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1 Executive Summary

Under the Water Services Act 2012, the Economic Regulation Authority (ERA) is responsible for, amongst other responsibilities, the following:

- Issuing water service licences to entities supplying potable water, non-potable water, sewerage, irrigation and drainage services in Western Australia that are not exempt from the requirement to hold a licence; and
- Monitoring and reporting to the Minister for Water on the operation of the licensing scheme, and compliance by licensees with their licences by arranging for regular operational audits and asset management system reviews.

The ERA, established under the Economic Regulation Authority Act 2003, granted a Water Services Operating Licence (Licence) to the Shire of Denmark for the provision of non-potable water supply services in the area as stipulated in plan number: OWROA - 294(c). The Licence commenced on the 28th February 2005 and was last amended on the 18th November 2013.

In terms of the Licence, not less than every 24 months, or such longer period as the ERA allows, the Shire of Denmark is required to provide the ERA with an operational audit (Audit), conduct an asset management system review (Review) and provide the ERA with a report on the Review.

The Audit and Review have been conducted in accordance with the Audit Guidelines: Electricity, Gas and Water Licences (August 2010), as compiled by the ERA. The Audit and Review have been conducted in order to assess the licensee's level of compliance with the conditions of its Operating Licence and the effectiveness of the asset management system.

The Audit and Review covered the period from 1 June 2012 to 30 November 2013.



2 Operational Audit

2.1 Overview

2.1.1 Summary of Opinion on the Control Environment

The control environment to ensure compliance with the licence conditions is assessed to be satisfactory.

2.1.2 Overall Assessment

In the auditor's professional view, the Shire is achieving an acceptable level of compliance with the requirements of the Water Services Operating Licence. A number of areas for improvement were identified that would improve the compliance. Refer to section 2.1.5 for more details.

2.1.3 Actions Taken on Previous Post-Audit Plan

The previous Audit was conducted by the Paxon Group in 2012. A number of issues were identified and recommendations were made in respect of those issues identified. The amendments to the Water Services Operating Licence, dated 18 November 2013, implies that no further action is required in respect of a number of those issues previously identified. As a result, only three previously identified issues are unresolved.

2.1.4 Post Audit Implementation Plan

The Post Audit Implementation Plan was developed by the Shire of Denmark and as such does not form part of the auditor's opinion.



2.1.5 Summary of Issues and Recommendations

| Licence Condition Reference | Issue | Recommendation | Post-Audit Implementation Plan | Person Responsible / Date of Implementation |
|--|--|--|---|---|
| Cl. 5.1 (Licence: 21/12/2010) & Cl. 5.1 (Licence: 18/11/2013) & Cl. 26.1 (Licence: 18/11/2013) | Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. However, the Schedule: Refers to reporting "significant change to asset management plan" and not "material change to the asset management system" as referred to in the Water Services Operating Licence; Contains no reference to the Shire's obligation to "reporting a change in circumstances" as contained in section 15 of the Water Services Operating Licence dated 18 November 2013; Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and Do not contain Operating Licence references for the compliance obligations it contains. | Amend the Compliance Schedule, as included in the Asset Management Plan, to: Refer to the obligation to notify the ERA of "material change to the asset management system"; Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA); Include an appropriate reference to the Water Services Act 2012 (WA); and Disclose Operating Licence references for the compliance obligations it contains. | The Asset Management Plan will be amended accordingly. | DCRS and Ian Neil. December 2014 |
| Cl. 6.1 (Licence: 21/12/2010) | • Section 1.9 entitled: "Emergency assistance" in the Customer Service Charter provides the names, position titles and 24 hour "emergency customer | Disclose the names, position titles and the "emergency customer service telephone numbers" listed in the Customer Service Charter prominently | • The requested information will be disclosed on the website via a "Peaceful Bay Water Supply" tab under the heading "Residents" which appears on | DCRS. December 2014 |



| Licence Condition Reference | Issue | Recommendation | | Person Responsible / Date of Implementation |
|---|--|---|--|---|
| | service telephone numbers" for six persons; • A link for the Customer Service Charter is currently prominently displayed on the Shire webpage entitled: "Community & Regulatory Services Documents and Forms"; and • However, none of the six "emergency customer service telephone numbers" listed in the Customer Service Charter are currently prominently disclosed on the Shire's web site. | on the home page of the Shire's web site. | the home page of the website; and The Customer Service Charter is prominently displayed on the settlement's notice board and this is the place where people will go to obtain contact details as most of the holiday homes do not have internet access and mobile phone coverage is poor in the area. | |
| Sch. 3: Cl. 3.1 (Licence: 21/12/2010) | • The Shire does not have a customer complaints procedure manual in place. | Compile and implement a customer complaints procedure manual. This manual should comply with the stipulations contained in the Water Services Operating Licence dated 18 November 2013. | A compliant customer complaints procedure manual will be prepared and implemented. | DCRS and Ian Neil. December 2014 |
| Sch. 3: Cl. 3.1 (Licence: 21/12/2010) & Sch. 5: Cl. 2.1 (Licence: 21/12/2010) & Cl. 16.2 (Licence: 18/11/2013) & Cl. 16.3 (Licence: 18/11/2013) | Two customer complaints were received during the Audit Period: • 0n 12 /12/2012; and • On 29/11/2013. • However, the "Water Compliance Manual Datasheet – Complaints" discloses that no customer complaints were received during the 2012 – 2013 reporting period. | Ensure that the "Water Compliance Manual Datasheets - Complaints" accurately and comprehensively record numbers for complaints received. | To be implemented immediately and on an ongoing basis. | DCRS. 30 June 2014 |



2.2 Objectives and Scope

The objective of the Audit was to provide an assessment of the effectiveness of measures taken by the licensee to meet the obligations of the performance and quality standards referred to in the Licence.

The Audit has identified areas where improvement is required and recommended corrective actions as deemed necessary.

The Audit has applied a risk-based approach to focus 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 covered the following areas:

- Risk assessment the risks imposed by non-compliance with the Licence standards and development of a risk-based Audit plan to focus on the higher risks areas, with less intensive coverage of medium and low risk areas;
- 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; and
- Compliance with any individual licence conditions the requirements imposed on the specific licensee by the ERA or specific issues that are advised by the ERA.

2.3 **Methodology**

2.3.1 Fieldwork

- Conducted an initial meeting with relevant staff at the Shire and reviewed processes to obtain an understanding of procedures, systems and controls in place to ensure compliance with license conditions;
- Evaluated the adequacy of the controls to cover the identified risks and performed more extensive audit 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.



2.3.2 Audit Reporting

- Prior to the conclusion of the Audit visit, discussed any observations and recommendations with the representative of the Licensee to confirm understanding of the issue(s) and to agree upon the action to be taken;
- Provided a draft Audit report to the Licensee for review and response to the issue(s) and recommendation(s) in a 'post-audit implementation plan', including the proposed corrective action and timeframe;
- Provided a final draft Audit report, including the post-audit implementation plan, to the Licensee for submission to the ERA for final review and acceptance of the report no later than two weeks before the final report is to be issued;
- Upon acceptance by the ERA, provided the final Audit report (electronic in Word and PDF format) to the Licensee for submission to the ERA; and
- The ERA may make and publicly distribute copies of the final report and publish
 results in their entirety or in a comparative report. The ERA will make the report
 publicly available on the ERA website after it has fulfilled its statutory functions
 (for example, advising the relevant Minister on the outcomes of the review).

2.4 Time Period Covered in Audit

The Audit covered the period from 1 June 2012 to 30 November 2013. The previous Audit covered the period from 1 June 2009 to 31 May 2012.

2.5 Time Period of Audit

The Audit was conducted on 12 February 2014 and 13 February 2014.

2.6 Licensee's Representatives

Shire of Denmark primary contacts were as follows:

| Staff Member | Position |
|-------------------|---|
| Mr Gregg Harwood | Director of Community and Regulatory Services |
| Mr Kim Dolzadelli | Director of Finance and Administration |

2.7 Key Documents and Other Information Sources

- Audit Guidelines: Electricity, Gas and Water Licences (August 2010);
- Water Compliance Reporting Manual Water Services Licensing Act 1995 (July 2012);
- Water Services Operating Licence (21 December 2010);
- Water Services Operating Licence Shire of Denmark WL39, Version 5, 18
 November 2013;
- Shire of Denmark Operational Audit and Asset Management System Review Audit Report – 29th October 2012;
- Plan No.: OWR-OA-294(C);
- Shire of Denmark Customer Service Charter for Water Supply Services (November 2013);



- Shire of Denmark Annual Report 2011/2012;
- Shire of Denmark Annual Report 2012/2013;
- Peaceful Bay Non Potable Water Supply 2013 Asset Management Plan;
- Shire of Denmark Compliance Reports (2011/2012 and 2012/2013);
- Shire of Denmark Water Compliance Manual Datasheets (2011/2012 and 2012/2013);
- Shire of Denmark Sewerage & Waste Water Reuse System Complaint Log;
- Shire of Denmark Audit Plan Operational Audit and Asset Management System Review of the Water Services Operating Licence for 2012 – 2013; and
- Communication received from the ERA (during the audit period).



2.8 Licensee's Response to Previous Audit Recommendations

| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|--|--|---|-------------------------|
| Cl. 5 and Cl. 21.1 (Licence: 21/12/2010) | An appropriate record (Compliance Schedule) should be kept of all disclosure and reporting requirements stipulated in the Operating Licence. This schedule should disclose the following information: Operating Licence reference; Compliance requirement; Frequency of action specified; (Next) due date; Responsible officer; and Notes. Responsibility for continually updating the compliance schedule should be allocated to a specific person who should pro-actively pursue it; and In addition, a proper record of all instances of non-compliance with Operating Licence conditions should be kept and be appropriately included in the applicable Annual Compliance Report forwarded to the Authority. | Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Water Services Operating Licence. The Schedule: Refers to reporting "significant change to asset management plan" and not "material change to the asset management system" as referred to in the Water Services Operating Licence; Contains no reference to the Shire's obligation to "reporting a change in circumstances" as contained in section 15 of the Water Services Operating Licence dated 18 November 2013; Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and Does not contain Operating Licence references for the compliance obligations it contains. The information contained in the Schedule is, except as indicated above, in accordance with the recommendation made in the previous audit report; The Director of Community and | Amend the Compliance Schedule in the Asset Management Plan to: Refer to the obligation to notify the ERA of "material change to the asset management system"; Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA); Refer to the Water Services Act 2012 (WA); and Disclose Operating Licence references for the compliance obligations it contains. | Unresolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|---|--|---|-------------------------|
| | | Regulatory Services is responsible for annually updating the Asset Management Plan which includes the Compliance Schedule; and • The Compliance Reports for 2011 – 2012 and 2012 – 2013 contains details of instances of non-compliance. | | |
| Cl. 6.1 (Licence: 21/12/2010) | The details of emergency assistance contact persons and their telephone numbers should be prominently disclosed on the Shire's website. | Section 1.9 entitled: "Emergency assistance" in the Customer Service Charter provides the names, position titles and 24 hour "emergency customer service telephone numbers" for six persons; A link for the Customer Service Charter is currently prominently displayed on the Shire webpage entitled: "Community & Regulatory Services Documents and Forms"; and None of the six "emergency customer service telephone numbers" listed in the Customer Service Charter are currently prominently disclosed on the Shire's web site. | Disclose the names, position titles and the "emergency customer service telephone numbers" listed in the Customer Service Charter prominently on the home page of the Shire's web site. | Unresolved |
| Cl. 6 & Sch. 3: Cl. 3.1 and Cl. 3.9 (a) (Licence: 21/12/2010) | A customer complaints procedure manual should be compiled and implemented. This manual should address, as a minimum, all the stipulations contained in Schedule 3: Clause 3 to the Operating Licence; Customer complaints registration forms should be introduced which record appropriate detail of complaints received. These forms should be sequentially numbered and separately | The Shire does not have a customer complaints procedure manual in place; The Shire records complaints received from customers within Synergy Soft under "Records Registration". The record type is indicated as "Complaints/Compliments". As a result, a report can be produced within Synergy Soft which lists all complaints recorded within a specified period; | Compile and implement a customer complaints procedure manual. This manual should comply with the stipulations contained in the Water Services Operating Licence dated 18 November 2013. | Unresolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|---|---|---|--|-------------------------|
| | filed to help provide an audit trail in respect of complaints received; Particulars of customer complaints received should be recorded in a complaints register. The following information should be recorded in the register in respect of each complaint: Date and time the complaint was received; Name and contact details for the complainant; Name of person who received the complaint; Method of complaint; Details of the complaint; Details of the action taken; Name of person responsible to resolve the complaint; and Date and time the complaint was resolved. This register should be reviewed on a regular basis by management to ensure the Shire comply with its Operating Licence stipulations in respect of customer complaints. | However, the Synergy Soft record does not capture the following information in respect of complaints received: Method of complaint; Date and time actioned; Details of action taken; and Date and time resolved. The Shire has also implemented a complaint register entitled: "Sewerage & Waste Water Reuse System Complaint Log" (Complaints Log) during the Audit Period within which it records details of complaints received; The Complaints Log provides for recording appropriate detail of complaints received; and The Complaint Log is kept by the Director of Community and Regulatory Services. | | |
| Cl. 6 & Sch. 3: Cl. 3.6 (Licence: 21/12/2010) | As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to promptly cooperate with the | The Shire has stated that, to the best of their knowledge, no complaints were investigated by the Department of Water during the Audit Period; and The Shire does not have a customer | • As a result of the amendments to the Water Services Operating Licence dated 18 November 2013, and the commencement of the Energy and Water Ombudsman (Western Australia) Scheme on 1 January | Redundant |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|--|--|--|-------------------------|
| | Department of Water's requests, during the process of investigation and conciliation of complaints, to a specific officer. | complaints procedure manual in place. | 2014, no further action is required. | |
| C1. 6 & Sch. 3: C1. 3.7 (Licence: 21/12/2010) | As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should allocate the task to provide the Department of Water with the information stipulated in respect of complaints in this clause to a specific officer. | The Shire has stated no requests for information in respect of complaints made, were received from the Department of Water during the Audit Period; and The Shire does not have a customer complaints procedure manual in place. | As a result of the amendments to the Water Services Operating Licence dated 18 November 2013, and the commencement of the Energy and Water Ombudsman (Western Australia) Scheme on 1 January 2014, no further action is required. | Redundant |
| Cl. 6 & Sch. 3: Cl. 3.8 and Cl. 3.9 (c) (Licence: 21/12/2010) | The Customer Service Charter should be amended to include an appropriate reference to matters which must be considered by a Local Government Authority Council. | The Customer Service Charter does not contain any reference to matters which must be considered by a Local Government Authority Council. | As a result of the amendments to the Water Services Operating Licence dated 18 November 2013, and the commencement of the Energy and Water Ombudsman (Western Australia) Scheme on 1 January 2014, no further action is required. | Redundant |
| Cl. 6 & Sch. 3: Cl. 3.9 (b) (Licence: 21/12/2010) | As indicated above, a customer complaints procedure manual should be compiled and implemented. This manual should specifically refer to the: Training of an authorised officer; and Authorisation of an officer to settle customer complaints. | Contact details for the Principal Environmental Health Officer, are recorded in the Customer Service Charter; and However, the Shire has stated that it is normal practice to refer all complaints received directly to the Director of | No further action is required. | Resolved |
| Cl. 7 & Sch. 3: Cl. 2.5 (c) (Licence: 21/12/2010) | The current Customer Service Charter should be distributed to all customers at least once in every three year period. | Community and Regulatory Services. Minor amendments were made to the Customer Service Charter in November 2013; and A copy of the Customer Service Charter was distributed to all customers on 19 November 2013. | No further action is required. | Resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|---|---|--|---|-------------------------|
| Cl. 8 & Sch. 3: Cl. 4.1 (b) (Licence: 21/12/2010) | A simple newsletter should be published which provides basic information about the Shire's non- potable water supply services. | The Shire did distribute a letter to all customers, dated 19 November 2013, in which it provided basic information in respect of the Peaceful Bay water supply; and The Shire has indicated it is its intention to distribute this letter on an annual basis. | No further action is required. | Resolved |
| Cl. 17.1 (Licence: 21/12/2010) | The Asset Management Plan is updated to account for the current status of assets. | • The Shire does have a document entitled: "Peaceful Bay - Non Potable Water Supply - 2013 Asset Management Plan" (Asset Management Plan). A complete update of the Asset Management Plan was performed and it was issued on 30 November 2013. | No further action is required. | Resolved |
| Sch. 4: Cl. 1.1 (Licence: 21/12/2010) | • Present all information which deals with emergency assistance in paragraph 1.8 of the Customer Service Charter. | • Emergency assistance is covered in both paragraphs 1.9 and 2.7 of the Customer Service Charter. Paragraph 1.9 discloses contact details for emergency assistance. Paragraph 2.7 describes the process followed by the Shire in providing emergency assistance. | As a result of the amendments to the Water Services Operating Licence dated 18 November 2013, no further action is required. | Redundant |
| Sch. 4: Cl. 1.1 (Licence: 21/12/2010) | • Electronic copies of all Performance Reports compiled and submitted to the Authority should be kept. | • Electronic copies of Performance Reports for 2011 - 2012 and 2012 - 2013 were provided for audit purposes. | No further action is required. | Resolved |
| Cl. 21.2 & Sch. 5: Cl. 2.1 (Licence: 21/12/2010) | • The Performance Report should disclose the absence of activity for a specific indicator as 'zero' instead of interpreting and disclosing such an absence of activity as being equal to a '100% success rate'. | The Performance Reports for 2011 – 2012 and 2012 – 2013 provide sufficient information to correctly interpret percentages disclosed. | No further action is required. | Resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|---|--|-------------------------------------|-------------------------|
| Sch. 6: Cl. 2.3 (Licence: 21/12/2010) | The Customer Service Charter is appropriately changed to state the Shire may, with the written agreement of the property owner, discontinue a service to a property where the servicing of the property is not commercially viable. | The Shire's Customer Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of instances where the Shire may limit or withdraw services, none of which directly deals with commercial viability. | November 2013, no further action is | Redundant |



2.9 **Performance Summary**

2.9.1 Compliance Rating Scale

| Compliance Status | Rating | Description of Compliance |
|----------------------------------|--------|--|
| Compliant | 5 | Compliant with no further action required to maintain compliance. |
| Compliant | 4 | Compliant apart from minor or immaterial recommendations to improve the strength of internal controls to maintain compliance. |
| Compliant | 3 | Compliant with major or material recommendations to improve the strength of internal controls to maintain compliance. |
| Non-Compliant | 2 | Does not meet minimum requirements. |
| Significantly Non - Compliant | 1 | Significant weaknesses and/or serious action required. |
| Not Applicable | N/A | Determined that the compliance obligation does not apply to the licensee's business operations. |
| Not Rated | N/R | No relevant activity took place during the audit period; therefore it is not possible to assess compliance. |



2.9.2 Operational Audit Compliance Summary

| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=low, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details) | | | | | | |
|---------------------------------------|--|--|---|--|--|---|--|---|---|----------|---|-----|----------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Grant of Licence | Cl. 2 and Sch. 1 & Sch. 2 | Cl. 2 and Sch. 1 | 1 | С | L | S | | | | | 1 | | |
| Term | Cl. 3 | Cl. 3 | 1 | С | L | S | | | | | | | ✓ |
| Fees | Cl. 4 | Cl. 4 | 1 | С | L | S | | | | | | | √ |
| Compliance and Duties of the Licensee | Cl. 5 | Cl. 5 and Cl. 26 | 3 | В | Н | W | | | | √ | | | |
| Customer Complaints | Cl. 6 and Sch. 3: Cl. 3 | Sch. 2 | 3 | В | Н | W | | | | √ | | | |



| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=Iow, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details) | | | | | section | |
|---|--|--|---|--|--|--|--|---|---|----------|----------|---------|----------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Customer Service Charter | Cl. 7 and Sch. 3: Cl. 2 | - | 2 | В | М | М | | | | | √ | | |
| Customer Consultation | Cl. 8 and Sch. 3: Cl. 4 | - | 3 | В | Н | W | | | | √ | | | |
| Customer Contracts and Non Standard Terms and Conditions of Service | Sch. 3: Cl. 5 | Cl. 24 | 1 | С | L | S | | | | | | | √ |
| Customer Surveys | Sch. 3: Cl. 6 | - | 1 | С | L | S | | | | | | | √ |
| Transfer of Licence | Cl. 10 | Cl. 6 | | | y to indep | | | | | | | | ✓ |
| Cancellation of Licence | Cl. 11 | Cl. 7 and Cl. 8 | | | e audit per | | | | | | | | √ |



| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=low, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | (Refer | to the 7-p | oint ratir | oliance R ng scale i 1 for deta | in the tabl | le under s | section |
|-------------------------|--|--|---|--|--|--|--------|------------|------------|---------------------------------------|-------------|------------|---------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Surrender of Licence | Cl. 12 | - | | | | | | | | | | | ✓ |
| Renewal of Licence | Cl. 13 | Cl. 9 | assess c | ompliance | y to inder if the e e audit per | clause is | | | | | | | 1 |
| Amendment of Licence | Cl. 14 | Cl. 10 and Cl. 11 | | | | | | | | | | 1 | |
| Accounting Records | Cl. 15 | Cl. 12 | 3 | В | Н | S | | | | | √ | | |
| Operational Audit | Cl. 16 | Cl. 14 | 1 | С | L | S | | | | | ✓ | | |
| Asset Management System | Cl. 17 | Cl. 20 | 3 | В | Н | S | | | | | √ | | |



| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=low, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details) | | | | section | | |
|---|--|--|---|--|--|---|--|---|---|----------|----------|-----|----------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Reporting | Cl. 18 | Cl. 15 | 1 | С | L | S | | | | | | | ✓ |
| Individual Performance Standards | Cl. 19 | Cl. 13 | 1 | С | L | S | | | | | | | √ |
| Service and Performance Standards | Cl. 20 and Sch. 4 | Sch. 3 | 3 | В | Н | S | | | | √ | | | |
| Provision of Information | Cl. 21.1 | Cl. 16 | 3 | В | Н | W | | | | | √ | | |
| Information Requirements (Reporting) | Cl. 21.2 and Sch. 5 | Cl. 16 | 2 | В | М | S | | | | √ | | | |
| Publishing Information | Cl. 22 | Cl. 17 | 1 | С | L | S | | | | | | | 1 |



| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=low, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details) | | | | | section | |
|--|--|--|---|--|--|---|--|---|---|---|----------|----------|----------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Notices | Cl. 23 | Cl. 18 | 1 | С | L | S | | | | | ✓ | | |
| Review of the Authority's Decisions | Cl. 24 | Cl. 19 | 1 | С | L | S | | | | | | | ✓ |
| Other Provisions | Sch. 6: Cl. 2 & Cl. 3 | Sch. 5 | 3 | В | Н | S | | | | | 1 | | |
| Water Services Ombudsman Scheme | - | Cl. 21 | 1 | С | L | S | | | | | | ~ | |
| Customer Contract | - | Cl. 23 | 1 | С | L | S | | | | | | | * |
| Supplier of Last Resort | - | Cl. 25 | 1 | С | L | S | | | | | | 1 | |



| Operating Area | Operating Licence dated 21 December 2010 (Cl. = clause, Sch. = schedule) | Operating Licence dated 18 November 2013 (Cl. = clause, Sch. = schedule) | Consequence (1=minor, 2=moderate, 3=major) | Likelihood (A=likely, B=probable, C=unlikely) | Inherent Risk (L=low, M=medium, H=high) | Adequacy of Existing Controls (S=strong, M=moderate, W=weak) | Compliance Rating (Refer to the 7-point rating scale in the table under section 2.9.1 for details) | | | | | section | |
|---|--|--|---|--|--|---|--|---|---|---|----------|---------|----------|
| | | | | | | | 1 | 2 | 3 | 4 | 5 | N/A | N/R |
| Provision of Water Services | - | Cl. 27 | 1 | С | L | S | | | | | √ | | |
| Provision of Water Services Outside Operating Area | - | Cl. 28 | 1 | С | L | S | | | | | | | ✓ |
| Works Holding Arrangements | - | Cl. 29 | 1 | С | L | S | | | | | √ | | |



2.9.3 Observations and Recommendations

| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|------------------|--|--|----------------------------|----------------------|
| Grant of Licence | Cl. 2 and Sch. 1 & Sch. 2 (Licence: 21/12/2010) and Cl. 2 and Sch. 1 (Licence: 18/11/2013) | A Water Services Operating Licence (Operating Licence) was granted by the Economic Regulation Authority (ERA) to the Shire of Denmark (Shire); The Operating Licence is contained in the document entitled: "Operating Licence - Water Services Licencing Act 1995 (WA) - Licence No 39"; As per Schedule 1 of the Operating Licence: Shire is entitled to provide "non-potable water supply services"; It commenced on 30 May 2005; and It expires on 31 May 2031. Section 2.1 entitled: "Your Rights to Water Services" of the document entitled: "Shire of Denmark - Customer Service Charter for Water Supply Services - November 2013" (Customer Service Charter) states: "Subject to the Water Acts, the Shire of Denmark will provide a service of non-potable water supply under the terms set out in this Charter and the Operating Licence."; The Shire has stated it provided "non-potable water supply services", to its customers in accordance with the terms and conditions of the Operating Licence, during the period 1 June 2012 to 30 November 2013 (Audit Period); As per Schedule 2 to the Operating Licence, the: Shire may provide non-potable water to, and within, those areas designated by reference to | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|------------------------------|-----------------------------------|---|----------------------------|----------------------|
| Grant of Licence (continued) | | plan number: "OWR - OA - 294(B)" (as per the Operating Licence amendment dated 3 December 2012); and Plan number: "OWR - OA - 294(B)" refers to the plan of Peaceful Bay approved by the ERA for the purposes of the provision of the indicated water service. Plan number: "OWR - OA - 294(C)" is indicated in Schedule 1 to the Water Services Operating Licence, dated 18 November 2013, as the operating area; The Shire did provide copies of both plan numbers: "OWR - OA - 294(B)"; and "OWR - OA - 294(C)" for audit purposes; and The Shire has stated, during the Audit Period, it provided the water services respectively indicated in Schedule 2 to, and within, those areas approved by the ERA for the purposes of the provision of the indicated water service. | | |
| Term | Cl. 3 (across both licences) | The Shire has stated the Operating Licence was not cancelled during the Audit Period; The Shire has stated the Operating Licence was not surrendered during the Audit Period; and As per Schedule 1 to the Operating Licence, it expires on 31 May 2031. | No recommendation is made. | N/R |
| Fees | Cl. 4 (across both licences) | The Shire has stated no fees were payable in respect of the Water Services Licensing Act 1995 (WA) during the Audit Period. | No recommendation is made. | N/R |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------------|--|---|--|----------------------|
| Compliance and Duties of the Licensee | Cl. 5 (Licence: 21/12/2010) and Cl. 5 and Cl. 26 (Licence: 18/11/2013) | The Shire is required to comply with legislation which includes the Water Services Act 2012 (WA); Key legislative requirements are incorporated into sections 2 to 24 and Schedules 1 to 6 of the Operating Licence. Therefore, by complying with the Operating Licence's stipulations, the Shire will comply with key requirements of the Water Services Act 2012 (WA); The Shire does acknowledge its obligation to comply with relevant legislation. Section 2.1 entitled: "Your Rights to Water Services" of the Customer Service Charter states: "Subject to the Water Acts¹, the Shire of Denmark will provide a service of non-potable water supply under the terms set out in this Charter and the Operating Licence"; Footnote 1 contains references to a number of different Water Acts. However, footnote 1 does not contain a reference to the Water Services Act 2012; Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence. The Schedule: Refers to reporting "significant change to asset management plan" and not "material change to the asset management system" as referred to in the Operating Licence; | Amend the Compliance Schedule, as included in the Asset Management Plan, to: Refer to the obligation to notify the ERA of "material change to the asset management system"; Refer to the obligation to report a change in circumstances, as envisaged in section 15 of the Water Services Act 2012 (WA); Include an appropriate reference to the Water Services Act 2012 (WA); and Disclose Operating Licence references for the compliance obligations it contains. | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------------|-----------------------------------|---|-----------------|----------------------|
| Compliance and Duties of the Licensee | | Contains no reference to the Shire's obligation to "reporting a change in circumstances" as contained in section 15 of the Operating Licence dated 18 November 2013; | | |
| (continued) | | • Refers to the Water Services Licensing Act 1995 and not the Water Services Act 2012 (WA); and | | |
| | | • Does not contain Operating Licence references for the compliance obligations it contains. | | |
| | | The information contained in the Schedule is, except as indicated above, in accordance with the recommendation made in the previous audit report; | | |
| | | • The Director of Community and Regulatory Services is responsible for annually updating the Asset Management Plan which includes the Compliance Schedule; | | |
| | | • The Shire submitted its annual Compliance Reports for 2011 – 2012 and 2012 – 2013 on time; | | |
| | | • The Shire submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time; | | |
| | | • The 2011 - 2012 Compliance Report disclosed one instance of non-compliance with the Operating Licence obligations. This instance related to the failure to submit the 2010 – 2011 Annual Compliance Report by 31 July 2011; | | |
| | | • The 2012 – 2013 Compliance Report disclosed one instance of non-compliance with the Operating Licence obligations. This instance related to non-compliance with section 17.1 of the Operating Licence dated 21 December 2010; | | |
| | | • The ERA issued a notice to the Shire in terms of section 39 of the Water Services Licensing Act | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--|-----------------------------------|--|-----------------|----------------------|
| Compliance | | 1995 (WA) on 19 March 2013 (Notice); | | |
| and Duties of the Licensee (continued) | | • In terms of the Notice, the Shire is required to rectify the contraventions of the Operating Licence as set out in the schedule attached to the Notice by no later than 30 November 2013; | | |
| | | • The schedule attached to the Notice identifies contraventions of clause 17 of the Operating Licence which covers the asset management system. In particular, the schedule states: " the Authority (ERA) considers that the Shire's asset management system does not set | | |
| | | out measures for the proper maintenance and operation of the water services works."; • The Asset Management System Review, included in Section 3 of this document, deals specifically with the issued identified and recommendations made as a result of the conduct of the previous Review, and the progress made in resolving those issues; | | |
| | | The Shire has stated, during the Audit Period, except as disclosed above, no direction was received from the ERA in writing to do any measure necessary to: | | |
| | | Correct the breach of any applicable legislation; or Prevent the breach of any applicable legislation occurring again. | | |
| | | The ERA has stated that, to the best of their knowledge, no Code of Practice has being made by the Minister; and The ERA has made a Code of Conduct which came into effect on 1 January 2014. | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|------------------------|--|---|--|----------------------|
| Customer Complaints | Cl. 6 and Sch. 3: Cl. 3 (Licence: 21/12/2010) and Sch. 2 (Licence: 18/11/2013) | The Shire has implemented the following customer complaints processes: Emergency Assistance; and Complaints and dispute resolution. Section 1.9 entitled: "Emergency assistance" in the Customer Service Charter provides the names, position titles and 24 hour "emergency customer service telephone numbers" for six persons; Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer Service Charter states the following in respect of emergency assistance: "Telephone calls to the emergency numbers will be answered promptly and advice of action to be taken and timing given within one hour of your call. Phone calls to emergency numbers will be actioned by the person taking the call and callers will not be directed to call other phone numbers. General written correspondence will be replied to as soon as possible and within 5 business days. Over the counter and telephone enquiries will be responded to within 24 hours."; Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer Service Charter states the following in respect of complaints: "When you lodge a complaint (either in writing or verbally), the Shire of Denmark will address the issue in a timely and efficient manner. A representative of the Shire of Denmark will respond in person within 2 business days of a | Compile and implement a customer complaints procedure manual. This manual should comply with the stipulations contained in the Water Services Operating Licence dated 18 November 2013; Disclose the names, position titles and the "emergency customer service telephone numbers" listed in the Customer Service Charter prominently on the home page of the Shire's web site; and Ensure that the "Water Compliance Manual Datasheets - Complaints" accurately and comprehensively record numbers for complaints received. | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------------|-----------------------------------|---|-----------------|----------------------|
| Customer Complaints (continued) | | complaint being lodged. Where this response advises the need for further assessment you will receive a written reply within 5 business days." | | |
| (| | and | | |
| | | "Pursuant to its licence, the Shire of Denmark must resolve complaints within 15 business days."; | | |
| | | • A link for the Customer Service Charter is currently prominently displayed on the Shire's webpage entitled: "Community & Regulatory Services Documents and Forms"; | | |
| | | None of the six "emergency customer service telephone numbers" listed in the Customer Service Charter are currently prominently disclosed on the Shire's web site; | | |
| | | • Contact details for the Principal Environmental Health Officer, are recorded in the Customer Service Charter; | | |
| | | • The Shire records complaints received from customers within Synergy Soft under "Records Registration". The record type is indicated as "Complaints/Compliments". As a result, a report can be produced within Synergy Soft which lists all complaints recorded within a specified period; | | |
| | | However, the Synergy record does not capture the following information in respect of complaints received: | | |
| | | Method of complaint; | | |
| | | Date and time actioned; | | |
| | | Details of action taken; and | | |
| | | Date and time resolved. | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------------|-----------------------------------|---|-----------------|----------------------|
| Customer Complaints (continued) | | • The Shire has also implemented a complaint register entitled: "Sewerage & Waste Water Reuse System Complaint Log (Complaints Log) during the Audit Period within which it records details of complaints received; | | |
| | | • The Complaints Log provides for recording appropriate detail of complaints received; | | |
| | | • The Complaint Log is kept by the Director of Community and Regulatory Services; | | |
| | | • The Shire does not have a customer complaints procedure manual in place; | | |
| | | • Two customer complaints were received during the Audit Period: | | |
| | | • 0n 12 /12/2012: and | | |
| | | • On 29/11/2013. | | |
| | | • The Shire has stated that both complaints were resolved immediately; | | |
| | | • As per the "Water Compliance Manual Datasheet – Complaints": | | |
| | | • No customer complaints were received during the 2012 – 2013 reporting period; and | | |
| | | • No customer complaints were received during the 2011 – 2012 reporting period. | | |
| | | • The complaint received on 12/12/2012 should have been included in the "Water Compliance Manual Datasheet – Complaints" for 2012/2013; | | |
| | | • Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer Service Charter states: | | |
| | | "If the matter has not been resolved to your satisfaction by the Shire of Denmark within 15 days, you may refer the matter to the | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|------------------------|-----------------------------------|--|-----------------|----------------------|
| Customer Complaints | | Department of Water at the following address"; | | |
| (continued) | | Section 2.8 entitled: "Requests for information received from government agencies" states: | | |
| | | "The Shire of Denmark will promptly reply to requests from Government agencies for information regarding both the capacity and operation of the supply and will also promptly respond to request from these agencies for information in regards to complaints that have been made about the supply or Council's operation of it."; The Shire has stated that, to the best of their knowledge, no complaints were investigated by the Department of Water during the Audit Period; | | |
| | | The Shire has stated no requests for information in respect of complaints made, were received from the Department of Water during the Audit Period; | | |
| | | The Customer Service Charter does not contain any reference to matters which must be considered by a Local Government Authority Council; | | |
| | | Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer Service Charter states: | | |
| | | "If you are not satisfied with a solution offered or action taken on a complaint, you may seek referral to the Shire of Denmark's Chief Executive Officer, who will investigate the complaint, assess the appropriateness of the Shire of Denmark's response and either confirm or amend the Shire of Denmark's proposed | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------------|--|---|----------------------------|----------------------|
| Customer Complaints (continued) | | solution or action."; Section 2.3 entitled: "Your rights to assistance, redress and compensation" in the Customer Services Charter states: "If the Shire of Denmark's activities have caused damage to your property or disruption to you, the Shire of Denmark will deal with the matter in a fair and business-like manner, whether or not a complaint is received. The Shire of Denmark may rectify damage and, as necessary and reasonable, compensate you subject to the Water Acts."; As stated above, contact details for the Principal Environmental Health Officer, are recorded in the Customer Service Charter; and However, the Shire has stated that it is normal practice to refer all complaints received directly to the Director of Community and Regulatory Services. | | |
| Customer Service Charter | Cl. 7 and Sch. 3: Cl. 2 (Licence: 21/12/2010) | The Shire has issued a Customer Service Charter; A link for the Customer Service Charter is currently prominently displayed on the Shire webpage entitled: "Community & Regulatory Services Documents and Forms"; A range of minor amendments to the Shire's Customer Service Charter was approved by the ERA, as per their letter to the Shire dated 19 June 2012. This letter stated that a review of the Customer Service Charter, including public review, was due by 14 March 2014; Minor amendments were made to the Customer Service Charter in November 2013. The | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--------------------------------------|-----------------------------------|--|-----------------|----------------------|
| Customer Service Charter (continued) | Reference | Operating Licence dated 18 November 2013 does not stipulate that the Shire should have a Customer Service Charter. As a result, the Shire did not forward the amended Customer Service Charter to the ERA for approval; • The Customer Charter is drafted in 'plain English'; • The Customer Charter is comprehensive and deals with the rights and responsibilities of both the Shire and its customers; • No distinction is made in the Customer Service Charter between classes of customers; • The Customer Service Charter is currently displayed at the: • Reception area of the Shire's offices in Denmark; and • On the notice board at Peaceful Bay. • The Shire has stated copies of the Customer Charter were provided upon request, and at no charge, to customers during the Audit Period; • Minor amendments were made to the Customer Service Charter in November 2013; • A copy of the Customer Service Charter was distributed to all customers on 19 November 2013; and • Except for the recommendations made in this Work Program, the audit concluded that the Shire provided its services in a way which is consistent with its Customer Service Charter during the Audit Period. | | |
| | | | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--------------------------|---|---|------------------------------|----------------------|
| Customer Consultation | Cl. 8 and Sch. 3: Cl. 4 (Licence: 21/12/2010) | Section 2.2 entitled: "Your rights to consultation and information" in the Customer Service Charter states: "The Shire of Denmark is committed to involving its customers in issues relating to its programs and services. Community involvement in the Shire of Denmark's service planning and decision making processes will be sought through forums such as focus groups, customer surveys and displays at local functions. The Shire of Denmark will use local media bulletins to advise customers of any system change that may result in a significant variation in its service levels." and "The Shire of Denmark will publish, and make available at its premises, information on matters relating to its water services and on other aspects such as charging and complaints handling. Information regarding these matters can be obtained from the Shire of Denmark's business office."; The Shire has stated no Customer Council exists; On an annual basis, two "Ward Meetings" are held between the Shire and its customers at Peaceful Bay (Kent Nornalup Ward); The Shire does publish a monthly newsletter entitled: "Council Conversations". This newsletter is included in the "Denmark Bulletin" is not distributed to the Shire's customers in Peaceful Bay unless they subscribe to it; | • No recommendation is made. | 4 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---|--|---|----------------------------|----------------------|
| Customer Consultation (continued) | | The "Council Conversations" newsletter does not contain any specific information about the Shire's operations and delivery of services; The Shire did distribute a letter to all customers, dated 19 November 2013, in which it provided basic information in respect of the Peaceful Bay water supply; The Shire has indicated it is its intention to distribute this letter on an annual basis; The Shire has stated it did not establish other forums for consultation; The Shire did not consult the ERA with respect to the type and extent of customer consultation to be adopted by the Shire during the Audit Period; and The Operating Licence dated 18 November 2013 does not contain any specific stipulations with respect to customer consultation. | | |
| Customer Contracts and Non Standard Terms and Conditions of Service | Sch. 3: Cl. 5 (Licence: 21/12/2010) and Cl. 24 (Licence: 18/11/2013) | The Shire has stated that no agreements were entered into with customers to provide water services that exclude, modify or restrict the <i>terms and conditions</i> of the Operating Licence during the Audit Period; and The Shire has stated no Customer Services Code exists. | No recommendation is made. | N/R |
| Customer Surveys | Sch. 3: Cl. 6 (Licence: 21/12/2010) | The Shire has stated the ERA did not require the commissioning of any independent customer surveys during the Audit Period. | No recommendation is made. | N/R |
| Transfer of Licence | Cl. 10 (Licence: 21/12/2010) and | The Shire has stated the Operating Licence was not transferred during the Audit Period. | No recommendation is made. | N/R |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---------------------------------|--|---|----------------------------|----------------------|
| Transfer of Licence (continued) | Cl. 6 (Licence: 18/11/2013) | | | |
| Cancellation of Licence | Cl. 11 (Licence: 21/12/2010) and Cl. 7 & Cl. 8 (Licence: 18/11/2013) | The Shire has stated the Operating Licence was not cancelled during the Audit Period. | No recommendation is made. | N/R |
| Surrender of Licence | Cl. 12 (Licence: 21/12/2010) | The Shire has stated the Operating Licence was not surrendered during the Audit Period. | No recommendation is made. | N/R |
| Renewal of Licence | Cl. 13 (Licence: 21/12/2010) and Cl. 9 (Licence: 18/11/2013) | The Operating Licence was not renewed during the Audit Period; and As per Schedule 1 of the Operating Licence, the Licence: Commenced on 30 May 2005; and Expires on 31 May 2031. | No recommendation is made. | N/R |
| Amendment of Licence | Cl. 14 (Licence: 21/12/2010) and Cl. 10 & Cl. 11 (Licence: 18/11/2013) | The Operating Licence was amended twice during the Audit Period: On 3 December 2012 to correct the reference to map OWR-OA-294(B) in Schedule 2; and On 18 November 2013 due to amendment by substitution – <i>Water Services Act 2012 (WA)</i>. | No recommendation is made. | N/A |
| Accounting Records | Cl. 15 (Licence: 21/12/2010) and Cl. 12 (Licence: 18/11/2013) | • The Shire's Annual Report for 2012/2013 states: "The financial report is a general purpose financial statement which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the local Government Act | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--------------------|-----------------------------------|--|-----------------|----------------------|
| Accounting Records | | 1995 and accompanying regulations." | | |
| (continued) | | (As per paragraph 1 (a) entitled: "Significant Accounting Policies – Basis of Preparation" of the "Notes to and Forming Part of the Financial Report for the Year Ended 30 th June 2013"; | | |
| | | The Shire uses Synergy Soft accounting software to maintain its accounting records; | | |
| | | Accounting records are maintained by the Finance and Administration Department who reports to the Director of Finance & Administration; | | |
| | | • Lincolns Accountants and Business Advisers (Auditor) conducted audits of the Financial Reports of the Shire for the years ended 30 June 2012 and 30 June 2013; | | |
| | | • The Auditor expressed an unqualified opinion in respect of the Financial Report for the year ended 30 June 2012; | | |
| | | • The Auditor expressed, except for an emphasis of matter item, and unqualified opinion in respect of the Financial Report for the year ended 30 June 2013. The emphasis of matter item referred to the Shire being unable to calculate the asset renewal funding ratio as supporting data was not available at the time of preparing the annual financial report; and | | |
| | | The Auditor in his audit opinion in respect of the financial report of the Shire for the year ended 30 June 2013 specifically stated that the financial report complies with Australian Accounting Standards (including the Australian Accounting Interpretations). | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|-------------------|---|---|----------------------------|----------------------|
| Operational Audit | Cl. 16 (Licence: 21/12/2010) and Cl. 14 (Licence: 18/11/2013) | The previous Operational Audit was conducted for the period from 1 June 2009 to 31 May 2012 (as per paragraph 2.4 entitled: "Time Period Covered in Audit" of the previous Audit Report dated 29th October 2012); • The current Operational Audit covers the period from 1 June 2012 to 30 November 2013 (as per paragraph 2.1 entitled: "Operational Audit" of the "Shire of Denmark – Audit Plan" (Audit Plan), as approved by the ERA); • The Audit Plan for the 2012/2013 Operational Audit was approved by the ERA, as per their letter to the Shire dated 25 February 2014; • The Audit Plan for 2012/2013 includes, in respect of the Operational Audit: • Audit objectives and scope (section 2.1); • Risk assessment (section 3); • Fieldwork (section 4.1); and • Audit reporting (section 4.3). (As on pages 4, 6 – 7 and 9 – 10 of the Audit Plan respectively); • The Shire has stated no review was sought of any of the requirements of the ERA's standard audit guidelines during the Audit Period; • The approval of the appointment of the Paxon Group to conduct the Operational Audit, for the period 1 June 2012 to 30 November 2013, is included in the ERA's letter to the Shire dated 14 January 2014; and • The fieldwork for the 2012/2013 Operational Audit only commenced on 12 February 2014. | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|-------------------------|---|---|----------------------------|----------------------|
| Asset Management System | Cl. 17 (Licence: 21/12/2010) and Cl. 20 (Licence: 18/11/2013) | The Shire does have an Asset Management Plan. A complete update of the Asset Management Plan was performed and it was issued on 30 November 2013; The Shire has stated no material changes to the asset management system took place during the Audit Period; The previous Asset Management System Review was conducted for the period from 1 June 2009 to 31 May 2012 (as per paragraph 3.4 entitled: "Time Period Covered in Review" of the previous Audit Report dated 29th October 2012); The current Asset Management System Review covers the period from 1 June 2012 to 30 November 2013 (as per paragraph 2.2 entitled: "Asset Management System Review" of the "Shire of Denmark – Audit Plan" (Audit Plan), as approved by the ERA); The Audit Plan for the 2012/2013 Asset Management System Review was approved by the ERA, as per their letter to the Shire dated 25 February 2014; The Audit Plan for 2012/2013 includes, in respect of the Asset Management System Review: Audit objectives and scope (section 2.2); Risk assessment (section 3); Fieldwork (section 4.2); and Audit reporting (section 4.3). (As on pages 4, 8 and 9 – 10 of the Audit Plan respectively.); | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|-------------------------------------|---|--|----------------------------|----------------------|
| Asset Management System (continued) | | The Shire has stated no review was sought of any of the requirements of the ERA's standard guidelines dealing with the Asset Management Rystem review during the Audit Period; The approval of the appointment of the Paxon Group to conduct the Asset Management System Review, for the period 1 June 2012 to 30 November 2013, is included in the ERA's letter to the Shire dated 14 January 2014; and The fieldwork for the 2012/2013 Asset Management System Review only commenced on 12 February 2014. | | |
| Reporting | Cl. 18 (Licence: 21/12/2010) and Cl. 15 (Licence: 18/11/2013) | The Shire has stated it was not under external administration during the Audit Period; The Shire has stated no significant change occurred, during the Audit Period, in its corporate, financial or technical circumstances upon which the Operating Licence was granted which may affect its ability to meet its obligations under the Operating Licence; The Shire has stated the licensee's name, licensee's ABN, licensee's address or description of the water service works did not change during the Audit Period; The Shire has stated only normal maintenance of the assets was performed during the Audit Period; and The Shire has stated no major water service works were provided or undertaken during the Audit Period. | No recommendation is made. | N/R |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|---|--|---|----------------------------|----------------------|
| Individual Performance Standards | Cl. 19 (Licence: 21/12/2010) and Cl. 13 (Licence: 18/11/2013) | The Shire has stated the ERA did not prescribe any individual performance standards in relation to the licensee's obligations under the Operating Licence or the applicable legislation during the Audit Period. | No recommendation is made. | N/R |
| Service and Performance Standards | Cl. 20 & Sch. 4 (Licence: 21/12/2010) and Sch. 3 (Licence: 18/11/2013) | Section 1.9 entitled: "Emergency assistance" in the Customer Service Charter provides six 24 hour "emergency customer service telephone numbers"; As indicated above (Operating Area - Customer Complaints), the process followed by the Shire in providing emergency assistance is covered in Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer Service Charter; None of the six "emergency customer service telephone numbers" listed in the Customer Service Charter are currently disclosed on the Shire's web site; A recommendation was made above in respect of the disclosure of emergency assistance numbers on the Shire's website; As per the "Water Compliance Manual Datasheet - Contact Centre", no emergency calls were received during either the: 2011-2012 nor the, 2012 - 2013 years. As indicated above (Operating Area - Customer Complaints), the process followed by the Shire in the treatment of complaints is covered in Section 2.7 entitled: "Enquiries, suggestions, complaints and disputes" in the Customer | No recommendation is made. | 4 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--|---|--|----------------------------|----------------------|
| Service and Performance Standards (continued) | | Service Charter; Two customer complaints were received during the Audit Period: On 12 /12/2012; and On 29/11/2013. The Shire has stated that both complaints were resolved immediately; The Shire thus met the performance standard for resolving customer complaints within 15 business days; and A recommendation was made above (Operating Area - Customer Complaints) in respect of ensuring the "Water Compliance Manual Datasheets - Complaints" accurately and comprehensively record numbers for complaints received. | | |
| Provision of Information | Cl. 21.1 (Licence: 21/12/2010) and Cl. 16 (Licence: 18/11/2013) | The Shire is required to submit an annual performance report to the ERA by 31 July for the reporting year ending 30 June (as per paragraph 3.1 entitled: "Format and Timing of Performance Reports" of the "Water Compliance Reporting Manual – July 2012" (licensees who are not subject to the Urban Framework or the Rural Framework); The Shire is required to submit an annual compliance report to the ERA by 31 August for the year ending 30 June (as per paragraph 5.2.1 entitled: "Format and Timing of Compliance Reports" of the "Water Compliance Reporting Manual – July 2012"); Section 12 of the document entitled: "Peaceful Bay – Non Potable Water Supply - 2013 Asset Management Plan" contains a schedule entitled: | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--------------------------------------|--|--|----------------------------|----------------------|
| Provision of Information (continued) | | "Compliance Schedule" (Schedule). This Schedule, with two exceptions, comprehensively lists reportable compliance obligations included in the Operating Licence; A recommendation was made above (Operating Area – Compliance), in respect of changes required to the Schedule; The Shire submitted its annual Compliance Reports for 2011 – 2012 and 2012 – 2013 on time. Both reports disclosed instances of noncompliance with licence conditions; The Annual Compliance Reports did comply with section 7 entitled: "Format for Reporting Non Compliances" as contained in the document entitled: "Water Compliance Reporting Manual – July 2012"; and The Shire submitted its annual Performance Reports for 2011 – 2012 and 2012 – 2013 on time. | | |
| Information Requirements (Reporting) | Cl. 21.2 & Sch. 5 (Licence: 21/12/2010) and Cl. 16 (Licence: 18/11/2013) | Paragraphs 16 and 19 of the "Water Compliance Reporting Manual – July 2012" contain specific performance reporting requirements the Shire has to comply with (as on pages 26 to 27 and 33 to 34 of the "Water Compliance Reporting Manual – July 2012" respectively); Electronic copies of Performance Reports for 2011 - 2012 and 2012 - 2013 were provided for audit purposes; The Shire's Annual Performance Reports for 2011 – 2012 and 2012 – 2013 complies with the specific performance reporting requirements contained in paragraphs 16 and 19 of the "Water Compliance Reporting Manual – July 2012"; | No recommendation is made. | 4 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--|--|---|----------------------------|----------------------|
| Information Requirements (Reporting) (continued) | | The Performance Reports for 2011 – 2012 and 2012 – 2013 provide sufficient information to correctly interpret percentages disclosed; and A recommendation was made above (Operating Area - Customer Complaints), in respect of ensuring the "Water Compliance Manual Datasheets - Complaints" accurately and comprehensively record numbers for complaints received. | | |
| Publishing Information | Cl. 22 (Licence: 21/12/2010) and Cl. 17 (Licence: 18/11/2013) | The Shire has stated the ERA did not direct it to publish any information, in addition to that published in terms of other clauses of the Operating Licence during the Audit Period. | No recommendation is made. | N/R |
| Notices | Cl. 23 (Licence: 21/12/2010) and Cl. 18 (Licence: 18/11/2013) | The Shire has stated all notices given, during the Audit Period, were in writing. | No recommendation is made. | 5 |
| Review of the Authority's Decisions | Cl. 24 (Licence: 21/12/2010) and Cl. 19 (Licence: 18/11/2013) | The Shire has stated no review was sought of any reviewable decision by the ERA, during the Audit Period. | No recommendation is made. | N/R |
| Other Provisions | Sch. 6: Cl. 2 & Cl. 3 (Licence: 21/12/2010) and Sch. 5 (Licence: 18/11/2013) | Section 2.5 entitled: "Connection to our services" in the Customer Service Charter states: "No further connections are available to the Peaceful Bay water supply scheme."; Section 2.6 entitled: "Disconnection" in the | No recommendation is made. | 5 |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|------------------|-----------------------------------|--|-----------------|----------------------|
| Other Provisions | | Customer Service Charter states: | | |
| (continued) | | "Non-potable water is permanently supplied to all leasehold properties in Peaceful Bay."; | | |
| | | A link for the Customer Service Charter is currently prominently displayed on the Shire webpage entitled: "Community & Regulatory Services Documents and Forms"; | | |
| | | The Customer Service Charter is currently displayed at the: | | |
| | | Reception area of the Shire's offices in Denmark; and | | |
| | | On the notice board at Peaceful Bay. | | |
| | | • Section 3.5 entitled: "Limitation or withdrawal of services" in the Customer Service Charter states: | | |
| | | "The Shire of Denmark may restrict water flow or may discontinue its services to you if: | | |
| | | you do not comply with the terms and conditions of this Charter; | | |
| | | there is a public health, environmental or safety risk to the Shire of Denmark's services from a customer's service connection (eg back flow)."; | | |
| | | The Shire has stated no services to properties were discontinued during the audit period; | | |
| | | The Shire's Customer Service Charter does not state the written agreement of a property owner is needed to discontinue a service to a property. Furthermore it makes provision for a number of | | |
| | | instances where the Shire may limit or withdraw services, none of which directly deals with commercial viability (as per paragraph 3.5 | | |



| Operating Area | Operating Licence Reference | Systems, Processes and Controls in Place at Shire to Ensure Compliance with Licence Conditions | Recommendations | Compliance Rating |
|--|-----------------------------------|---|----------------------------|----------------------|
| Other Provisions | | of the Customer Service Charter); | | |
| (continued) | | The Shire has stated a warning sign, as depicted in the Operating Licence, was erected at the stipulated location; and | | |
| | | The Shire has stated an annual determination is done of maintenance required for the warning sign. | | |
| Water Services Ombudsman Scheme | Cl. 21 (Licence: 18/11/2013) | • The ERA has approved a Water Services Ombudsman Scheme which came into effect on 1 January 2014. This scheme was thus not in operation during the Audit Period. | No recommendation is made. | N/A |
| Customer Contract | Cl. 23 (Licence: 18/11/2013) | The Shire has stated that no direction was received from the ERA to submit a draft customer contract for approval by the ERA, during the Audit Period. | No recommendation is made. | N/R |
| Supplier of Last Resort | Cl. 25 (Licence: 18/11/2013) | The Shire has stated it has not been appointed a supplier of last resort for a designated area under the Act during the Audit Period. | No recommendation is made. | N/A |
| Provision of Water Services | Cl. 27 (Licence: 18/11/2013) | The Shire has stated it provided non-potable water supply services to all persons entitled to that water service under the Act during the Audit Period; and The Shire has stated all people within the operating area are entitled to non-potable water supply services. | No recommendation is made. | 5 |
| Provision of Water Services Outside Operating Area | Cl. 28 (Licence: 18/11/2013) | The Shire has stated no water service was provided outside the operating area specified for that water service during the Audit Period. | No recommendation is made. | N/R |
| Works Holding Arrangements | Cl. 29 (Licence: 18/11/2013) | The shire has stated it holds all water service works used for the provision of non-potable water supply services. | No recommendation is made. | 5 |



3 Asset Management System Review

3.1 Introduction

The Peaceful Bay settlement, originally sited on a cattle lease, began its existence as a holiday destination for local families in the early part of the last century. In 1956, the land was vested in the Shire of Denmark, a community plan was developed and applications were called for leasehold sites. The leasehold development, which is managed by the Shire of Denmark, has 203 leased sites set aside for short-stay holiday accommodation.

Prior to 1956, the water supply to the settlement was originally provided from the soak immediately south of the present General Store and from runoff from roofs. In 1959, a windmill was installed at the soak and a 54 m 3 concrete tank was constructed by the Shire together with reticulation to each leasehold site. Between 1959 and 1979, the water supply scheme was upgraded by the installation of a transfer Pumping Station at the soak and construction of two additional concrete storage tanks designated A and B – each of 54 Kl capacity. Tank A is at a higher level than Tank B.

In 1979, the Shire of Denmark accepted a proposal from the Public Works Department (PWD) to establish a suitable groundwater source at Peaceful Bay. In 1983, nine test bores were sunk. Only two of the nine bores drilled (bore 3/83 and 5/83) were identified as suitable for production as there was insufficient thickness of saturated sand at the other sites. Following extensive testing, 3/83 was completed as a production bore – but not commissioned.

In 1984, the PWD conducted a fairly comprehensive study, which concluded that the soak only scheme was not capable of meeting peak summer demands.

Initially to increase supply, the existing soak was expanded, the transfer pipeline to the storage tanks was replaced and duty and standby pumps were installed. Due to further supply problems, bore 3/83 was commissioned in 1989, and a rising main installed to the soak.

Since 1989, two separate distribution and reticulation schemes have been developed: a chlorinated potable water supply for the Caravan Park; and a non-potable water supply for the leased properties. The Caravan Park system utilises one of the transfer pumps to transfer water from the dam to Tank C, which serves the Caravan Park. A sodium hypochlorite dosing system in the transfer pumping shed is used to disinfect the water before entering a third tank, Tank C. Tank C was initially provided with a supply source from Tank B but isolated by a normally closed gate valve. This connection has now been removed to isolate the potable supply to the caravan park from the non-potable supply in Tank B. The caravan park supply is not included in the Peaceful Bay Non-Potable Water Supply licence.

In 2003 the bore pump was replaced. Both transfer pumps were replaced in 2009. In 2011, two further storage tanks were installed – a 100 Kl tank on the hill between



existing tanks A & B and an 80 Kl tank in the lease area to supplement the fire supply. Additional fire hydrants were also constructed within the lease area.

Allotment lessees pay annual lease fees plus normal property rates. There is no separate charge for the non-potable water service.

Executive responsibility for the water services rests with Council's CEO. The plant is actually operated through Council's Department of Community and Regulatory Services. Until recently, day to day operations, maintenance, repairs etc. were undertaken via an arrangement with a licensed Plumber who operates in the district and who reported to the Director of Community and Regulatory Services. Recently the Shire has appointed a Water Supply Officer to undertake the general operations, maintenance, flow measurement and water sampling regimes and written reporting associated with the system. In addition, Council has a list of expected duties and arrangements with local companies for the provision of electrical and mechanical services.

3.2 Objectives and Scope

The Water Services Licensing Act 1995 required that the Shire 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.

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

This review therefore examined:

- 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 subjected 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 the previous review.

The review also identifies any aspects of the asset management system, which are considered to require correction, amendment, or improvement.

3.3 Key Documents Inspected During the Review

- Water Services Operating Licence (21 December 2010);
- Water Services Operating Licence Shire of Denmark WL39, Version 5, 18 November 2013;
- Shire of Denmark Operational Audit and Asset Management System Review Audit Report – 29th October 2012;
- Shire of Denmark Customer Service Charter for Water Supply Services (November 2013);
- Shire of Denmark Annual Reports to the ERA over the review period as required by the above licence;
- Proposed Budget of income and expenditure (capital works, maintenance, labour etc.) for the Peaceful Bay Non-Potable Water Supply - for the 2012/2013 and 2013/2014 financial years;
- Peaceful Bay Non Potable Water Supply 2013 Asset Management Plan;
- Shire of Denmark, Purchasing Policy;
- Pathwest, Water Examination Laboratory, Test Results July 2013 2014; and
- Shire of Denmark Asset Operations and Maintenance Inspection and Reporting Sheets, Water Supply Officer, Electrician and Mechanical / Pumping trade duties statements.

3.4 Time Period Covered in Review

The review covered the period from 1 June 2012 to 30 November 2013. The previous review covered the period from 1 June 2009 to 31 May 2012.

3.5 Time Period of Review

The review was conducted during visits to the Shire's offices at Denmark and Peaceful Bay on 12 February 2014 and 13 February 2014.

3.6 Licensee's Representatives

| Staff Member | Position |
|-------------------|---|
| Mr Gregg Harwood | Director of Community and Regulatory Services |
| Mr Kim Dolzadelli | Director of Finance and Administration |
| Mr Robert Ohle | Principal Environmental Health Officer |
| Mr O Wakka | Water Supply Officer |



| Staff Member | Position |
|---------------|---|
| Mr I Neil | Asset Management Consultant to the Shire of Denmark |
| Mr M Phillips | Bowbridge Plumbing Services |
| Mr L Stock | Denmark Pump Service |
| Mr C Baxter | Vice President, Peaceful Bay Progress Association |

3.7 **Post Review Implementation Plan**

The Post Review Implementation Plan was developed by the Shire and as such does not form part of the auditor's opinion.



3.8 Licensee's Response to Previous Review Recommendations

| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|-----------------------------------|---|---|---|-------------------------|
| Asset Planning | It is recommended the Shire's Asset Management Plan be thoroughly reviewed in order to: Change the tenor of the AMP from that of a report on an engineering due diligence assessment to that of a working document which details the performance requirements of the system, its assets, condition, and requirements for operation, maintenance, and replacement; Service level values should be verified and checked and recorded on a regular basis; and The above should include an asset register, long term capital expenditure plan operation and maintenance procedures and a protocol for recording and reporting inspections, condition and maintenance of assets, together with a schedule for review and updating of the AMP document as a whole. | The Shire has engaged a consultant who reviewed the previous AMP and drafted a new document. The new (2013) AMP is considered more than appropriate for the relatively small non-potable water services provided at Peaceful Bay; The 2013 AMP addresses: Scheme history, population and properties supplied, present and future demand and service levels, environmental issues, legislative requirements, the ERA licence, including reporting requirements and timing; Asset Register, condition, age, replacement date and proposed future capital upgrades; Risk assessment and contingency planning; Adequate procedures for Operations and Maintenance – including work schedules, pro-forma documents for verification of works undertaken associated with operations, maintenance, flow recording, water sampling and fault or issue reporting; Specification of duties for the Water Supply Officer, Electrical and Pumping/Mechanical Services suppliers; and Cost and revenue summary, five year | Complete minor editing of the Asset Management Plan; and Sign off of the Asset Management Plan by the CEO. | Partly resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--------------------------------------|--|--|--|-------------------------|
| Asset Planning (continued) | | capital expenditure plan and annual contributions to a reserve fund based on expected capital expenditure over the forthcoming ten years. • Some minor editing is being undertaken following the review. A copy of the Reviewer's notes on the AMP has been provided to assist this process; and • The AMP has not been signed off by the CEO. | | |
| Asset Creation and Acquisition | • The recommendations for the section entitled: "Asset Planning" above are applicable to this section. | See comments under the section entitled: "Asset Planning" above. | No further action is required. | Resolved |
| Asset Disposal | That pumps replaced but not disposed of be serviced/refurbished and retained as spares. | Transfer pumps replaced some time ago has been assessed by the pump supplier as unsuitable for refurbishment - and have been disposed of; and A bore pump replaced some years ago has not been submitted for evaluation/refurbishment. | Purchase at least one (preferably two) transfer pumps as spares; and Submit the bore pump replaced some years ago for evaluation/refurbishment or replace it with a new unit to be held as a spare. | Unresolved |
| Environmental Analysis | Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheels drive access requirements of the site, (bore) flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire's Synergy system; Readings should be used to determine and record the actual demand for water | Bore has been fitted with a new flow recorder. Flow readings are now taken and recorded as recommended except for the caravan park; Shire has agreed to record caravan park flows; and Current description of physical factors is considered adequate. | Implement caravan park flow recording. | Partly resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|---|--|-------------------------------|-------------------------|
| Environmental Analysis (continued) | (including at the caravan park) and hence assist in evaluating the performance of the system; and • The identification of the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis/management and contingency plans. | | | |
| Asset Operations | The existing arrangement with the Operator should be formalised, including a description of his responsibilities, duties, basis of remuneration and expenses recovery etc.; The duties, attendance intervals, operating, maintenance, monitoring and reporting requirements of the Operator should be linked to a fully documented "Operating and Maintenance Manual" - currently referred to in the AMP – but which has not been prepared; Transfer pump flow meters should be read at least monthly during winter months and weekly during summer periods. Due to the distant location and four wheel drive access requirement of the site, bore flow meter readings at monthly intervals should suffice. All readings should be taken on the same day and be recorded on the Shire's Synergy system; A training program should be | The Shire has appointed a full time Water Supply Officer to undertake the operational and maintenance duties for the water services. A formal list of his duties has been prepared; The AMP contains an adequate basic description of the combined operations and maintenance procedures for the water services. The duties of the Water Supply Officer clearly relate to these procedures; Bore has been fitted with a new flow recorder. Flow readings are now taken and recorded as recommended except for the caravan park; and Practical training of the Water Supply Officer has commenced, but a formal training program for this and other Shire officers has not been implemented. | Implement a training program. | Partly resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|------------------------------------|---|---|--|-------------------------|
| Asset Operations (continued) | implemented to extend the number of persons familiar with the operation, inspections and maintenance of the scheme, contingency plan implementation and reporting. The training should be extended to the present operator, support resident, and three or four members of the Shire's staff. The training should be based on the AMP and the Operations and Maintenance Manual; and • Each trainee should receive a copy of the AMP and Operations and Maintenance manual. | | | |
| Asset Maintenance | As for Item 6 – Asset Operations, a detailed "Operating and Maintenance Manual" should be prepared. The manual should include: A detailed list of maintenance and inspections to be undertaken and their frequency. The list should include check sheets verifying the maintenance checks have been undertaken, the date and any applicable notes/comments relevant to the check; and A protocol for completed check sheets to be forwarded to Shire management for recording and noting any action required /taken. A register of prime assets should be prepared – including the age and condition and remaining life expectancy of each item; | The AMP contains an adequate basic description of the combined operations and maintenance procedures for the water services. The procedures are supported by schedules of work to be undertaken and pro-forma carbon copy sheets for recording the date and time that works were undertaken and relevant comments regarding asset condition or performance. The original copies of completed pro-forma sheets are forwarded to management for noting and response as necessary. Carbon copies of the sheets are retained by the Water Supply Officer; A list of prime assets has been prepared including installation dates, expected life and expected replacement year; Currently the Shire holds no spares; Transfer pumps replaced some time ago | Prepare a spares list with the purchase/refurbishment of transfer and bore pumps as recommended for the section entitled: "Asset Disposal"; Purchase at least one (preferably two) transfer pumps as spares; Submit the bore pump replaced some years ago for evaluation/refurbishment or replace it with a new unit to be held as a spare; Undertake a CCTV inspection of the bore during the 2014 low demand winter period; and Consider the installation of bore water level recording equipment when down the hole CCTV operations are undertaken. | Partly resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|--|---|---|-------------------------|
| Asset Maintenance (continued) | A list of spare parts should be prepared, including details of suppliers; Pumps which have been replaced should be refurbished and retained as spares as a matter of urgency. Any pump which cannot be adequately refurbished should be replaced with a new unit; The sole bore supplying water to the system should be subject to a "down the hole" video inspection to determine its depth, construction and condition and (if appropriate) the bore should be redeveloped to restore any perceived loss in yield or drawdown; On replacement, the pump should be supported on a stainless steel wire to facilitate its removal and to prevent loss of the pump if the delivery hose currently supporting it fails. Similarly, the bore should be fitted with equipment to measure standing water level and operational drawdown; and Include an additional column for EHO comment on the water test result spread sheet. Prepare a protocol for water testing frequency, follow up and test type. | has been assessed by the pump supplier as unsuitable for refurbishment - and have been disposed of. A bore pump replaced some years ago has not been submitted for evaluation/refurbishment; • A down the hole CCTV inspection of the bore has not been undertaken. Its construction and condition therefore remains unknown; • The existing bore pump has been removed, inspected and replaced in the bore supported by a stainless steel cable. No provision has been made to allow the standing water level or the operating drawdown to be determined; and • EHO reports and acts on the results of water tests as appropriate. Water testing procedures and schedules are documented. | | |
| Asset Management Information System | Hard copy files of suppliers, completed maintenance check lists and other site reports should be scanned and filed on the Synergy system; A member of Shire's administrative staff should be given appropriate training | Hard copies of check lists, reports etc are currently kept on file, but are not filed electronically; No officer has been trained; and The Water Corporation has not been | Arrange for all water services completed check lists etc. to be filed electronically under a single folder; Arrange training when the system is established; and | Unresolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|---|--|--|---|-------------------------|
| Asset Management Information System (continued) | and be responsible for entering relevant data and reports onto the Synergy system; In addition files should be established on the Synergy system to record asset performance data, an asset register including the age and condition of assets and a schedule of undertaken and planned replacements / refurbishments; and Water Corporation is approached to determine if files/ records of the bore and rising main construction, testing and alignment are available. If available, the relevant information should be obtained and entered in the asset management information system. | approached. | Approach the Water Corporation to determine if files/records of the bore and rising main construction, testing and alignment are available. If available, the relevant information should be obtained and entered in the asset management information system. | |
| Risk Management | • The Risk Register should be reviewed and the risks associated with bacterial and hydrocarbon contamination included. | The Risk Register has been reviewed and risk associated with water contamination is included. | No further action is required. | Resolved |
| Contingency Planning | The contingency plans for each risk identified should be reviewed, include fire and hydrocarbon contamination; The Shire should consider undertaking a detailed re-assessment of the overall concept of the current scheme; Strategies for application of the current plan should be broadened to include detailed procedural steps for their implementation; and Contingency plan implementation should be included in the training | The contingency plans have been reviewed and include all risks identified; Following significant improvements in staffing and maintenance of the scheme, together with standby storage and the ability to impose water use restrictions during equipment or supply faults Shire considers the overall scheme concept is acceptable; The detail of procedures are appropriate provided they are reinforced by | Implement a training scheme for at least the EHO, Water Supply Officer and a member of the Engineering staff. | Partly resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|--|---|--|--|-------------------------|
| Contingency Planning (continued) | regime. | training; and • A training scheme has not been implemented. | | |
| Financial Planning | The Financial Plan should allocate all applicable costs and income to the scheme in order to determine its financial viability; and Such costs and projected estimates should include the capital costs of replacement of assets on the basis of their expected useful life and/or their level of performance. | The AMP contains an estimate of costs and income over the forward ten years and indicates the viability of the scheme over this period. The Shire has commissioned a consultant to prepare a Long Term Financial Plan (LTFP) for the overall Shire's works. When completed the plan will be embedded in the Shire's future budget plans: and will include financial plan in the AMP for the water services; and The financial plan in the AMP includes the net present value of capital cost of asset replacements over the forthcoming ten years. An annual contribution (annuity) of \$16,250 to a reserve fund for the ten year period has been calculated, using an escalation rate of 2% and an interest rate of 4.5%. | Include AMP estimates in the LTFP when completed; and Compare reserve fund contributions over a ten years period with those for a whole of life approach. Adjustments should be made to the reserve contributions if a significant discrepancy is apparent. | Partly resolved |
| Capital Expenditure Planning | The Capital investment plan should be reviewed, updated and incorporated in Council's future annual budgets and forward planning estimates. | • The AMP contains a rolling five year capital investment plan. Expenditure for the current 2013/2014 year has been included in the Shire's budget. However expenditure for the forward years is not included in the Shire's current 2013/2014 budget. | Include AMP capital expenditure estimates in future budgets. | Partly resolved |
| Review of AMS | • A review of all elements of the AMP should be undertaken at two yearly maximum intervals, by a competent person, and that provision be made on | The AMP makes provision for overall review and/or sign-off; and The Shire has undertaken improvement works at both the bore and pump house. | No further action is required. | Resolved |



| Licence Condition Reference | Recommendation | Action Taken | Further Action Required | Resolved/ Unresolved |
|-----------------------------------|--|--|-------------------------|-------------------------|
| Review of AMS | each element of the document for the | Shire considers the overall concept of | | |
| (continued) | reviewer to sign off with the date and | the scheme is now acceptable. Reviewer | | |
| | details of any amendments made; and | accepts Shire's opinion. | | |
| | Council should consider implementing | | | |
| | an independent assessment of all | | | |
| | technical aspects of the scheme, | | | |
| | including the bore and rising main | | | |
| | adequacy and condition, general | | | |
| | operations and maintenance, | | | |
| | monitoring, control and alarm. | | | |



3.9 Summary of Issues and Recommendations

| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|--------------------------------|---|--|--|---|
| Asset Planning | The Shire has engaged a consultant who has reviewed the previous AMP and drafted a new document. The new (2013) AMP is considered more than appropriate for the relatively small nonpotable water services provided at Peaceful Bay; Some minor editing is being undertaken following the review. A copy of the Reviewer's notes on the AMP has been provided to assist this purpose; and The AMP has not been signed off by the CEO. | Implement the necessary editing/corrections in notes on the AMP document provided to the Shire by the Reviewer. In particular, the following: Undertake measurement of consumption by the caravan park - in addition to non-potable consumption by residents, in order to determine the total water requirements of the system. Amend the stated annual demand figure stated in the AMP if incorrect; Extend the list of emergency contacts to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician; Verify that the bore pump can develop the stated flow and pressure to enable bore flow to be diverted away from the soak to the storage tanks; and Include a spare parts list in the AMP. Arrange for the AMP to be signed off by the CEO. | The recommended works and actions will be undertaken over the winter and early summer of 2014 and the AMP will be amended accordingly. | DCRS and Ian Neil. December 2014 |
| Asset Creation and Acquisition | • The Shire's purchase of assets is undertaken in accordance with Local Government Guidelines, in addition to the Shire's own purchasing policy document: "PO 40220"; | Replace or refurbish transfer and bore pumps taken out of service, but not refurbished or replaced if beyond economic repair, urgently. | The spare bore pump has already been delivered to Denmark Pump Service for checking; The checking service is expected to be completed by June 2014; and | DCRS and Ian Neil. December 2014 |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|--|---|---|---|---|
| Asset Creation and Acquisition (continued) | Asset creation is based primarily on maintaining the assets at minimal cost. Assets such as pumps have in the past been refurbished at regular intervals and retained as spares or replacement units. Recently bore and transfer pumps replaced have not been refurbished – leaving the system without essential spares; and Rather than increase the capacity of the system to meet peak daily demand during Christmas and Easter holiday periods, the Shire implements restrictions in the use of sprinklers to reduce the peak flows. | | Replacements, if needed, are expected to be completed by December 2014, subject to budget allocations. | |
| Environmental Analysis | • Environmental Analysis of the water services scheme in the "Existing Environment" section of the AMP is basic and considered appropriate for the non-potable supply. However, some improvement to the "Existing Environment" section of the AMP is required. | • Include a brief description of the Human Environment (holiday residences, fishing etc.) and the Natural Environment (terrain, vegetation, soils etc.) in the "Existing Environment" section of the AMP. | Appropriate references will be inserted as part of the post audit review of the asset management plan. | DCRS and Ian Neil. December 2014 |
| Asset Operations | The AMP does not include a training program to ensure that more than one officer is able to undertake operational, maintenance or contingency plan duties if the need arises; Reviewer notes the plan refers to the use or recording of faults and status alarms, bore and transfer pump operating hours and draw down of the bore water level during operation. In fact, there are no | Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Incorporate the fault alarms, hours run meters and bore water level recording equipment referred to in the AMP; and Transfer fault alarms to the DCRS's telephone during office hours and the Shire's emergency telephone outside office hours (given the non-continuous | Training will be implemented over the winter and spring of 2014; and The fitment of remote alarms will be referred to Council for budgetary consideration. | DCRS and Ian Neil. December 2014 (subject to Council approval). |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|------------------------------|---|--|---|---|
| Asset Operations (continued) | fault alarms, hours run meters on the bore or transfer pumps, or water level equipment on the supply bore; and • Fault alarms are essential to indicate a problem with an asset and to ensure prompt attention. Hours run meters provide an indication of the relationship between pump running hours and flow volumes and hence pump efficiency. Water level in a bore during operation provides a check on pump performance and bore efficiency. Similarly, a low water fault alarm alerts the operator to a possible problem with the bore construction (e.g. a collapse) or the surrounding aquifer. | attendance of Shire staff at Peaceful Bay and the remote location of the bore site). | | |
| Asset Maintenance | The maintenance plan does not include the need for system flow control valves to be operated regularly to prevent their seizure and becoming difficult or impossible to operate during normal or emergency operations; Three non-metal flow valves at the pumping station and the storage tanks were noted to have broken spindle hand wheels and could not be operated. These valves and any others of similar manufacture should be replaced; and The AMP does not include a training program to ensure that more than one officer is able to undertake operational, maintenance or contingency plan duties if the need arises. | Make provision in the AMP or the Water Supply Officer's written duties for all flow control valves and hydrants in the system to be operated monthly to reduce the risk of seizure during emergency or other operations/maintenance activities; Replace the three non-metal flow valves at the pumping station and the storage tanks with broken spindle hand wheels, and any other valves of similar manufacture; and Implement a training scheme for at least the EHO, Water Supply Officer and a member of the Engineering staff. | All three recommendations will be implemented over the winter and spring of 2014. | DCRS and Ian Neil. December 2014 |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|-------------------------------------|--|---|---|---|
| Asset Management Information System | The Shire has retained its combination of hard copy and electronic records of reports, flow, operations and maintenance records, correspondence etc rather than install a commercially available Asset Management Information System (AMIS); Reviewer considers the Shire's approach is appropriate, given the nature of the assets under management. However, the AMIS is fragmented and requires further use of electronic records and consolidation of data currently held on differing hard copy or electronic files; and While correspondence and financial/budgeting/expenditure data should be retained on the Shire's Local Government "Synergy" system, data and information related to the water services should be contained in a different main and sub-folders. | Create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the Water Services (in order to maintain orderly management of the assets and to easily extract relevant information). These would include, but not necessarily be limited to: Verification of operational and maintenance tasks undertaken, dates; Records of reports/notes accompanying the above reports and action taken if appropriate; Pump flow meter records, dates and running total of total flows – for each pump and overall; Records of pump run hours, well drawdown levels; Record of complaints, call outs, asset fault alarms, nature of the problem and action taken; Record of water sampling and results of bacteriological and chemical tests and relevant EHO comments/ actions if appropriate. (Note that these data are already recorded electronically and entered by a member of the Shire's admin staff.); Age, condition and remaining expected life of assets in service or retained as spares; An updated version of the current | All the recommendations will be implemented over the winter and spring of 2014. | DCRS and Ian Neil. December 2014 |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|---|--|--|---|---|
| Asset Management Information System (continued) | | asset register, including, current replacement cost (as a check on the estimate included in the AMP), condition, installation year, life expectancy and anticipated replacement date; • Copies of ERA and other authority reports/correspondence; and • Implement a program to train a Shire Officer to undertake all data entry to the AMIS. | | |
| Risk Management | The Risk Register has been reviewed and risk associated with water contamination included. Some thirteen risks have been assessed and mitigation measures included; The register is considered adequate; and However, a training program has not been implemented. | Consider inclusion of the identified risks in the training program recommended under the section entitled: "Asset Operations" above. | The identified risks will be included in the training program that will be implemented over the winter and spring of 2014. | DCRS and Ian Neil. December 2014 |
| Contingency Planning | The previous contingency plans have been reviewed and include all risks identified. The detail of procedures is appropriate provided it is reinforced by training; and A training program has not been implemented. | Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Include contingency plan implementation and annual practise in the training program; and Extend the list of emergency contacts to include the Power Authority, Fire Service, Police, Ambulance, Pump Supplier, Plumber and Electrician. | These factors will be included in the training program that will be implemented over the winter and spring of 2014. | DCRS and Ian Neil. December 2014 |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|--------------------|---|---|--|--|
| Financial Planning | The Financial Plan in the new AMP allocates all anticipated costs over a forward rolling ten year period. The plan indicates the scheme to be viable – based on anticipated annual increases in both revenue and expenditure over this period; The AMP financial plan also includes an annual contribution (annuity) to a water services reserve fund to cover expected capital costs over the forward ten year period. The annuity calculation is based on an escalation rate of 2.00% and an interest rate of 4.5%; The Shire has recently commissioned a Long Term Financial Plan (LTFP) for the whole Shire. The Shire's Director of Finance and Administration (DFA) has advised that when completed, the LTFP will include the financial plan in the AMP; The financial plan as set out in the AMP has not been incorporated in the Shire's current budget papers - pending completion of the LTFP; Reviewer is concerned that the AMP's broad assessment may underestimate the replacement value of the assets and hence the amount of the resulting annual reserve contribution needed; and For example, replacement of the bore is estimated at \$8,000 - which is more likely to be the cost of refurbishment. | Maintain the Financial Plan as a rolling ten year plan (i.e., the current 2013/14 to 2022/23 plan for this year will be replaced by a 2014/15 to 2023/24 plan next year); Reflect the Financial Plan in the AMP in the future LTFP; Prepare a more detailed estimate of replacement costs: Calculate a whole of life cost; and Re-calculate the annual contribution needed to cover expected capital costs. Compare it against the current annual contribution of \$ 16,250 to the water services reserve fund; and Make adjustments to the current annual contributions to the water services reserve fund if a significant discrepancy is apparent. | These factors will be referred to Council for consideration as part of its 2014-2015 budget process. | DCRS and Ian Neil. December 2014 (subject to Council approval). |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|--------------------------------------|--|--|--|---|
| Financial Planning (continued) | Similarly, replacement of the 1600 metres long rising main from the bore would be expected to cost more than the rate of \$3.00 per meter apparently used in the asset replacement estimate. Replacement of the power supply is not included. | | | |
| Capital Expenditure Planning | The capital investment plan has been reviewed and a five years forward estimate of annual capital expenditure included in the AMP. The capital expenditure plan for 2013/14 to 2018/19 estimates capital works of \$15,300, all of which is expected to occur in 2013 /14. This expenditure includes \$13,260 on the production bore and \$2,040 on the transfer pumping station. The above expenditure is incorporated in the Shire's current 2013/2014 budget; and Reviewer expects the implementation of capital related works, as recommended in this Review, will result in additional items of expenditure in the forthcoming five years. | Maintain the Capital Expenditure Plan as a rolling five year plan (i.e., the current 2013/14 to 2017/18 plan for this year is replaced by a 2014/15 to 2018/19 plan next year); and Base future Capital Expenditure Budgets on the capital expenditure estimates included in the AMP. | Recommendations will be implemented during the course of the 2014/2015 financial year. | DCRS and Ian Neil. December 2014 |
| Review of AMS | • A review of the AMP and the Asset Management Information System (AMIS) was undertaken during 2013 by a Consultant and the Shire's DCRS. This has resulted in a new AMP and the appointment of a Water Supply Officer, operation and maintenance instructions, works schedules and reporting/recording pro-forma sheets – most of | Implement the Reviewer's recommendations as included the section entitled: "Asset Management Information System" above; and Allocate responsibility for the initiation, appointment of a nominee to perform and approval of the annual review of the AMP to the DCRS. | Recommendations will be implemented during the course of the 2014/2015 financial year. | DCRS and Ian Neil. December 2014 |



| Key Process | Issue | Recommendations | Post Review Implementation Plan | Person Responsible / Date of Implementation |
|---------------------------|---|-----------------|---------------------------------|---|
| Review of AMS (continued) | which are maintained as hard copies; • While generally appropriate, Reviewer considers the system should be improved and has recommended implementation of additional approaches for recording and recovering information in electronic format; • The AMP contains a timing schedule of | | | |
| | compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively; | | | |
| | The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken; and | | | |
| | • In order to avoid reviews being overlooked or otherwise not undertaken, responsibility for the performance of annual reviews should be allocated to a specific person. | | | |



3.10 Asset Management Process and Policy Definition Adequacy Ratings

The effectiveness ratings assigned to each aspect of the review are set out in the following two Tables - taken from the ERA's document entitled: "Audit Guidelines: Electricity, Gas and Water Licences – August 2010" (ERA Guidelines).

Asset Management Process and Policy Definition Adequacy Ratings ERA Guidelines: Table No. 5

| Rating | Description | Criteria |
|--------|--|--|
| A | Adequately defined | Processes and policies are documented. Processes and policies adequately document the required performance of the assets. Processes and policies are subject to regular reviews, and updated where necessary. The asset management information system(s) are adequate in relation to the assets that are being managed. |
| В | Requires some improvement | Process and policy documentation requires improvement. Processes and policies do not adequately document the required performance of the assets. Reviews of processes and policies are not conducted regularly enough. The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed). |
| С | Requires significant improvement | Process and policy documentation is incomplete or requires significant improvement. Processes and policies do not document the required performance of the assets. Processes and policies are significantly out of date. The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed). |
| D | Inadequate | Processes and policies are not documented. The asset management information system(s) are not fit for purpose (taking into consideration the assets that are being managed). |



Asset Management Performance Ratings

ERA Guidelines: Table No. 6

| Rating | Description | Criteria |
|--------|-----------------------------|---|
| 1 | Performing effectively | The performance of the process meets or exceeds the required levels of performance. Process effectiveness is regularly assessed and corrective action taken where necessary. |
| 2 | Opportunity for improvement | The performance of the process requires some improvement to meet the required level. Process effectiveness reviews are not performed regularly enough. Process improvement opportunities are not actioned. |
| 3 | Corrective action required | The performance of the process requires significant improvement to meet the required level. Process effectiveness reviews are performed irregularly, or not at all. Process improvement opportunities are not actioned. |
| 4 | Serious action required | • Process is not performed, or the performance is so poor that the process is considered to be ineffective. |

3.10.1 Asset Management Effectiveness Summary

| Asset Management System | Asset Management Process & Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|--|--|
| Asset Planning | В | 2 |
| Asset Creation and Acquisition | В | 3 |
| Asset Disposal | В | 2 |
| Environmental Analysis | В | 2 |
| Asset Operations | В | 2 |
| Asset Maintenance | В | 2 |
| Asset Management Information System | С | 2 |
| Risk Management | В | 2 |
| Contingency Planning | С | 2 |
| Financial Planning | В | 2 |
| Capital Expenditure Planning | В | 2 |
| Review of AMS | В | 2 |



3.11 Observations and Recommendations

| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-------------------------------|---|---|--|-------------------------------------|
| Asset Planning | The Shire has engaged a consultant who has reviewed the previous AMP and drafted a new document. The new (2013) AMP is considered more than appropriate for the relatively small non-potable water services provided at Peaceful Bay; The 2013 AMP addresses: Scheme history, population and properties supplied, present and future demand and service levels, environmental issues, legislative requirements, the ERA licence, including reporting requirements and timing; Asset Register, condition, age, replacement date and proposed future capital upgrades; Risk assessment and contingency planning; Adequate procedures for Operations and Maintenance – including work schedules, pro-forma documents for verification of works undertaken associated with operations, maintenance, flow recording, water sampling and fault or issue reporting; Specification of duties for the Water Supply Officer, electrical and pumping/mechanical services suppliers; and Cost and revenue summary, five year capital expenditure plan and annual contributions to a reserve fund based on expected capital | Implement the necessary editing/ corrections in notes on the AMP document provided to the Shire by the Reviewer. In particular, the following: Undertake measurement of consumption by the caravan park - in addition to non-potable consumption by residents, in order to determine the total water requirements of the system. Amend the annual demand figure disclosed in the AMP if incorrect; Extend the list of emergency contacts to include the power authority, fire service, police, ambulance, pump supplier, plumber and electrician; Verify that the bore pump can develop the stated flow and pressure to enable bore flow to be diverted away from the soak to the storage tanks; and Include a spare parts list in the AMP. Arrange for the AMP to be signed off by the CEO. | B | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--------------------------------|--|---|--|--|
| Asset Planning (continued) | expenditure over the forthcoming ten years.Some minor editing is being undertaken | | | |
| | following the review. A copy of the Reviewer's notes on the AMP has been provided to assist this process; and | | | |
| | The AMP has not been signed off by the CEO. | | | |
| Asset Creation and Acquisition | The Shire's purchase of assets is undertaken in accordance with Local Government Guidelines, in addition to the Shire's own purchasing policy document: "PO 40220"; | Replace or refurbish transfer and bore pumps taken out of service, but not refurbished or replaced if beyond economic repair, urgently. | В | 3 |
| | • Asset creation is based primarily on maintaining the assets at minimal cost. Assets such as pumps have in the past been refurbished at regular intervals and retained as spares or replacement units. Recently bore and transfer pumps replaced have not been refurbished – leaving the system without essential spares; and | | | |
| | Rather than increase the capacity of the system to meet peak daily demand during Christmas and Easter holiday periods, the Shire implements restrictions in the use of sprinklers to reduce the peak flows. | | | |
| Asset Disposal | Most assets of the system ie buried pipelines and accessories have no commercial value and would normally be abandoned in situ; and | No recommendation is made. | В | 2 |
| | • Assets which can be refurbished such as pumps are retained as spares until such time as replacement is more economical than refurbishment. Disposal of these assets would normally be to landfill. | | | |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-------------------------------|---|---|--|--|
| Environmental Analysis | Environmental Analysis of the water services scheme in the "Existing Environment" section of the AMP is basic and considered appropriate for the non-potable supply; The analysis addresses: History of the scheme development and the residential/ holiday allotment leases; Regulatory and ERA Licence requirements, performance standards, their measurement and reporting to the Shire's internal management system and ultimately the ERA; Description of the prime elements of the system and demand; and A full list of compliance reporting requirements and dates for submission (e.g. reports to ERA and reviews of the various AMP elements). Opportunities of the system are not addressed. However, threats to the system are addressed under the heading: "Environmental Issues" and under the heading "Risk Analysis" in the Risk Management section of the AMP; and Some improvement to the "Existing Environment" section of the AMP is required. | Include a brief description of the human environment (holiday residences, fishing etc.) and the natural environment (terrain, vegetation, soils etc.) in the "Existing Environment" section of the AMP. | В | 2 |
| Asset Operations | Overall management of scheme is the responsibility of the Shire's Director of Community & Regulatory Services (DCRS). Day to day operation and maintenance of the water services - including flow recording and reporting operation and maintenance activities, is undertaken by the Water Supply Officer, | Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Incorporate the fault alarms, hours run meters and bore water level recording equipment referred to in the AMP; and | В | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-------------------------------|---|--|--|--|
| Asset Operations (continued) | who reports to the DCRS. The Water Supply Officer also assists the Senior Environmental Health Officer (EHO) with the monthly water sampling; • Plumbing, and electrical services are provided as required by local trade firms; • The written duties of the Water Supply Officer include specific inspections of the system elements, maintenance of fire breaks and fencing, recording pump flows and weekly or monthly reports (depending on the season) to the DCRS; • Written duties of the trade firms include periodic maintenance checking and testing of specific asset items and reactive maintenance/ repair or replacement of assets as required; • The AMP does not include a training program to ensure that more than one officer is able to undertake operational, maintenance or contingency plan duties if the need arises; • The AMP contains basic operational and maintenance plans appropriate for a small mainly automatic non- potable water service, such as Peaceful Bay; • Reviewer notes the plan refers to the use or recording of faults and status alarms, bore and transfer pump operating hours and draw down of the bore water level during operation. In fact, there are no fault alarms, hours run meters on the bore or transfer pumps, or water level equipment on the supply bore; and • Fault alarms are essential to indicate a problem | Transfer fault alarms to the DCRS's telephone during office hours and the Shire's emergency telephone outside office hours (given the noncontinuous attendance of Shire staff at Peaceful Bay and the remote location of the bore site). | | |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-------------------------------|---|--|--|-------------------------------------|
| Asset Operations (continued) | with an asset and to ensure prompt attention. Hours run meters provide an indication of the relationship between pump running hours and flow volumes and hence pump efficiency. Water level in a bore during operation provides a check on pump performance and bore efficiency. Similarly, a low water fault alarm alerts the operator to a possible problem with the bore construction (e.g. a collapse) or the surrounding aquifer. | | | |
| Asset Maintenance | Overall management of scheme is the responsibility of the Shire's Director of Community & Regulatory Services (DCRS). Day to day operation and maintenance of the water services - including flow recording and reporting operation and maintenance activities is undertaken by the Water Supply Officer, who reports to the DCRS. The Water Supply Officer also assists the Senior Environmental Health Officer (EHO) with the monthly water sampling; Plumbing, and electrical services are provided as required by local trade firms; The written duties of the Water Supply Officer include specific inspections of the system elements, maintenance of fire breaks and fencing, recording pump flows and weekly or monthly reports (depending on the season) to the DCRS; Written duties of the trade firms include periodic maintenance checking and testing of specific asset items and reactive maintenance/ | Make provision in the AMP or the Water Supply Officer's written duties for all flow control valves and hydrants in the system to be operated monthly to reduce the risk of seizure during emergency or other operations/maintenance activities; Replace the three non-metal flow valves at the pumping station and the storage tanks with broken spindle hand wheels, and any other valves of similar manufacture; and Implement a training scheme for at least the EHO, Water Supply Officer and a member of the Engineering staff. | В | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|---|--|--|--|--|
| Asset Maintenance (continued) | repair or replacement of assets as required; The AMP contains basic operational and maintenance plans appropriate for a small | | | |
| | mainly automatic non- potable water service, such as Peaceful Bay. The maintenance plan includes a schedule of maintenance items; | | | |
| | The maintenance plan does not include the need for system flow control valves to be operated regularly to prevent their seizure and becoming difficult or impossible to operate during normal or emergency operations; | | | |
| | Three non-metal flow valves at the pumping station and the storage tanks were noted to have broken spindle hand wheels and could not be operated. These valves and any others of similar manufacture should be replaced; and | | | |
| | The AMP does not include a training program to ensure that more than one officer is able to undertake operational, maintenance or contingency plan duties if the need arises. | | | |
| Asset Management Information System | The Shire has retained its combination of hard copy and electronic records of reports, flow, operations and maintenance records, correspondence etc rather than install a commercially available Asset Management Information System (AMIS); | Create an overall electronic folder and appropriate sub-folders to accommodate the relevant records and data associated with the water services (in order to maintain orderly management of the assets and to easily extract relevant information). These would include, | С | 2 |
| | • Reviewer considers the Shire's approach is appropriate, given the nature of the assets under management. However, the AMIS is fragmented and requires further use of electronic records and consolidation of data currently held on differing hard copy or | but not necessarily be limited to: Verification of operational and maintenance tasks undertaken, dates; Records of reports/notes accompanying the above reports and action taken if | | |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|---|---|---|--|--|
| Asset Management Information System (continued) | electronic files; and While correspondence and financial/budgeting/expenditure data should be retained on the Shire's Local Government "Synergy" system, data and information related to the water services should be contained in a different main and sub-folders. | appropriate; Pump flow meter records, dates and running total of total flows – for each pump and overall; Records of pump run hours, well drawdown levels; Record of complaints, call outs, asset fault alarms, nature of the problem and action taken; Record of water sampling and results of bacteriological and chemical tests and relevant EHO comments/actions if appropriate. (Note that this data is already recorded electronically and entered by a member of the Shire's admin staff.); Age, condition and remaining expected life of assets in service or retained as spares; An updated version of the current asset register, including, current replacement cost (as a check on the estimate included in the AMP), condition, installation year, life expectancy and anticipated replacement date; Copies of ERA and other authority reports/correspondence; and Implement a program to train a Shire Officer to undertake all data entry to the AMIS. | | |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|-------------------------------|---|--|--|--|
| Risk Management | The Risk Register has been reviewed and risk associated with water contamination included. Some thirteen risks have been assessed and mitigation measures included; The register is considered adequate; and A training program has not been implemented. | Consider inclusion of the identified risks in the training program recommended under the section entitled: "Asset Operations" above. | В | 2 |
| Contingency Planning | The previous contingency plans have been reviewed and include all risks identified. The detail of procedures is appropriate provided it is reinforced by training; and A training program has not been implemented. | Implement a training program for at least the EHO, Water Supply Officer and a member of the Engineering staff; Include contingency plan implementation and annual practise in the training program; and Extend the list of emergency contacts to include the power authority, fire service, police, ambulance, pump supplier, plumber and electrician. | C | 2 |
| Financial Planning | The Financial Plan in the new AMP allocates all anticipated costs over a forward rolling ten year period. The plan indicates the scheme to be viable – based on anticipated annual increases in both revenue and expenditure over this period; The AMP financial plan also includes an annual contribution (annuity) to a water services reserve fund to cover expected capital costs over the forward ten year period. The annuity calculation is based on an escalation rate of 2.00% and an interest rate of 4.5%; The Shire has recently commissioned a Long Term Financial Plan (LTFP) for the whole Shire. The Shire's Director of Finance and Administration (DFA) has advised that when | Maintain the Financial Plan as a rolling ten year plan (i.e., the current 2013/14 to 2022/23 plan for this year should be replaced by a 2014/15 to 2023/24 plan next year); Reflect the Financial Plan in the AMP in the future LTFP; Prepare a more detailed estimate of replacement costs: Calculate a whole of life cost; and Re-calculate the annual contribution needed to cover expected capital costs. Compare it against the current annual contribution of \$ 16,250 to the water services reserve fund; and Make adjustments to the current annual | В | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|------------------------------------|---|---|--|-------------------------------------|
| Financial Planning (continued) | completed, the LTFP will include the financial plan in the AMP; • The financial plan as set out in the AMP has not been incorporated in the Shire's current budget papers - pending completion of the LTFP; • Reviewer is concerned that the AMP's broad assessment may underestimate the replacement value of the assets and hence the amount of the resulting annual reserve contribution needed; and • For example, replacement of the bore is estimated at \$8,000 – which is more likely to be the cost of refurbishment. Similarly, replacement of the 1600 metres long rising main from the bore would be expected to cost more than the rate of \$3.00 per meter apparently used in the asset replacement estimate. Replacement of the power supply is not included. | contributions to the water services reserve fund if a significant discrepancy is apparent. | | |
| Capital Expenditure Planning | The capital investment plan has been reviewed and a five years forward estimate of annual capital expenditure included in the AMP. The capital expenditure plan for 2013/14 to 2018/19 estimates capital works of \$15,300, all of which is expected to occur in 2013/14. This expenditure includes \$13,260 on the production bore and \$2,040 on the transfer pumping station. The above expenditure is incorporated in the Shire's current 2013/2014 budget; and Reviewer expects the implementation of capital related works, as recommended in this Review, | Maintain the Capital Expenditure Plan as a rolling five year plan (i.e., the current 2013/14 to 2017/18 plan for this year should be replaced by a 2014/15 to 2018/19 plan next year); and Base future Capital Expenditure Budgets on the capital expenditure estimates included in the AMP. | В | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | Recommendations | Asset Management Process and Policy Definition Adequacy Rating | Asset Management Performance Rating |
|--|--|---|--|--|
| Capital Expenditure Planning (continued) | will result in additional items of expenditure in the forthcoming five years. | | | |
| Review of AMS | A review of the AMP and the Asset Management Information System (AMIS) was undertaken during 2013 by a Consultant and the Shire's DCRS. This has resulted in a new AMP and the appointment of a Water Supply Officer, operation and maintenance instructions, works schedules and reporting/ recording pro-forma sheets – most of which are maintained as hard copies; While generally appropriate, Reviewer considers the system should be improved and has recommended implementation of additional approaches for recording and recovering information in electronic format; Once further developed, the AMIS will be adequate and effective; The AMP contains a timing schedule of compliance processes. The review of all elements of the AMP and the AMIS are listed to be undertaken annually in May and June respectively; The inside first page of the AMP has a document history which provides for sign-off against each review, together with the Reviewer's name, review date and nature of any revision undertaken; and In order to avoid reviews being overlooked or | Implement the Reviewer's recommendations as included the section entitled: "Asset Management Information System" above; and Allocate responsibility for the initiation, appointment of a nominee to perform and approval of the annual review of the AMP to the DCRS. | В | 2 |



| Asset Management System | Systems, Processes and Controls in Place at the Shire for Asset Management | | Asset Management Performance Rating |
|-------------------------------|--|--|-------------------------------------|
| Review of AMS (continued) | otherwise not undertaken, responsibility for the performance of annual reviews should be allocated to a specific person. | | |



3.12 Conclusions

The Asset Management System Review concluded that the Shire of Denmark manages its water services in a competent and professional manner. The Shire's approach to the overall management, administration and performance of its assets significantly improved since the previous Review.

The improvement is manifested in the appointment of a full time Water Supply Officer to undertake the day to day operational, maintenance and reporting of the performance of the service and its assets. The Shire has also appointed a Consultant who, with the Director Community and Development Services, reviewed and rewrote its Asset Management Plan and its associated sections on planning and demand, operations, maintenance, risk analysis, contingency planning and finances.

Basic operation, maintenance and sampling/testing procedures have also been scheduled and documented, and a system of documented reporting on these items introduced.

The supply bore installation has been significantly upgraded.

The duties of the Water Supply Officer and those of the electrical and mechanical/pump trades assisting as required are also documented.

This Review makes a series of recommendations, most of which are related to improvement of the system or procedures, rather than to correct system or implementation faults. The most pressing recommendations relate to refurbishment or replacement of pumps for use as spares, and the need for training of Shire officers who can take over or assist during normal or contingency operations.

Reviewer is aware that some of these recommendations are in hand as a result of discussions during the Review.



4 Auditor Information

4.1 Audit/Review Team Members and Hours Utilised

| Audit/Review Team Member | Hours |
|--|-------|
| Cameron Palassis - Director | 15 |
| Anton Prinsloo – Senior Audit Consultant | 65 |
| Barry Robbins – Barry Robbins Engineering & Project Management | 50 |
| TOTAL | 130 |



5 Signature of Auditor

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

Cameron Palassis

Director – Audit and Assurance

Paxon Group Level 5, 160 St Georges Terrace, Perth WA 6000

Date: 11 April 2014

