A); and</li> <li>Records to confirm the timely submission of compliance reports to the ERA.</li> </ul> </li> </ul> |          |                          |  |
| 167         | 16.3/3.8.3  | The licensee must provide the ERA with the data required for performance reporting purposes that is specified in the <i>Water, Sewerage and Irrigation Licence Performance Reporting Handbook</i> , and the National Performance Framework that apply to the licensee. | 3  | <ul style="list-style-type: none"> <li>Paxon examined the Shire’s Performance Report for 2014-2015. The Shire did not provide Paxon with any documentation to proof the timely submission of this report to the ERA;</li> <li>Paxon examined the Shire’s Performance Report for 2015-2016. This report was acknowledged by the ERA on 26 August 2016;</li> <li>Paxon examined the Shire’s Performance Report for 2016-2017. The Shire sent this report to the ERA on 28 August 2017; and</li> <li>Paxon examined the document entitled: “Shire of</li> </ul>                     | A        | 2                        |  |

| No.         | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  |          | Ratings (as per Table 8) |    |
|-------------|---|---|--|--|----------|--------------------------|----|
|             |   |   |  | Including Recommendations  | Controls | Compliance               |    |
| 167 (cont.) |   |   |  | <p><i>Gnowangerup – Compliance Calendar</i>” which records this obligation.</p> <p><b>Recommendation 20/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should keep records to proof the timely submission of compliance reports to the ERA.</li> </ul>   |          |                          |    |
| 168         | 17.2/2.8.1 & 2.8.2  | Subject to clause 2.8.3, the licensee must publish within the specified timeframe any information that the ERA has directed the licensee to publish under clause 2.8.1. | 5  | <ul style="list-style-type: none"> <li>Paxon confirmed by interview of the Shire’s CEO that, as per her recollection, the ERA did not direct the Shire to publish any information during the Audit period; and</li> <li>Paxon found the Shire has no systems and controls in place to manage compliance with clauses 2.8.1 and 2.8.2 of its WSL. A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> |          | D                        | NR |
| 169         | 18.1/2.7.1  | Unless otherwise specified, all notices must be in writing.   | 5  | <ul style="list-style-type: none"> <li>Paxon observed notices were given in writing during the Audit Period. Numerous examples, as referred to throughout this Audit Report, were sighted to support this statement; and</li> <li>Paxon examined the Shire’s: <i>“Information and Records Management Corporate Procedure”</i> which addresses compliance with clause 2.7.1 of its WSL.</li> </ul>  |          | A                        | 1  |

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations   | Ratings (as per Table 8)  |          |
|-----|---|--|--|---|---------------------------|----------|
|     |   |  |  |   | Including Recommendations | Controls |
| 171 | 20.2/4.1.2  | The licensee must notify the ERA of any material change to the asset management system within 10 business days of the change.                          | 5  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Asset and Waste Management Coordinator that, during the Audit Period, no changes in its asset management system took place; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 4.1.2 of its WSL. A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul>   | D                         | NR       |
| 172 | 20.6/4.1.6  | The licensee must cooperate with the independent expert and comply with the ERA’s standard guidelines dealing with the asset management system review. | 5  | <ul style="list-style-type: none"> <li>• The Shire did cooperate with Paxon during the performance of the asset management system effectiveness review and specifically complied with section 10.1: “Assistance provided by the Licensee” as included in the ERA’s document entitled: “Audit and Review Guidelines: Water Licences – July 2014”; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 4.1.6 of its WSL. A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | 1        |
| 173 | 21.1/5.5.1  | The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.          | 5  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 15 above.</li> </ul>   | D                         | 1        |

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12) | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8)  |          |
|-----|---|---|--|--|---------------------------|----------|
|     |   |   |  |  | Including Recommendations | Controls |
| 175 | 23.1/5.1.1  | If directed by the ERA, the licensee must submit a draft customer contract for approval.          | 5  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s Deputy CEO that, during the Audit Period, the ERA did not request the Shire to provide a draft customer contract for approval. Paxon confirmed by interview of the Shire’s CEO that, during the Audit Period, no customer contracts were entered with customers to provide sewerage services; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clauses 5.1 and 5.3 of its WSL. A recommendation (01/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                         | NR       |
| 176 | 23.2/5.1.2  | The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee. | 5  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 175 above.</li> </ul>   | D                         | NR       |
| 177 | 23.3/5.1.3  | The licensee may only amend the customer contract with the ERA’s approval.                        | 5  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 175 above.</li> </ul>   | D                         | NR       |
| 178 | 23.6/5.1.5  | The licensee must comply with any direction by the ERA to amend the customer contract.            | 5  | <ul style="list-style-type: none"> <li>• See the findings for compliance obligation number 175 above.</li> </ul>   | D                         | NR       |

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12)<br><br>Clause Number | Summary Description of Obligation  | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations            | Ratings (as per Table 8) |            |
|-----|--|--|--|--|--------------------------|------------|
|     |  |  |  | Including Recommendations  | Controls                 | Compliance |
| 179 | 24.1 & 24.2/5.3.1 & 5.3.2  | Unless clause 5.3.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> without the prior approval of the ERA.                         | 5  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 175 above.</li> </ul> | D                        | NR         |
| 180 | 24.4/5.3.4   | If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Code of Conduct</i> , the licensee must publish an annual report containing the information specified.   | 5  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 175 above.</li> </ul> | D                        | NR         |
| 181 | 25.1/5.6.1   | If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act. | 2  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 14 above.</li> </ul>  | NP                       | NR         |
| 182 | 28.1(b)/3.4.1 (b)  | If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the ERA.  | 2  | <ul style="list-style-type: none"> <li>See the findings for compliance obligation number 4 above.</li> </ul>   | NP                       | NR         |

| No. | Obligation Under:<br>Water Services (Operating) Licence - Versions 4 & 5 and the Water Services Act 2012 (Section 12)<br><br>Clause Number | Summary Description of Obligation   | Audit Priority Applied (Rated as: 1 – High to 5 – Low) | Systems, Processes and Controls in Place at the Shire to Ensure Compliance with Licence Obligations  | Ratings (as per Table 8) |            |
|-----|--|---|--|--|--------------------------|------------|
|     |  |   |  | Including Recommendations  | Controls                 | Compliance |
| 183 | 30.3/5.4.3   | The licensee must comply with the ERA’s Financial Hardship Policy Guidelines as they apply to the licensee. | 5  | <ul style="list-style-type: none"> <li>• Paxon confirmed by interview of the Shire’s CEO that, during the Audit Period, the Shire did comply with the ERA’s Financial Hardship Policy Guidelines as it applied to the Shire; and</li> <li>• Paxon found the Shire has no systems and controls in place to manage compliance with clause 5.4.3 of its WSL. A recommendation (1/2017) was made in this regard (see compliance obligation number 1 above).</li> </ul> | D                        | 1          |

**Table 10: Audit Observations and Recommendations**

[Obligations as per the ERA’s: “Water Compliance Reporting Manual – Water Services Act 2012 – July 2016” (Numbers 155 to 190)]

**4.4 Current Audit: Non-Compliances and Recommendations**

| Current Audit: Non-Compliances and Recommendations |  |                         |                    |
|--|--|-------------------------|--------------------|
| A. Resolved During Current Audit Period            |  |                         |                    |
| No.  | Control and Compliance Rating                | Date Resolved           | Auditor's Comments |
|  | Legislative Obligation                       | Management Action Taken |                    |
|  | Details for Control and/or Compliance Rating |                         |                    |

- There is no content in Part A.

**Table 11: Current Audit: Non-Compliances and Recommendations (Part A)**

| Current Audit: Non-Compliances and Recommendations   |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period   |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation  |  |   |
|  | Details for Control and/or Compliance Rating  |  |   |
| 1, 2, 5, 7, 15, 16, 17, 18, 20, 25, 28, 30, 31, 32, 35-41, 42-45, 49-57, 62, 63, 64, 69, 74, 75, 89, 94, 99, 100, 107, 111-112, 113-117, 119, 122, 128, 146, 147, 148, 149, 150, 152, 153, 154, 160, 162, 163, 165, 168, 171, 172, 175-180, and 183 (1/2017) | <ul style="list-style-type: none"> <li>• Rating: D 1;</li> <li>• Obligation: Act – section 21(1)(a); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon found the Shire has no systems and controls in place to manage compliance with section 21(1)(a) of the Act. The Shire did provide Paxon with a document entitled: <i>“Shire of Gnowangerup – Compliance Calendar”</i>. This document is generic in nature and records numerous operational obligations across the calendar year. However, this document records an insignificant number of the Shire’s compliance obligations in terms of the:                   <ul style="list-style-type: none"> <li>• Water Services Act 2012;</li> <li>• Water Services Code of Conduct (Customer Service Standards) 2013;</li> <li>• Water Services Regulations 2013; and</li> <li>• Water Services Licence, WL11, Version 5, 1 July 2016.</li> </ul> </li> </ul> <p>(hereinafter collectively referred to as the “Water Legislation”). Paxon noted this document states:</p> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should consider implementing a compliance register which records all its obligations in terms of the Water Legislation. This register should identify, per individual compliance obligation, appropriate policy and procedure documents and responsible employees. The ERA’s document entitled: <i>“Water Compliance Reporting Manual - Water Services Act 2012 – October 2017”</i> may help the Shire to develop its own compliance register.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |                          |  |
|--|--|--------------------------|--|
| B. Unresolved at End of Current Audit Period       |  |                          |  |
| No.  | Control and Compliance Rating  | Auditor's Recommendation | Management Action Taken by End of Audit Period |
|  | Legislative Obligation   |                          |  |
|  | Details for Control and/or Compliance Rating   |                          |  |
| (1/2017)<br>(continued)                            | <p><i>"Last Saved Date: 3/02/2014";</i></p> <ul style="list-style-type: none"> <li>o Paxon examined the document entitled: <i>"Shire of Gnowangerup – Council Policy Register – 2015"</i> ("Policy Register") which records an insignificant number of the Shire's compliance obligations in terms of the Water Legislation;</li> <li>o Paxon examined the document entitled: <i>"Shire of Gnowangerup - Asset Management Plan – Ongerup Sewerage and Effluent Reuse Scheme Assets"</i> ("Asset Management Plan"). Paxon notes this document refers in section 3.10.2 entitled: <i>"Specific Legislative Requirements"</i> to the <i>"Water Services Licensing Act 1995"</i>. Paxon further notes this document refers to a copy of the Shire's Water Services Operating Licence which was in place prior to the Audit Period;</li> <li>o Paxon examined the document entitled: <i>"Shire of Gnowangerup - Customer Service Charter – Version 2 – 2015"</i> ("Customer Service Charter") which records an insignificant number of the Shire's compliance obligations in terms of the Water Legislation; and</li> </ul> |                          |  |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
| Legislative Obligation                             |   |  |   |
| Details for Control and/or Compliance Rating       |   |  |   |
| (1/2017)<br>(continued)                            | <ul style="list-style-type: none"> <li>o Paxon examined the document entitled: <i>"Shire of Gnowangerup – Procedure Manual - 2018"</i> ("Procedure Manual") which records an insignificant number of the Shire's compliance obligations in terms of the Water Legislation.</li> </ul>   |  |   |
| 1<br>(2/2017)                                      | <ul style="list-style-type: none"> <li>• Rating: D 1;</li> <li>• Obligation: Act – section 21(1)(a); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>o Paxon examined the document entitled: <i>"Shire of Gnowangerup - Asset Management Plan – Ongerup Sewerage and Effluent Reuse Scheme Assets"</i> ("Asset Management Plan"). Paxon notes this document refers in section 3.10.2 entitled: <i>"Specific Legislative Requirements"</i> to the <i>"Water Services Licensing Act 1995"</i>. Paxon further notes this document refers to a copy of the Shire's Water Services Operating Licence which was in place prior to the Audit Period.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should update its Asset Management Plan to refer appropriately to the current Water Legislation.</li> </ul>   | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 4<br>(3/2017)                                      | <ul style="list-style-type: none"> <li>• Rating: NP NR;</li> <li>• Obligation: Act – section 22; and</li> <li>• Details:</li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should keep an appropriate record of its water services operating area to proof it matches the operating area disclosed in plan OWR-OA-090(C).</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |   |   |
|--|---|---|---|
| B. Unresolved at End of Current Audit Period       |   |   |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
| Legislative Obligation                             |   |   |   |
| Details for Control and/or Compliance Rating       |   |   |   |
| 4<br>(3/2017)<br>(continued)                       | <ul style="list-style-type: none"> <li>o Paxon did request the Shire to provide the Auditor with a map disclosing its water services operating area during the Audit Period. The Shire did provide Paxon with a map of the Ongerup sewer lines. However, this map could not be compared with the Shire's water services operating area as disclosed in plan OWR-OA-090(C). Thus, Paxon could not independently confirm the Deputy CEO's statement that, during the Audit Period, the Shire did not provide the water service outside of the operating area of the license.</li> </ul> |   |   |
| 16<br>(4/2017)                                     | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• Obligation: Act – section 77(3); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>o Paxon was informed by the Shire's Asset and Waste Management Coordinator ("AWMC") the Shire did not keep a "works register" in respect of operational activities performed regarding the water services it provided during the Audit Period. The AWMC stated most operational activities regarding its water</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should implement a register in which it records appropriate details of service interruptions to proof its compliance with section 77(3) of the Act.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
| Legislative Obligation                             |  |   |   |
| Details for Control and/or Compliance Rating       |  |   |   |
| 16<br>(4/2017)<br>(continued)                      | services were provided by external suppliers. The AWMC stated the only audit trail available in respect of such operational activities was the accounting records of the Shire (purchase orders, suppliers' invoices etc.). Thus, no specific record was kept during the Audit Period, to support the Deputy CEO's statement that no interruptions of sewerage services took place.                |   |   |
| 16<br>(5/2017)                                     | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• Obligation: Act – section 77(3); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ Paxon examined the Shire's Customer Service Charter which does not include any information as to service interruptions.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should include appropriate details of its obligations (from a service delivery perspective) in terms of the Water Legislation in its Customer Service Charter.</li> </ul>  | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 32 and 49-57<br>(6/2017)                           | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• Obligation: Act – section 129(5); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ Paxon was informed by the Shire's Asset and Waste Management Coordinator ("AWMC") the Shire did not keep a "works register" in respect of operational activities performed</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should implement a register in which it records appropriate details of notices of proposed entry (to undertake routine inspections or maintenance) given to the occupier of the place so as to proof its compliance with section 129(5) of the Act.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation   |   |   |
|  | Details for Control and/or Compliance Rating   |   |   |
| 32 and 49-57<br>(6/2017)<br>(continued)            | regarding the water services it provided during the Audit Period. The AWMC stated most operational activities regarding its water services were provided by external suppliers. The AWMC stated the only audit trail available in respect of such operational activities was the accounting records of the Shire (purchase orders, suppliers' invoices etc.). Thus, no specific record was kept during the Audit Period, to support the Asset and Waste Management Coordinator's statement that no entry was made to a place for exercising a works power under the Act. |   |   |
| 92<br>(7/2017)                                     | <ul style="list-style-type: none"> <li>• Rating: D 4;</li> <li>• Obligation: Water Services Code of Conduct (Customer Service Standards) 2013 ("Code of Conduct") - clause 7; and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon examined the Shire's Customer Service Charter but could not find any references to the stipulations of clause 7(2) of the Code of Conduct; and</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should make the information stipulated in clause 7(2) of the Code of Conduct publicly available to customers.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation  |  |   |
|  | Details for Control and/or Compliance Rating  |  |   |
| 92<br>(7/2017)<br>(continued)                      | <ul style="list-style-type: none"> <li>o Paxon searched the Shire's website on 09/02/2018 but could not find any references to the stipulations of clause 7(2) of the Code of Conduct.</li> </ul>   |  |   |
| 100<br>(8/2017)                                    | <ul style="list-style-type: none"> <li>• Rating: D 2;</li> <li>• Obligation: Code of Conduct - clause 12(1); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>o Paxon examined a sample of "Rate Notices" issued after this date and found these notices, with some exceptions, complied with the stipulations of clause 12(1) of the Code of Conduct. The examined "Rate Notices" did not disclose:                                     <ul style="list-style-type: none"> <li>o Shire's website address;</li> <li>o Contact details for account, payment and general enquiries for use by customers with hearing or speech impairment; and</li> <li>o A statement that the website contains information about complaints and review.</li> </ul> </li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should amend its "Rate Notices" to comply with the stipulations of clauses 12(1)(m), (o) and (p) of the Code of Conduct.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 102<br>(9/2017)                                    | <ul style="list-style-type: none"> <li>• Rating: D 2;</li> <li>• Obligation: Code of Conduct - clause 12(3); and</li> <li>• Details:</li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should amend its "Rate Notices" to comply with the stipulations of clauses 12(3)(e) and (f) of the Code of Conduct.</li> </ul>      | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation   |   |   |
|  | Details for Control and/or Compliance Rating   |   |   |
| 102<br>(9/2017)<br>(continued)                     | <ul style="list-style-type: none"> <li>o Paxon could not find any reference to the provisions of clauses 12(3)(e) and (f) of the Code of Conduct on the Shire's "Rate Notices".</li> </ul>   |   |   |
| 113<br>(10/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• Obligation: Code of Conduct - clause 18(1); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>o Paxon examined the Shire's Procedure Manual and found it contains several "Finance" procedures. However, none of these procedures deal with the review of bills;</li> <li>o Paxon examined the Shire's Customer Service Charter and found it contains no reference to the review of bills;</li> <li>o Paxon searched the Shire's website on 09/02/2018 but could not find any references to the stipulations of clause 18 of the Code of Conduct; and</li> <li>o Paxon examined the document entitled: "Shire of Gnowangerup - Financial Hardship Policy - Water" ("Financial Hardship Policy") which states in the section entitled: "Complaints Handling":</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should write a bill review procedure which complies with the stipulations of section 18 of the Code of Conduct.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation  |  |   |
|  | Details for Control and/or Compliance Rating  |  |   |
| 113<br>(10/2017)<br>(continued)                    | <p><i>"If you are not satisfied with the way we handle your complaint, you may refer your complaint to the Energy &amp; Water Ombudsman. The Energy &amp; Water Ombudsman will investigate your complaint and may mediate the dispute between you and us."</i> Paxon regards this information as being too vague and thus does not regard it as a reference to bill reviews.</p>  |  |   |
| 119 and 131<br>(11/2017)                           | <ul style="list-style-type: none"> <li>• Rating: D 4;</li> <li>• Obligation: Code of Conduct - clause 21(1); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did allow customers to pay bills using any of the prescribed methods, excluding direct debit;</li> <li>○ Paxon examined a sample of "Rate Notices" issued during the Audit Period and found it provided for payment by:                   <ul style="list-style-type: none"> <li>• By phone or internet (Bpay);</li> <li>• By mail; and</li> <li>• In person.</li> </ul> </li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should allow customers to pay bills using all the prescribed methods listed in clause 21(1) of the Code of Conduct. The "Rate Notices" should refer to all these prescribed methods.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation  |  |   |
|  | Details for Control and/or Compliance Rating  |  |   |
| 119 and 131<br>(11/2017)<br>(continued)            | <p>Thus, neither the direct debit nor the Centrepay option was available to customers during the Audit Period; and</p> <ul style="list-style-type: none"> <li>o Paxon searched the Shire's website on 09/02/2018 but could not find any references to the different payment methods stipulated in clause 21(1) of the Code of Conduct. The website only provides "<i>Schedules of Fees and Charges</i>" for different financial years, but this information is limited to actual tables of fees and charges (no rates brochures).</li> </ul>  |  |   |
| 122<br>(12/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D 1;</li> <li>• Obligation: Code of Conduct - clause 23(1); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>o Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did accept payment in advance from a customer on a customer's request; and</li> <li>o Paxon searched the Shire's website on 09/02/2018 but could not find any references to accepting payment in advance from a customer at the customer's request. The website only provides "<i>Schedules of Fees and</i></li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should inform customers that customers can make payments in advance.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
| Legislative Obligation                             |  |   |   |
| Details for Control and/or Compliance Rating       |  |   |   |
| 122<br>(12/2017)<br>(continued)                    | Charges" for different financial years, but this information is limited to actual tables of fees and charges (no rates brochures).   |   |   |
| 131<br>(13/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: B 2;</li> <li>• Obligation: Code of Conduct - clause 27(3); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ Paxon confirmed by interview of the Shire's Finance Officer that, during the Audit Period, the Shire did not consider reducing the amount owed, where the customer was experiencing financial hardship. However, Paxon examined the Shire's Financial Hardship Policy which states under the heading entitled: "Debt Reduction and Collection":                                     <p><i>"If you are in financial hardship, we will consider reducing the amount you owe us."</i></p>                                     Thus, the Shire did not comply with the stipulations of its Financial Hardship Policy during the Audit Period;</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should:                             <ul style="list-style-type: none"> <li>○ Consider reducing an amount owing by a customer to the Shire if the customer is assessed to be in financial hardship; and</li> <li>○ Inform its customers appropriately of the stipulations of clauses 27(3)(c)(v) of the Code of Conduct.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |                          |  |
|--|---|--------------------------|--|
| B. Unresolved at End of Current Audit Period       |   |                          |  |
| No.  | Control and Compliance Rating   | Auditor's Recommendation | Management Action Taken by End of Audit Period |
| Legislative Obligation                             |   |                          |  |
| Details for Control and/or Compliance Rating       |   |                          |  |
| 131<br>(13/2017)<br>(continued)                    | <ul style="list-style-type: none"> <li>○ The Shire's Financial Hardship Policy states under the heading entitled: <i>"Useful Information"</i>:                             <ul style="list-style-type: none"> <li>• <i>"Redirection of rate notice: We will advise you of your right to have your rate notice redirected to another person free of charge if you are absent or ill."</i>;</li> <li>• <i>"Payment options: You may pay your rate notice by direct debit, Centrepay, internet, telephone or post."</i>; and</li> <li>• <i>"Financial counselling: We will advise you of any financial counselling services or other organisations that may be available to you."</i></li> </ul> </li> <li>○ Paxon examined the Shire's Financial Hardship Policy but could not find any references to:                             <ul style="list-style-type: none"> <li>• Concessions or other financial relief to which the customer may be entitled under the Act; and</li> <li>• Any other financial assistance to which the customer may be entitled including from Government-funded grant schemes.</li> </ul> </li> </ul> |                          |  |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation   |   |   |
|  | Details for Control and/or Compliance Rating   |   |   |
| 146<br>(14/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D 3;</li> <li>• Obligation: Code of Conduct - clause 35(2); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ See the findings for compliance obligation number 145 above.</li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• The Shire should review its complaints procedure to ensure it meets the relevant provisions of AS ISO 10002-2006 and the ERA document entitled: <i>“Customer Complaints Guidelines: distinguishing customer queries from complaints.”</i></li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 147<br>(15/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D 3;</li> <li>• Obligation: Code of Conduct - clause 35(3); and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ Paxon examined the Shire’s Customer Service Charter and Financial Hardship Policy;</li> <li>○ The Customer Service Charter states:                                     <p><i>“In handling your complaint we will:…<br/>Ensure that you will be contacted and advised of the course of action to be taken in a timeframe of 3 business days.”</i></p> </li> <li>○ Paxon found a document entitled: <i>“Shire of Gnowangerup – Complaints Form”</i> on the Shire’s website on 13/02/2018. This form states:                                     <p><i>“We aim to respond to all complaints within 5 – 15 working days (depending on the nature of the complaint).”</i></p> </li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should ensure its complaints procedure provides for all the matters stipulated in Clause 35(3) of the Code of Conduct.</li> </ul>  | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation  |  |   |
|  | Details for Control and/or Compliance Rating  |  |   |
| 147<br>(15/2017)<br>(continued)                    | <p>Paxon notes this form refers to responding to complaints within 15 working days and not resolving complaints within 15 business days starting on the date the complaint was received;</p> <ul style="list-style-type: none"> <li>o The Financial Hardship Policy does address dispute resolution arrangements – referring complaints to the <i>“Energy &amp; and Water Ombudsman”</i>; and</li> <li>o However, neither of the above-mentioned two documents addresses the resolving of a complaint before the end of the period of 15 business days starting on the day the complaint was received.</li> </ul> |  |   |
| 148<br>(16/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D 3;</li> <li>• Obligation: Code of Conduct - clause 35(4); and</li> <li>• Details: <ul style="list-style-type: none"> <li>o Paxon examined the Shire’s Customer Service Charter and Financial Hardship Policy;</li> <li>o The Financial Hardship Policy states: <p><i>“If you are not satisfied with the way we handle your complaint, you may refer your complaint to</i></p> </li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• The Shire should ensure its complaints procedure informs customers of the matters stipulated in Clause 35(4) of the Code of Conduct.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Audit Period       |   |  |   |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
| Legislative Obligation                             |   |  |   |
| Details for Control and/or Compliance Rating       |   |  |   |
| 148<br>(16/2017)<br>(continued)                    | <p><i>the Energy &amp; Water Ombudsman."</i></p> <p>In other words, this referral is stated as a dispute resolution procedure and not as an alternative complaint reporting avenue;</p> <ul style="list-style-type: none"> <li>o Neither of the above-mentioned two documents refer to applications to the State Administrative Tribunal as provided for in section 222(2)(k) of the Act; and</li> <li>o Neither of the above-mentioned two documents set out the costs and benefits to the customer if he/she uses the Shire's complaint resolution procedure or instead of the procedures under the Act.</li> </ul> |  |   |
| 150<br>(17/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D NR;</li> <li>• Obligation: Code of Conduct - clause 36(1); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>o Paxon examined the Shire's Financial Hardship Policy which on the front page of the document provides contact details in respect of:                   <ul style="list-style-type: none"> <li>• Services for use by customers with hearing or speech impairment; and</li> </ul> </li> </ul> </li> </ul>  | <ul style="list-style-type: none"> <li>• The Shire should consider providing details of the services stipulated in Clause 36(1) of the Code of Conduct on "Rate Notices" and in its Customer Service Charter.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |   |   |
|--|--|---|---|
| B. Unresolved at End of Current Audit Period       |  |   |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation  | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation   |   |   |
|  | Details for Control and/or Compliance Rating   |   |   |
| 150<br>(17/2017)<br>(continued)                    | <ul style="list-style-type: none"> <li>• Interpreter services.</li> <li>○ Paxon also examined the Shire's Customer Service Charter and a sample of "Rate Notices" issued during the Audit Period. However, neither of these documents refers to the above-mentioned types of services, and more specifically to providing it for for account, payment and general enquiries; and</li> <li>○ None of the above-mentioned three documents addresses providing, at the customer's request and free of charge, a large-print version of any of the licensee's publicly available documents.</li> </ul> |   |   |
| 153<br>(18/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: D 3;</li> <li>• Obligation: Code of Conduct - clause 37(1); and</li> <li>• Details:               <ul style="list-style-type: none"> <li>○ Paxon searched the Shire's website and found:                   <ul style="list-style-type: none"> <li>• Schedule of Fees and Charges 2017-2018; and</li> <li>• Schedule of Fees and Charges 2016-2017.</li> </ul> </li> </ul> <p>However, these documents do not provide any information in respect of the annual</p> </li> </ul>   | <ul style="list-style-type: none"> <li>• The Shire should make the prescribed information stipulated in clauses 37(1) (a), (b), and (l) of the Code of Conduct publicly available.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |  |  |   |
|--|--|--|---|
| B. Unresolved at End of Current Audit Period       |  |  |   |
| No.  | Control and Compliance Rating  | Auditor's Recommendation   | Management Action Taken by End of Audit Period            |
|  | Legislative Obligation   |  |   |
|  | Details for Control and/or Compliance Rating   |  |   |
| 153<br>(18/2017)<br>(continued)                    | <p>sewerage charges levied by the Shire; and</p> <ul style="list-style-type: none"> <li>o Paxon also examined the Shire's Customer Service Charter and Financial Hardship Policy. However, Paxon could not find any references in the above-mentioned two documents examined nor on the Shire's website in respect of planned and unplanned interruptions of water supply or other incidents that may significantly affect the provision of water services to customers.</li> </ul>  |  |   |
| 166<br>(19/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: A 2;</li> <li>• Obligation: Water Services Licence ("WSL") – clause 3.8.2; and</li> <li>• Details:               <ul style="list-style-type: none"> <li>o The front page of the Shire's Compliance Report for 2014-2015 was not provided for Audit purposes. The cover letter which supported this report is dated 31 August 2015. However, the Shire did not provide Paxon with any documentation to proof the timely submission of this report to the ERA; and</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should keep:               <ul style="list-style-type: none"> <li>o Intact compliance reports as duly completed for future reference (front page as signed off by the CEO and Schedule A); and</li> <li>o Records to confirm the timely submission of compliance reports to the ERA.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

| Current Audit: Non-Compliances and Recommendations |   |  |  |
|--|---|--|--|
| B. Unresolved at End of Current Audit Period       |   |  |  |
| No.  | Control and Compliance Rating   | Auditor's Recommendation   | Management Action Taken by End of Audit Period |
|  | Legislative Obligation  |  |  |
|  | Details for Control and/or Compliance Rating  |  |  |
| 166<br>(19/2017)<br>(continued)                    | <ul style="list-style-type: none"> <li>○ The front page of the Shire's Compliance Report for 2015-2016 as provided to Paxon was not signed by the Shire's CEO.</li> </ul>   |  |  |
| 167<br>(20/2017)                                   | <ul style="list-style-type: none"> <li>• Rating: A 2;</li> <li>• Obligation: WSL – clause 3.8.2; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>○ The Shire did not provide Paxon with any documentation to proof the timely submission of its Performance Report for 2014-2015.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The Shire should keep records to proof the timely submission of compliance reports to the ERA.</li> </ul> |  |

**Table 11: Current Audit: Non-Compliances and Recommendations (Part B)**

## 5 Asset Management System Effectiveness Review: Comprehensive Report

### 5.1 Asset Management System Rating Scales

The effectiveness ratings assigned to each asset management system component because of the Review, are set out in the following two Tables - taken from the ERA's document entitled: "Audit and Review Guidelines: Water Licences – July 2014" ("ERA's Guidelines").

#### Asset Management Process and Policy Definition Adequacy Ratings ERA's Guidelines: Table No. 8

| Rating | Description                      | Criteria   |
|--------|----------------------------------|--|
| A      | Adequately defined               | <ul style="list-style-type: none"> <li>Processes and policies are documented.</li> <li>Processes and policies adequately document the required performance of the assets.</li> <li>Processes and policies are subject to regular reviews, and updated where necessary.</li> <li>The asset management information system(s) are adequate in relation to the assets that are being managed.</li> </ul>   |
| B      | Requires some improvement        | <ul style="list-style-type: none"> <li>Process and policy documentation requires improvement.</li> <li>Processes and policies do not adequately document the required performance of the assets.</li> <li>Reviews of processes and policies are not conducted regularly enough.</li> <li>The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).</li> </ul>         |
| C      | Requires significant improvement | <ul style="list-style-type: none"> <li>Process and policy documentation is incomplete or requires significant improvement.</li> <li>Processes and policies do not document the required performance of the assets.</li> <li>Processes and policies are significantly out of date.</li> <li>The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).</li> </ul> |
| D      | Inadequate                       | <ul style="list-style-type: none"> <li>Processes and policies are not documented.</li> <li>The asset management information system(s) are not fit for purpose (taking into consideration the assets that are being managed).</li> </ul>  |

Table 12: Asset Management Process and Policy Definition Adequacy Ratings

**Asset Management Performance Ratings**  
**ERA’s Guidelines: Table No. 9**

| Rating | Description                 | Criteria  |
|--------|-----------------------------|---|
| 1      | Performing effectively      | <ul style="list-style-type: none"> <li>The performance of the process meets or exceeds the required levels of performance.</li> <li>Process effectiveness is regularly assessed, and corrective action taken where necessary.</li> </ul>  |
| 2      | Opportunity for improvement | <ul style="list-style-type: none"> <li>The performance of the process requires some improvement to meet the required level.</li> <li>Process effectiveness reviews are not performed regularly enough.</li> <li>Process improvement opportunities are not actioned.</li> </ul>              |
| 3      | Corrective action required  | <ul style="list-style-type: none"> <li>The performance of the process requires significant improvement to meet the required level.</li> <li>Process effectiveness reviews are performed irregularly, or not at all.</li> <li>Process improvement opportunities are not actioned.</li> </ul> |
| 4      | Serious action required     | <ul style="list-style-type: none"> <li>Process is not performed, or the performance is so poor that the process is considered to be ineffective.</li> </ul>   |

**Table 13: Asset Management Performance Ratings**

## 5.2 Asset Management System: Effectiveness Ratings Summary

The effectiveness ratings for prime components, together with the ratings of their relevant effectiveness criteria, are indicated in Table 14 below:

| Asset Management System<br><br>Component  | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|---|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
|   | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|   | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <b>Asset Planning</b>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Asset Management Plan covers key requirements;  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning; |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Service levels are defined;   | ✓  |                           |                                  |            | ✓                                   |                             |                            |                         |
| • Non-asset options are considered;   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Life cycle costs of owning and operating the assets are assessed;   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Funding options are evaluated;  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Costs are justified, and cost drivers identified;   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Likelihood and consequences of asset failure are predicted; and   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Plans are regularly reviewed and updated.   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |

| Asset Management System  | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|--|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
|  | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|  |  |                           |                                  |            |                                     |                             |                            |                         |
| <b>Asset Creation and Acquisition</b>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Full project evaluations are undertaken for new assets including comparative estimates of non-asset solutions;             |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| • Evaluations include all lifecycle costs;   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Projects reflect sound engineering and business decisions;   |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| • Commissioning tests are documented and completed; and  |  |                           | n/a                              |            |                                     | n/a                         |                            |                         |
| • On-going legal/environmental/safety obligations of the asset owner are assigned and understood.                            |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <b>Asset Disposal</b>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Under performing and underutilised assets are identified as part of a regular systematic review process;                   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • The reasons for underutilisation or poor performance are critically examined and corrective action or disposal undertaken; |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| • Disposal alternatives are evaluated; and   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |

| Asset Management System<br><br>Component   | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|--|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
|  | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|  | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <ul style="list-style-type: none"> <li>• There is a replacement strategy for assets.</li> </ul>  |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <b>Environmental Analysis</b>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>• Opportunities and threats in the system are assessed;</li> </ul>  |  |                           |                                  | ✓          |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>• Performance standards (availability of service, capacity, continuity, emergency response etc.) are measured and achieved;</li> </ul>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>• Compliance with statutory and regulatory requirements; and</li> </ul>   |  |                           |                                  | ✓          |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>• Achievement of customer service levels.</li> </ul>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <b>Asset Operations</b>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>• Operational procedures and policies are documented and linked to service levels required;</li> </ul>  |  |                           |                                  | ✓          |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>• Risk management is applied to prioritise operations tasks;</li> </ul>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>• Assets are documented in an asset register including asset type, location, material, plans of components and assessment of assets physical/structural condition and accounting data;</li> </ul> |  |                           |                                  | ✓          |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>• Operational costs are measured and monitored; and</li> </ul>  |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |

| Asset Management System  | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|--|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Component  | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|  | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <ul style="list-style-type: none"> <li>Staff resources are adequate, and staff receive training commensurate with their responsibilities.</li> </ul>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <b>Asset Maintenance</b>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Maintenance policies and procedures are documented and linked to service levels required;</li> </ul>            |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Regular inspections are undertaken of asset performance and condition;</li> </ul>                               |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <ul style="list-style-type: none"> <li>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule;</li> </ul> |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Failures are analysed, and operation/maintenance plans are adjusted where necessary;</li> </ul>                 |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Risk management is applied to prioritise maintenance tasks; and</li> </ul>                                      |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Maintenance costs are measured and monitored.</li> </ul>  |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <b>Asset Management Information System</b>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Adequate system documentation for users and IT operators;</li> </ul>  |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |

| Asset Management System   | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|---|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
| Component   | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|   | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <ul style="list-style-type: none"> <li>Input controls include appropriate verification and validation of data entered into the system;</li> </ul>   |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <ul style="list-style-type: none"> <li>Logical access controls appear adequate such as passwords;</li> </ul>  |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <ul style="list-style-type: none"> <li>Physical security access controls appear adequate;</li> </ul>  |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <ul style="list-style-type: none"> <li>Data back-up procedures appear adequate and back-ups are tested;</li> </ul>  |  |                           | ✓                                |            | ✓                                   |                             |                            |                         |
| <ul style="list-style-type: none"> <li>Key computations related to Licensee performance reporting are materially accurate; and</li> </ul>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>Management reports appear adequate for the Licensee to monitor licence obligations.</li> </ul>   |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <b>Risk Management</b>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>Risk management policies and procedures exist and are being applied to minimise internal and external risk associated with the asset management system;</li> </ul> |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>Risks are documented in a risk register and treatment plans are actioned and monitored; and</li> </ul>   |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>The probability and consequences of asset failure are regularly assessed.</li> </ul>   |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |

| Asset Management System<br><br>Component   | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|--|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
|  | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|  | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <b>Contingency Planning</b>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</li> </ul>                          |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <b>Financial Planning</b>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>The financial plan states the financial objectives and strategies and actions to achieve the objectives;</li> </ul>                                 |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>The financial plan identifies the source of funds for capital expenditure and recurrent costs;</li> </ul>   |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>The financial plan provides projections of operating statements (profit and loss) and financial position (balance sheet);</li> </ul>                |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>The financial plan provides firm predictions of income for the next five years and reasonable indicative predictions beyond this period;</li> </ul> |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>The financial plan provides for the operation, maintenance, administration, and capital expenditure requirements of the services; and</li> </ul>    |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |

| Component   | Asset Management Process and Policy Definition Adequacy Rating |                           |                                  |            | Asset Management Performance Rating |                             |                            |                         |
|---|--|---------------------------|----------------------------------|------------|-------------------------------------|-----------------------------|----------------------------|-------------------------|
|   | Adequately Defined   | Requires Some Improvement | Requires Significant Improvement | Inadequate | Performing Effectively              | Opportunity for Improvement | Corrective Action Required | Serious Action Required |
|   | A  | B                         | C                                | D          | 1                                   | 2                           | 3                          | 4                       |
| <ul style="list-style-type: none"> <li>Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.</li> </ul>                        |  |                           | ✓                                |            |                                     | ✓                           |                            |                         |
| <b>Capital Expenditure Planning</b>   |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates;</li> </ul>                         |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>The plan provides reasons for capital expenditure and timing of expenditure;</li> </ul>  |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan; and</li> </ul>                     |  | ✓                         |                                  |            |                                     | ✓                           |                            |                         |
| <ul style="list-style-type: none"> <li>There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.</li> </ul>                                   |  |                           |                                  | ✓          |                                     |                             | ✓                          |                         |
| <b>Review of Asset Management System</b>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current; and</li> </ul> |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |
| <ul style="list-style-type: none"> <li>Independent reviews (e.g., internal audit) are performed of the asset management system.</li> </ul>  |  |                           | ✓                                |            |                                     |                             | ✓                          |                         |

Table 14: Asset Management System: Effectiveness Ratings Summary

### 5.3 Review Observations and Recommendations

| Asset Management System Component | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations  | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-----------------------------------|--|--|-------------------------------------|
| <p><b>Asset Planning</b></p>      | <ul style="list-style-type: none"> <li>• Future planning for the Shire’s sewerage scheme development in the Ongerup township is limited by stagnant growth of the town and its population over recent years. The population, number of connections and sewage flows are expected to remain constant for the near future. Capital works will continue to be based on replacement of assets as required by age or condition rather than to increase the capacity of the existing system or its assets;</li> <li>• The Shire’s Asset Management Plan, dated November 2013 was prepared in response to the Local Government Asset Management Framework based on the Institute of Public Engineering Australia’s (IPWEA) International Infrastructure Management Manual. The Asset Management Plan (“AMP”) addresses all the Shire’s assets and their development. The AMP presumably satisfies the Department of Local Government’s requirements. However, as an asset management document for a small country town sewage scheme, collecting and treating only septic tank effluent from just seventy-five connections (and a population around 230 persons), the AMP (apart from being out of date) is considered too complicated and largely irrelevant to the Ongerup sewerage system. The procedures and requirements of the AMP have not been implemented. Reviewer considers the AMP should be re-written to address the sewerage system assets only;</li> <li>• Notwithstanding the above comments, the Shire has responded in a positive manner to recommendations of the previous review. The Shire has appointed an Asset and Waste Management Coordinator (“AWMC”), who has arranged and supervised the upgrading of two of the four treatment ponds. The AWMC has also reviewed CCTV inspection of the collection system and access chambers and implemented lining and /or replacement of the sewers and repair of access chambers. During the remainder of the 2017/18 financial year, some twenty damaged access chamber covers will be replaced to reduce storm water inflow. Re-instatement of the remaining two treatment ponds is due to commence during the 2018/19 financial year; and</li> <li>• The AWMC has undertaken the National Asset Management Systems (NAMS) course on Asset Management and AMP preparation - which he intends to use as a basis for preparation of a new AMP. Reviewer sighted some of the course documentation and considers the content appropriate.</li> </ul> | <p><b>C</b></p>  | <p><b>2</b></p>                     |

| Asset Management System Component | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations   | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-----------------------------------|---|--|-------------------------------------|
| Asset Planning (continued)        | <p><b>Recommendation 1/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should prepare a replacement AMP specifically for the Ongerup sewerage including documentation relevant to other recommendations of this Report.</li> </ul>   |  |                                     |
| Asset Creation and Acquisition    | <ul style="list-style-type: none"> <li>The Shire implements the WA Local Government policy regarding staff responsibility for purchasing, cost limits, quotes, tenders and a regional price preference associated with new or replacement assets;</li> <li>Alternative strategies of refurbishment or replacement are the prime considerations. Given the minor nature and cost involved, any alternatives are compared informally and appropriately outlined in reports to the Council;</li> <li>Reviewer inspected requests for information, investigation reports, proposals and quotes for treatment, pond upgrades, CCTV inspections of sewers and manholes and subsequent re-lining and repair works; and</li> <li>The acquisitions and repairs were sought in accordance with Local Government requirements and undertaken competently.</li> </ul> <p><b>Recommendation 2/2017:</b></p> <ul style="list-style-type: none"> <li>The new AMP should include a brief description of the Shire’s purchasing policy, together with the procedures for evaluating replacement /maintenance options, their inclusion in budgets and approval of expenditure.</li> </ul> | C  | 2                                   |
| Asset Disposal                    | <ul style="list-style-type: none"> <li>The Shire was not obliged to dispose of sewerage assets and there is consequently no specific policy or documented procedure. Any assets to be disposed of would have no saleable value and public health issues would preclude their sale due to their previous contact with sewage. Such assets (e.g. damaged access chamber covers) will therefore be disposed of to landfill. Pipes and other buried assets would normally be left “in the ground”.</li> </ul> <p><b>Recommendation 3/2017:</b></p> <ul style="list-style-type: none"> <li>The new AMP should include a statement to the effect that due to health issues, disposal of assets previously in contact with sewage should be left in the ground or be disposed of to land fill.</li> </ul>  | C  | 2                                   |

| Asset Management System Component    | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations   | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--------------------------------------|---|--|-------------------------------------|
| <p><b>Environmental Analysis</b></p> | <ul style="list-style-type: none"> <li>Section 3 of the current AMP assigns some ten pages of documentation to various definitions of service levels. However, only one page (sub-sections 3.4.1 to 3.4.5) adequately outlines customer levels of service related to availability, capacity, continuity, odour control and emergency response;</li> <li>The AMP incorrectly states the current licence was issued under the provisions of the <i>Water Services Licencing Act 1995</i> - rather than the subsequent <i>Water Services Act 2012</i>. The following recommendation of the previous review have not been included in the AMP i.e., the Water Services Regulations 2013, Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013; and</li> <li>The Shire reported six compliance breaches related to the late submission of reports to the ERA - two in each of 2014/15, 2015/16 and 2016/17. Reviewer expects that following the appointment of the AWMC, such non-compliances should not recur.</li> </ul> <p><b>Recommendation 4/2017:</b></p> <ul style="list-style-type: none"> <li>The new AMP should include references to the Water Services Act 2012, the current ERA licence, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013. The customer levels of service for the sewerage assets should be clearly documented and the latest dates of all reporting obligations should be listed and issued to responsible officers.</li> </ul> | <p>C</p>   | <p>3</p>                            |
| <p><b>Asset Operations</b></p>       | <ul style="list-style-type: none"> <li>Reviewer accompanied by the AWMC inspected the Ongerup sewerage collection system and wastewater treatment plant during the review;</li> <li>Reviewer noted all collection sewers had recently been re-lined or replaced. A series of damaged access pit covers were noted and AWMC advised that replacement of some twenty has been budgeted for the current financial year;</li> <li>General clean-up of the treatment plant site and fencing improvements were noted. Two of the four treatment ponds have been de-sludged. De-sludging of the remaining two ponds is included in the capital expenditure plan budget for the 2018/19 financial year;</li> <li>Although the AMP contains an overall summary of assets, it does not contain register of individual assets noting their material type, construction or replacement dates, expected life or condition. A basic asset register stating the above attributes should be included in the new AMP. The date of recent re-lining and replacement of sewers should be noted and the life expectancy amended to match the materials used;</li> </ul>   | <p>C</p>   | <p>2</p>                            |

| Asset Management System Component          | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations   | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|---|--|-------------------------------------|
| <p><b>Asset Operations (continued)</b></p> | <ul style="list-style-type: none"> <li>• Staffing is considered adequate and competent. However, there is no staff member trained and designated to undertake the duties of the AWMC in the event of his being on leave or otherwise unavailable;</li> <li>• Operation of the system is based on inspection of the assets and their resultant maintenance or replacement. These procedures should be stated in a maintenance manual as for Recommendation 6/2017;</li> <li>• Operation and Maintenance costs are collated and monitored against budget estimates;</li> <li>• As the system has been developed to treat the settled effluent from septic tanks, Reviewer was surprised at the significant accumulation of sludge in the lagoons. Sludge should settle within the tank where it digests, theoretically producing an effluent relatively free of settleable solids. However, unless the sludge is regularly pumped from the tank it builds up and overflows to the treatment plant, having much the same strength and sludge material as raw sewage; and</li> <li>• The Shire should investigate the history of de-sludging septic tanks at Ongerup and insist that in future no more than five years should elapse between septic tank pump outs.</li> </ul> <p><b>Recommendation 5/2017:</b></p> <ul style="list-style-type: none"> <li>• The new AMP should contain a basic register of assets, including material type, construction or replacement/relining date, condition, expected life etc. The AMP should contain a staff organisation diagram indicating prime management, administrative and depot staff, together with their assigned titles, names and contact details;</li> <li>• As a back up to the AWMC in the event of his absence, the new AMP should contain a requirement for at least one of the maintenance depot staff to be trained in the procedures for inspection, operation and maintenance of the system, together with the health and safety aspects of these procedures;</li> <li>• The Shire should investigate the sludge pump-out history of septic tanks connected to the sewerage system and; to comply with Health Department recommendations and in order to reduce the rate of sludge deposition in the treatment ponds, require that all septic tanks be pumped out at intervals not exceeding five years; and</li> <li>• That the remaining two treatment ponds be de-sludged as recommended in the previous review - and included in the 2018/19 works program.</li> </ul> |  |                                     |

| Asset Management System Component          | Systems, Processes and Controls in Place at the Shire for Asset Management   | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|--|--|-------------------------------------|
| Including Recommendations                  |  |  |                                     |
| <b>Asset Maintenance</b>                   | <ul style="list-style-type: none"> <li>• Reviewer noted with interest the recent two years' experience of the AWMC in coordinating the management, operation and maintenance of the system, together with his participation in a National Asset Management Systems (NAMS) course on asset management and AMP preparation. Operation and maintenance of the system currently appears to be well managed;</li> <li>• General inspections of the collection sewers and treatment plant are made twice weekly by the AWMC in conjunction with his other duties related to the Shire's landfill sites; and</li> <li>• The replacement of broken access chamber covers should reduce the risk of storm water influx, which may have contributed gravel and soil material to the sludge build up in the treatment ponds. After replacement of access chamber covers, the collection system should be flushed out to remove any debris from the system.</li> </ul> <p><b>Recommendation 6/2017:</b></p> <ul style="list-style-type: none"> <li>• The new AMP should include a statement of general checks during twice weekly visits to the treatment plant and collection system – including water level and condition of the treatment plant site and embankments, damaged access chamber covers, settlement or covering of access chambers. Following heavy rain, random inspection should be made of several access chambers to establish whether or not soil or gravel intrusion has occurred and the necessity or otherwise for flushing to be undertaken; and</li> <li>• A monthly list of the above should be prepared to allow the tasks to be ticked off and filed.</li> </ul> | C  | 2                                   |
| <b>Asset Management Information System</b> | <ul style="list-style-type: none"> <li>• The Shire's Asset Management system is manually operated and based on the Synergy local authority package for finance, budgeting; and specific Word and Excel documents developed by the Shire for correspondence, data recording, etc. The system is generally adequate for the Shire's sewerage system management - except that it lacks an asset register, a maintenance schedule, maintenance recording documentation and a whole of life asset replacement schedule;</li> </ul> <p><b>Storage and Backup of Sewerage Scheme Documents:</b></p> <ul style="list-style-type: none"> <li>• All sewerage scheme documents are stored on the computer in the Shire's office;</li> <li>• Access to sewerage system correspondence and data is limited to specific Shire staff via password;</li> <li>• The Shire has an on-going service contract with JH Computers of South Perth. JH maintains a copy of the Shire's server on its South Perth computer. JH Software checks the files on the Shire's server at fifteen-minute intervals. Any changes occurring during each period are backed up to JH's in-house</li> </ul>  | C  | 2                                   |

| Asset Management System Component                      | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations  | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|--|--|-------------------------------------|
| <b>Asset Management Information System (continued)</b> | <p>computer. JH undertakes a complete daily back up of the system after business hours and lodges a copy of the backup on the server at the Shire’s works depot;</p> <ul style="list-style-type: none"> <li>JH undertakes weekly checks of the completeness of data and restores any file material if necessary; and</li> <li>The Deputy CEO has overall responsibility for the on-going upkeep and preservation of the Asset Management System.</li> </ul> <p><b>Recommendation 7/2017:</b></p> <ul style="list-style-type: none"> <li>The new AMP should include an asset register and maintenance schedule as recommended earlier. An Excel spread sheet or appropriate software should be installed to enable current and future replacement expenditure to be modelled and an assessment to be made of the annual input to the Shire’s sewerage reserve - ensuring the reserve is always adequate to meet future replacement costs; and</li> <li>The Shire should consider obtaining (and simplifying for its own needs) a copy of the Asset Management Information System (AMIS) spread sheets used for many other local authority water systems.</li> </ul> |  |                                     |
| <b>Risk Management</b>                                 | <ul style="list-style-type: none"> <li>The AMP contains a basic risk assessments table. However, the mitigation of some risks is based on contingency plans, which clearly relate to restoration after an event rather than a practise implemented to reduce the likelihood of its occurrence; and</li> <li>The Asset Management spread sheets referred to in the Asset Management Information System section above contain an excellent risk analysis system including an overall risk assessment based on risks accrued to customers, the community, licence, financial cost, OHS and the environment. Although the Ongerup sewerage system is small and basic, Reviewer considers the new AMP should contain a risk assessment based on the above-mentioned system.</li> </ul> <p><b>Recommendation 8/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire’s new AMP should contain a revised risk assessment based on the asset management system recommended for consideration in the Asset Management Information System section above.</li> </ul>   | <p><b>C</b></p>  | <p><b>3</b></p>                     |

| Asset Management System Component | Systems, Processes and Controls in Place at the Shire for Asset Management  | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-----------------------------------|---|--|-------------------------------------|
| Including Recommendations         |   |  |                                     |
| Contingency Planning              | <ul style="list-style-type: none"> <li>• An emergency response plan is included in the AMP as an Appendix. However, the plan is more appropriate to a large sewerage system and there is no evidence that Shire staff is aware of, or have ever followed the documented processes during an emergency; and</li> <li>• Given the simple nature of the scheme, most emergency situations will require only an obvious straightforward response from the Shire’s staff – possibly with some outside specialist assistance. A new contingency/emergency response plan should be prepared to address the following matters:               <ul style="list-style-type: none"> <li>○ The Shire’s emergency telephone number and the requirement for the Shire’s Asset and Waste Management Coordinator (AWMC) to be advised;</li> <li>○ AWMC to inspect the situation and arrange assistance of Shire staff and equipment, together with the attendance of a plumber, by-pass pumping, liquid waste removal, earthworks contractors etc. if required;</li> <li>○ Advice to the CEO of the emergency and actions taken and intended requiring the CEO’s approval or advice to other authorities;</li> <li>○ CEO or Deputy to advise other authorities if applicable e.g. Department of Health, ERA, etc.;</li> <li>○ The contact numbers of all relevant Shire staff together with those of the Police, Ambulance, Fire Authority, Western Power, Water Corporation, Emergency Services etc.;</li> <li>○ AWMC to prepare and submit a report on the emergency and response actions;</li> <li>○ Reference to the Department of Health Wastewater Overflows Procedure; and</li> <li>○ A requirement for an annual desk top assessment of the plan by relevant Shire staff and the preparation of minutes/notes associated with the assessment.</li> </ul> </li> </ul> <p><b>Recommendation 9/2017:</b></p> <ul style="list-style-type: none"> <li>• The new AMP should contain a re-written emergency/contingency plan as set out above;</li> <li>• The availability and location of the Department of Health Wastewater Overflows Procedure should be included in the plan; and</li> <li>• The Shire staff most prominent in the contingency plans participate in an annual desk top review of each procedure; and that any perceived improvements in the procedures are inserted in the plans as amendments.</li> </ul> | C  | 3                                   |

| Asset Management System Component | Systems, Processes and Controls in Place at the Shire for Asset Management  | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |                         |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
|-----------------------------------|---|--|-------------------------------------|-------------------------|-------------------------|----------------------|---------|-----------|-----------|---------|------------|---------|-----------|-----------|-----------|-------------|---------|-----------|-----------|-----------|------------|---------|-----------|-----------|----------|------------|--|--|
|                                   | Including Recommendations   |  |                                     |                         |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
| <b>Financial Planning</b>         | <ul style="list-style-type: none"> <li>The Shire has prepared a thorough Long Term Financial Plan (“LTFP”) for all its assets - for the period 2017/18 to 2026/27. The plan addresses, the source of funds, projections of income, and expenditure, and projections of operation, maintenance and capital costs;</li> <li>The summary within the document states: <ul style="list-style-type: none"> <li><i>“Projections show that over the next ten years the Shire will require the revenue from rates to grow at 6% for the first three years, and then at 4% as a minimum to ensure that all performance ratios continue to move towards minimum benchmark.</i></li> <li><i>In adopting such a strategy the Shire will achieve a greater degree of financial independence, with the ability to achieve balanced budgets while being able to begin assessing infrastructure asset funding gap, particularly in the latter years of the LTFPs”;</i></li> </ul> </li> <li>As there is no separate financial replacement plan for the sewerage system Reviewer cannot assess whether or not the system is self-supporting or that proposed contributions to the sewerage reserve (\$10,000 per annum) will prove adequate. The following table sourced from Shires’ budget papers indicates a probable shortfall in rate income – which is covered by Shire funds:</li> </ul> | C  | 3                                   |                         |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
|                                   | <table border="1"> <thead> <tr> <th>Financial Year</th> <th>Sewerage Rate Income</th> <th>Operations/ Maintenance</th> <th>Contribution to Reserve</th> <th>Excess - (Shortfall)</th> </tr> </thead> <tbody> <tr> <td>2014/15</td> <td>\$ 10,000</td> <td>\$ 30,537</td> <td>Unknown</td> <td>(\$20,537)</td> </tr> <tr> <td>2015/16</td> <td>\$ 19,461</td> <td>\$ 21,921</td> <td>\$ 10,000</td> <td>(\$ 12,460)</td> </tr> <tr> <td>2016/17</td> <td>\$ 30,000</td> <td>\$ 26,467</td> <td>\$ 10,000</td> <td>(\$ 6,467)</td> </tr> <tr> <td>2017/18</td> <td>\$ 35,000</td> <td>\$ 31,315</td> <td>\$10,000</td> <td>(\$ 6,315)</td> </tr> </tbody> </table>  | Financial Year   | Sewerage Rate Income                | Operations/ Maintenance | Contribution to Reserve | Excess - (Shortfall) | 2014/15 | \$ 10,000 | \$ 30,537 | Unknown | (\$20,537) | 2015/16 | \$ 19,461 | \$ 21,921 | \$ 10,000 | (\$ 12,460) | 2016/17 | \$ 30,000 | \$ 26,467 | \$ 10,000 | (\$ 6,467) | 2017/18 | \$ 35,000 | \$ 31,315 | \$10,000 | (\$ 6,315) |  |  |
| Financial Year                    | Sewerage Rate Income  | Operations/ Maintenance  | Contribution to Reserve             | Excess - (Shortfall)    |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
| 2014/15                           | \$ 10,000   | \$ 30,537  | Unknown                             | (\$20,537)              |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
| 2015/16                           | \$ 19,461   | \$ 21,921  | \$ 10,000                           | (\$ 12,460)             |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
| 2016/17                           | \$ 30,000   | \$ 26,467  | \$ 10,000                           | (\$ 6,467)              |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
| 2017/18                           | \$ 35,000   | \$ 31,315  | \$10,000                            | (\$ 6,315)              |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |
|                                   | <p>From the above it appears that increases in the Sewerage rate over the last four years have reduced on-going operating shortfalls. However, further increases will be necessary to balance income and expenditure;</p> <ul style="list-style-type: none"> <li>The sewerage reserve closing balance at 2018/19 is forecasted to be \$29,637 (LTFP on page 88). However, the capital expenditure proposed for 2018/19 is \$50,000 (LTFP on page 36). In this event there</li> </ul>  |  |                                     |                         |                         |                      |         |           |           |         |            |         |           |           |           |             |         |           |           |           |            |         |           |           |          |            |  |  |

| Asset Management System Component     | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations  | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|---------------------------------------|--|--|-------------------------------------|
| <b>Financial Planning (continued)</b> | <p>will not be sufficient funds in the reserve to cover the \$50,000 budgeted for upgrading of the final two treatment ponds; and</p> <ul style="list-style-type: none"> <li>Following the completion of replacement works in the collection system and the upgrading of the treatment ponds, the overall system will be almost completely restored and its assets life significantly extended. In view of the above, the proposed \$10,000 annual transfer to the sewerage reserve may be excessive and should be reviewed.</li> </ul> <p><b>Recommendation 10/2017:</b></p> <ul style="list-style-type: none"> <li>The Shire should prepare a separate twenty years long term financial plan for the sewerage system only. The plan should be upgraded and extended annually to retain a rolling twenty years on-going period;</li> <li>The transfers to the reserve should be re-assessed on the basis of a simple net present worth annuity calculation based on the extended life of the assets; and</li> <li>Based on the above comments and the results of the recommended LTFP, the Shire should adjust the special sewerage rate as required to achieve a balance of income and expenditure.</li> </ul> |  |                                     |
| <b>Capital Expenditure Planning</b>   | <ul style="list-style-type: none"> <li>The Long Term Financial Plan (LTFP) includes a Capital Expenditure plan of ten years duration. The plan indicates capital replacement expenditure of \$100,000 in 2017/18 for lining and replacement of pipes in the collection system and \$50,000 in 2018/19 for upgrading works in the remaining two upgraded treatment ponds;</li> <li>Completion of these works will substantially renew the overall system and no further capital works are expected within the period of the plan; and</li> <li>The inadequacy of the predicted amount in reserve compared with the 2018/19 capital expenditure budget should be noted and addressed.</li> </ul> <p><b>Recommendation 11/2017:</b></p> <ul style="list-style-type: none"> <li>It is recommended the plan be updated annually to provide a rolling forecast of capital works for a period of five years commencing from the financial year in question. The shortfall in the reserve compared with budgeted 2018/19 capital expenditure should be addressed and adjusted.</li> </ul>  | <p><b>B</b></p>  | <p><b>2</b></p>                     |

| Asset Management System Component        | Systems, Processes and Controls in Place at the Shire for Asset Management<br>Including Recommendations   | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|---|--|-------------------------------------|
| <b>Review of Asset Management System</b> | <ul style="list-style-type: none"> <li>The existing AMP was prepared in 2013 which recommends a general review procedure. The AMP has not been referred to and needs to be re-written as in Recommendation 1/2017 above.</li> </ul> <p><b>Recommendation 12/2017:</b></p> <ul style="list-style-type: none"> <li>The new AMP should contain a requirement for an overall annual desktop review including an upgrade of on-going plans e.g. the financial and capital expenditure plans. The date of each review and the reviewer’s name together with details of any changes made should be noted on a table inside the front cover of the document. If substantial changes are made to the AMP, a new copy should be forwarded to the ERA as required by the licence.</li> </ul> | <p><b>C</b></p>  | <p><b>3</b></p>                     |

**Table 15: Review Observations and Recommendations**

**5.4 Current Review: Deficiencies and Recommendations**

| Current Review: Deficiencies and Recommendations |  |                         |                     |
|--|--|-------------------------|---------------------|
| A. Resolved During Current Review Period         |  |                         |                     |
| Ref.   | Asset Management System Effectiveness Rating           | Date Resolved           | Reviewer's Comments |
|  | Asset Management System Component                      | Management Action Taken |                     |
|  | Criteria/Details of Asset Management System Deficiency |                         |                     |

- There is no content in Part A.

**Table 16: Current Review: Deficiencies and Recommendations (Part A)**

| Current Review: Deficiencies and Recommendations |   |   |   |
|--|---|---|---|
| B. Unresolved at End of Current Review Period    |   |   |   |
| Ref.<br>(no./year)                               | Asset Management System Effectiveness Rating  |   | Management<br>Action Taken by<br>End of Review<br>Period  |
|  | Asset Management System Component   | Reviewer's Recommendation   |   |
|  | Criteria/Details of Asset Management System Deficiency  |   |   |
| 1/2017   | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Component: Asset Planning; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Asset Planning as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>                                 | <ul style="list-style-type: none"> <li>• The Shire should prepare a replacement AMP specifically for the Ongerup sewerage scheme which includes documentation relevant to other recommendations of this Report.</li> </ul>  | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 2/2017   | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Component: Asset Creation and Acquisition; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Asset Creation and Acquisition as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The new AMP should include a brief description of the Shire's purchasing policy, together with the procedures for evaluating replacement /maintenance options, their inclusion in budgets and approval of expenditure.</li> </ul>  | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 3/2017   | <ul style="list-style-type: none"> <li>• Rating: C 2;</li> <li>• Component: Asset Disposal; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Asset Disposal as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>                                 | <ul style="list-style-type: none"> <li>• The new AMP should include a statement to the effect that due to health issues, disposal of assets previously in contact with sewage should be left in the ground or be disposed of to land fill.</li> </ul>   | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 4/2017   | <ul style="list-style-type: none"> <li>• Rating: C 3;</li> <li>• Component: Environmental Analysis; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Environmental Analysis as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>                 | <ul style="list-style-type: none"> <li>• The new AMP should include references to the Water Services Act 2012, the current ERA licence, Water Services Regulations 2013 and the Water Services Code of Conduct (Customer Service Standards) 2013. The customer levels of service for the sewerage assets should be clearly documented and the latest dates of all reporting obligations should be listed and issued to responsible officers.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

**Current Review: Deficiencies and Recommendations**

**B. Unresolved at End of Current Review Period**

| Ref.<br>(no./year) | Asset Management System Effectiveness Rating  |   | Reviewer's Recommendation                               | Management Action Taken by End of Review Period |
|--------------------|---|---|---|---|
|                    | Asset Management System Component   | Criteria/Details of Asset Management System Deficiency  |   |   |
| 5/2017             | <ul style="list-style-type: none"> <li>Rating: C 2;</li> <li>Component: Asset Operations; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See the section for Asset Operations as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>The new AMP should contain a basic register of assets, including material type, construction or replacement/relining date, condition, expected life etc. The AMP should contain a staff organisation diagram indicating prime management, administrative and depot staff, together with their assigned titles, names and contact details;</li> <li>As a back up to the AWMC in the event of his absence, the new AMP should contain a requirement for at least one of the maintenance depot staff to be trained in the procedures for inspection, operation and maintenance of the system, together with the health and safety aspects of these procedures;</li> <li>The Shire should investigate the sludge pump-out history of septic tanks connected to the sewerage system and; to comply with Health Department recommendations and in order to reduce the rate of sludge deposition in the treatment ponds, require that all septic tanks be pumped out at intervals not exceeding five years; and</li> <li>That the remaining two treatment ponds be de-sludged as recommended in the previous review - and included in the 2018/19 works program.</li> </ul> | <ul style="list-style-type: none"> <li>Zero.</li> </ul> |   |
| 6/2017             | <ul style="list-style-type: none"> <li>Rating: C 2;</li> <li>Component: Asset Maintenance; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See the section for Asset Maintenance as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>The new AMP should include a statement of general checks during twice weekly visits to the treatment plant and collection system – including water level and condition of the treatment plant site and embankments, damaged access chamber covers, settlement or covering of access chambers. Following heavy rain, random inspection should be made of several access chambers to establish whether or not soil or gravel intrusion has occurred and the necessity or otherwise for flushing to be undertaken; and</li> </ul>   | <ul style="list-style-type: none"> <li>Zero.</li> </ul> |   |

| Current Review: Deficiencies and Recommendations |   |   |   |
|--|---|---|---|
| B. Unresolved at End of Current Review Period    |   |   |   |
| Ref. (no./year)                                  | Asset Management System Effectiveness Rating  |   | Management Action Taken by End of Review Period         |
|  | Asset Management System Component   | Reviewer's Recommendation   |   |
|  | Criteria/Details of Asset Management System Deficiency  |   |   |
| 6/2017<br>(continued)                            |   | <ul style="list-style-type: none"> <li>A monthly list of the above should be prepared to allow the tasks to be ticked off and filed.</li> </ul>   |   |
| 7/2017   | <ul style="list-style-type: none"> <li>Rating: C 2;</li> <li>Component: Asset Management Information System; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See the section for Asset Management Information System as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>The new AMP should include an asset register and maintenance schedule as recommended earlier. An Excel spread sheet or appropriate software should be installed to enable current and future replacement expenditure to be modelled and an assessment to be made of the annual input to the Shire's sewerage reserve - ensuring the reserve is always adequate to meet future replacement costs; and</li> <li>The Shire should consider obtaining (and simplifying for its own needs) a copy of the Asset Management Information System (AMIS) spread sheets used for many other local authority water systems.</li> </ul> | <ul style="list-style-type: none"> <li>Zero.</li> </ul> |
| 8/2017   | <ul style="list-style-type: none"> <li>Rating: C 3;</li> <li>Component: Risk Management; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See the section for Risk Management as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>The Shire's new AMP should contain a revised risk assessment based on the asset management system recommended for consideration in the Asset Management Information System section above.</li> </ul>   | <ul style="list-style-type: none"> <li>Zero.</li> </ul> |
| 9/2017   | <ul style="list-style-type: none"> <li>Rating: C 3;</li> <li>Component: Contingency Planning; and</li> <li>Details:                             <ul style="list-style-type: none"> <li>See the section for Contingency Planning as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>                               | <ul style="list-style-type: none"> <li>The new AMP should contain a re-written emergency/contingency plan as set out above;</li> <li>The availability and location of the Department of Health Wastewater Overflows Procedure should be included in the plan; and</li> <li>The Shire staff most prominent in the contingency plans participate in an annual desk top review of each procedure; and</li> </ul>   | <ul style="list-style-type: none"> <li>Zero.</li> </ul> |

| Current Review: Deficiencies and Recommendations |   |  |   |
|--|---|--|---|
| B. Unresolved at End of Current Review Period    |   |  |   |
| Ref.<br>(no./year)                               | Asset Management System Effectiveness Rating  |  | Management<br>Action Taken by<br>End of Review<br>Period  |
|  | Asset Management System Component   | Reviewer's Recommendation  |   |
|  | Criteria/Details of Asset Management System Deficiency  |  |   |
| 9/2017<br>(continued)                            |   |  |   |
| 10/2017  | <ul style="list-style-type: none"> <li>• Rating: C 3;</li> <li>• Component: Financial Planning; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Financial Planning as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>                               | <p>that any perceived improvements in the procedures are inserted in the plans as amendments.</p> <ul style="list-style-type: none"> <li>• The Shire should prepare a separate twenty years long term financial plan for the sewerage system only. The plan should be upgraded and extended annually to retain a rolling twenty years on-going period;</li> <li>• The transfers to the reserve should be re-assessed on the basis of a simple net present worth annuity calculation based on the extended life of the assets; and</li> <li>• Based on the above comments and the results of the recommended LTFP, the Shire should adjust the special sewerage rate as required to achieve a balance of income and expenditure.</li> </ul> | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 11/2017  | <ul style="list-style-type: none"> <li>• Rating: B 2;</li> <li>• Component: Capital Expenditure Planning; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>◦ See the section for Capital Expenditure Planning as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul>           | <ul style="list-style-type: none"> <li>• It is recommended the plan be updated annually to provide a rolling forecast of capital works for a period of five years commencing from the financial year in question. The shortfall in the reserve compared with budgeted 2018/19 capital expenditure should be addressed and adjusted.</li> </ul>   | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |
| 12/2017  | <ul style="list-style-type: none"> <li>• Rating: C 3;</li> <li>• Component: Review of Asset Management System; and</li> <li>• Details:                             <ul style="list-style-type: none"> <li>• See the section for Review of Asset Management System as included in Table 15 entitled: "Review Observations and Recommendations" in section 5.3 of this Report.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• The new AMP should contain a requirement for an overall annual desktop review including an upgrade of on-going plans e.g. the financial and capital expenditure plans. The date of each review and the reviewer's name together with details of any changes made should be noted on a table inside the front cover of the document. If substantial changes are made to the AMP, a new copy should be forwarded to the ERA as required by the licence.</li> </ul>  | <ul style="list-style-type: none"> <li>• Zero.</li> </ul> |

Table 16: Current Review: Deficiencies and Recommendations (Part B)

## 6 Audit Opinion

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To the best of my knowledge, this report is based on true representation of the audit findings and opinions.



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Cameron Palassis  
Executive Director – Audit and Assurance

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Date: 11 May 2018

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