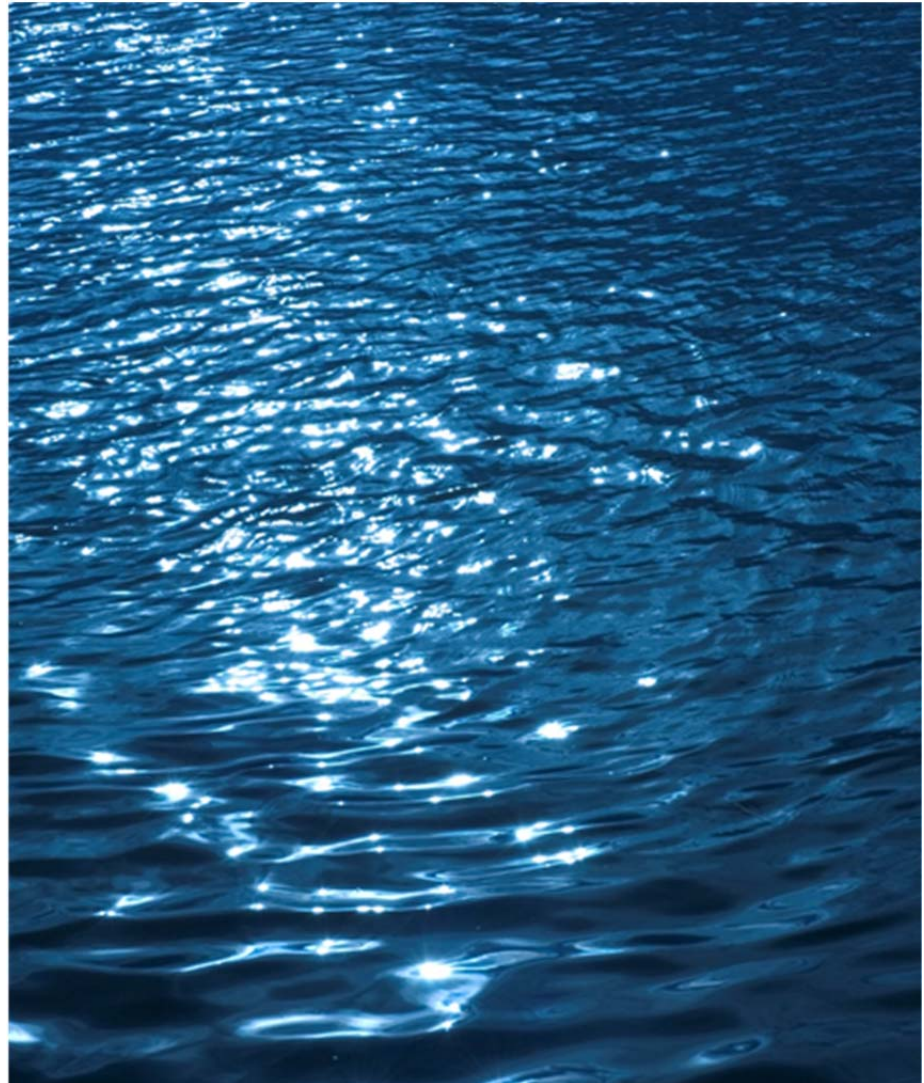




Quantum
Assurance



Shire of Gnowangerup

Operational Audit and Asset Management System Review Water Licence WL11 (Non-potable and sewerage)

Report
Economic Regulation Authority
10 March 2015

TABLE OF CONTENTS

1. Executive Summary	1
1.1 Background	1
1.2 Operational Audit.....	1
1.3 Asset Management System Review.....	2
2. Operational Audit	4
2.1 Introduction.....	4
2.2 Objectives and Scope	4
2.3 Audit Compliance and Controls Rating Scale	5
2.4 Status of Previous Audit Recommendations	6
2.5 Summary of Audit Ratings of Controls and Compliance	8
2.6 Audit Observations and Recommendations.....	12
2.7 Current Audit Non-Compliances and Recommendations	47
2.8 Conclusion.....	51
3. Asset Management System Review	52
3.1 Objectives and Scope	52
3.2 Asset Management Process and Performance Rating Scales	53
3.3 Status of Previous Review Recommendations	54
3.4 Summary of Asset Management System Effectiveness Ratings	56
3.5 Review Observations and Recommendations	60
3.6 Current Review Asset System Deficiencies and Recommendations.....	70
3.7 Conclusion.....	74
Appendix A - Methodology	75
A1. Audit and Review Approach	75
A2. Key Documents and Information Sources.....	76
A3. Licensee's Representatives	77
A4. Audit and Review Team and Hours.....	77

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Limitations of this Report

This report was prepared for distribution to the Economic Regulation Authority and the Shire of Gnowangerup for the purpose of fulfilling the Shire's operational audit and asset management system effectiveness review obligations under its Water Services Operating Licence. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Economic Regulation Authority and the Shire of Gnowangerup, or for any purpose other than that for which it was prepared.

Because of the inherent limitations of any internal control environment, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the procedures and controls over the licence obligations of the Water Services Operating Licence, since we do not examine all evidence and every transaction. The audit and review conclusions expressed in this report have been formed on this basis.

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1. Executive Summary

1.1 Background

The Economic Regulation Authority ('the Authority') has engaged Quantum Management Consulting and Assurance (Quantum) to undertake an operational audit and asset management system effectiveness review of the Shire's sewerage and non-potable water supply, to comply with the licensing requirements of the Authority.

The Shire operates a sewerage scheme that is centred on the townsite of Ongerup. The scheme was constructed in 1967 and comprises rectangular concrete manholes connecting a 2.3 km gravity pipe system and primary and secondary settling ponds. The volume of wastewater treated is approximately 9,000 m³ per annum serving 75 properties and 270 people.

The Shire is required to comply with the terms and conditions of their licence. There were three versions of the Water Operating License WL11 in force over the audit period - Version 2 to December 2012 and Version 3 (under the previous *Water Licencing Act 1995*) and Version 4 being a "substituted licence" under the *Water Services Act 2012 (WA)* from 18 November 2013. Not less than once in every period of 24 months, the Authority requires an operational audit of compliance with the licence conditions and a review of the asset management system to comply with the licensing requirements of the Authority.

The previous operational audit period was for the period from 1 December 2008 to 30 November 2011. Due to significant deficiencies in the asset management system, the Authority requested a further review of the asset management system for the period from 1 December 2011 to 30 November 2013. This audit covers the period from 1 December 2011 to 30 November 2014 (compliance with licence conditions) and the asset management system review covers the period from 1 December 2013 to 30 November 2014.

The audit and review approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual – April 2014) and the Audit and Review Guidelines: Water Licences - July 2014.

1.2 Operational Audit

The audit has been conducted to assess the licensee's level of compliance with the conditions of its licence.

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Gnowangerup has:

- a) complied with its licence obligations during the audit period from 1 December 2011 to 30 November 2014 with the exception of:
 - the Shire does not have a written procedure for review of a bill on the customer's request as required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
 - the Shire's Complaints Procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
 - the "prescribed information" under the *Water Services Code of Conduct* is not available on the Shire's website and in hardcopy at the Shire's office; and
 - Compliance reports were not always submitted by the due dates with one minor delay for the 2013 report.
- b) implemented two of the recommended actions from the previous audit including implementing a compliance schedule and updating the Asset Management Plan to notify the Authority of any major changes to the asset management system. The remaining recommendation concerning review of the Customer Service Charter is no longer required;
- c) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above.

-
- d) maintained the data integrity of reporting to the Authority apart from the exceptions noted above.

The audit recommended that the Shire:

- develop a written procedure for review of bills (rates notices with sewerage charges) and the procedure should be made publicly available on the Shire's website and in hardcopy;
- update the Complaints Handling policy to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- ensure that all future Compliance Reports are submitted to the Authority within the timeframes required;
- make available the "prescribed information" under the Water Services Code of Conduct on the Shire's website and in hardcopy at the Shire's office;
- develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, etc.; and
- update the Compliance Schedule for the financial hardship policy next review due date.

1.3 Asset Management System Review

The review has been conducted to assess the effectiveness of the licensee's asset management system.

The assets are as described above with no major changes since the previous review. The scheme is a limited effluent system.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Gnowangerup:

- a) has implemented 2 of the 3 recommendations from the previous review being conducting an annual assessment of the condition of assets, and review and testing of the contingency plans. The remaining recommendation concerning refurbishment of the treatment ponds is planned to be completed in 2014/15; and
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the only exception being:
 - The Asset Management Plan still refers to the former Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation and the new version of the operating licence issued on 18 November 2013.

The review recommended that the Shire:

- a) as planned in 2014/15, complete the refurbishment of the treatment ponds;
- b) update the Legislative Requirements Section of the Asset Management Plan for the changes to the legislative requirements including the Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 and the new version of the operating licence issued on 18 November 2013.
- c) review the July 2014 CCTV report on the condition of the access chambers and pipes and complete any further action required, whether immediate repairs or as part of the planned maintenance program over the next 12 months.
- d) determine, as part of the Shire's long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long term operating, maintenance and capital renewal costs.

Overall, the scheme is being well-maintained and is in good working order. There is an effective asset management system in place.

We confirm that the Authority's Audit and Review Guidelines: Water Licences (July 2014) have been complied with in the conduct of this audit/review and the preparation of the report, and that the audit findings reflect our professional opinion.

Quantum Management Consulting & Assurance

Geoff White
Director

10 March 2015

2. Operational Audit

2.1 Introduction

The Shire of Gnowangerup has a Water Services Operating Licence, issued by the Economic Regulation Authority ('the Authority') for the provision of non-potable water supply and sewerage services in the operating area that is centred on the townsite of Ongerup.

There were three versions of the Water Operating License WL11 in force over the audit period - Version 2 to December 2012 and Version 3 (under the previous *Water Licencing Act 1995*) and Version 4 being a "substituted licence" under the *Water Services Act 2012 (WA)* from 18 November 2013.

The audit approach is based on the compliance obligations set out in the Licence, applicable legislation, regulatory guidelines (Water Compliance Reporting Manual – April 2014) and the Audit and Review Guidelines: Water Licences - July 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 referred to in the Licence.

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 approach is set out in a detailed Audit Plan approved by the Authority that was designed to focus on the higher risk areas with less intensive coverage of medium and low risk areas. Refer audit approach in Appendix A.

The scope of the audit covered the following 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 and Codes of Conduct prescribed in the licence throughout the audit period.
- **Output compliance** – the existence of the 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 Authority and to other regulatory organisations providing licences to the Shire for the water services.
- **Compliance** with any individual licence conditions – the requirements imposed on the Licensee by the Authority or specific issues advised by the Authority.

The highest priority areas based on inherent risk and the previously assessed controls/processes were:

- **Provision of water services in accordance with the licence** – high inherent risk and Type 1 reporting obligation (obligation 1).
- **Asset Management System** – high inherent risk (obligation 6).
- **Reporting to the Authority** – previous audit noted some delays in audit timing, review of Customer Service Charter and advising the Authority of major changes to the asset management system and no Compliance Schedule (obligations 165 and 171).
- **Compliance with the service and performance standards** - area of high inherent risk (obligation 190).

The audit aimed to identify any areas where improvement is required and to recommend corrective action as necessary. This included reviewing the status of the previous audit recommendations.

The audit covered the period from 1 December 2011 to 30 November 2014.

2.3 Audit Compliance and Controls Rating Scale

The adequacy of controls and compliance with the legislative obligations was assessed using the following ratings.

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties
NP	Not performed – no activity in current period	NR	Not rated – no activity in current period

2.4 Status of Previous Audit Recommendations

The previous audit covered the period 1 December 2008 to 30 November 2011 and was reported in June 2012.

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
A. Resolved before end of previous audit				
	Nil			
B. Resolved during current audit period				
01/2011	Operational Audit and Asset Management System Review <i>Compliant - 1</i> <i>Water Services Licensing Act 1995 Clause 17.3</i> The Operational Audit and Asset Management System Review is now being undertaken. However, there is no Compliance Schedule to ensure that reviews are undertaken by the prescribed time.	Implement a Compliance Schedule (reminder system) that sets out the responsibilities and due dates of all regulatory reviews and reporting to the Authority.	December 2012	No further action.
02/2011	Review of Customer Service Charter <i>Compliant - 1</i> <i>Water Coordination Regulation 1996 Schedule 3 Clause 2.6</i> The revised Shire of Gnowangerup's Customer Service Charter was approved by the Authority on 10 March 2010. The Authority acknowledged that the Charter had been submitted within the required timeframe.	Implement a Compliance Schedule with the Customer Service Charter review dates included as part of the schedule of events to ensure regulatory timeframes are met.	N/A	No further action. Customer Service Charter is no longer a compliance obligation.

Table of Previous Non Compliances and Audit Recommendations				
Reference (no./year)	Compliance rating/ Legislative Obligation/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	The Authority has provided a 12 month extension to the deadline for the next review to 12 February 2013. However, there is no process in place to ensure that the timeframes in future would be met.			
03/2011	<p>Review of Asset Management System <i>Compliant - 1</i> <i>Water Services Licensing Act 1995 Clause 17.2</i></p> <p>The audit confirmed with the Shire's A/CEO that during the audit period, the Shire has introduced a new Asset Management Plan (AMP). The Authority was notified of progress in Post Audit Implementation Plan updates.</p> <p>Apart from the new AMP, there were no material changes made to the asset management system that would require notification to the Authority.</p> <p>However, there is no process in place to ensure that the Shire would notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> <p>Moreover, although the Legislative Requirements section of the Asset Management Plan (October 2010) refers to the requirement to notify any changes to the system to the Authority, the required timeframe is not specified.</p>	<p>a) Update the Asset Management Plan for the requirement to notify the Authority of any changes to the asset management system within 10 business days.</p> <p>b) Implement a Compliance Schedule and note the required timeframe of 10 business days for notification of asset management system changes to the Authority.</p>	February 2013	No further action.
C. Unresolved at end of current audit period				
	Nil			

2.5 Summary of Audit Ratings of Controls and Compliance

The audit assessment of the ratings for the adequacy of controls and compliance with the legislative obligations is shown below.

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)				
				A	B	C	D	NP	1	2	3	4	NR
Water Licensing Services Act 1995 (repealed 17 October 2013)													
-	Customer Service Charter (no longer mandatory)	Previous licence	3	✓						✓			
-	Customer consultation process (no longer mandatory)	Previous licence	4	✓						✓			
Water Services Act 2012													
1	Nature of services	Sec. 21(1)(a)	2	✓						✓			
2	Terms of service	Sec. 21(1)(b)	4					✓				✓	
3	Provision of services	Sec. 21(1) (c)	4	✓						✓			
4	Operating area	Sec. 22	4					✓				✓	
5	Outsourcing of services	Sec. 23	4	✓						✓			
6	Asset management system	Sec. 24(1)(a) & 24(2)	4	✓						✓			
7	Changes to asset management system	Sec. 24(1)(b)	4	✓								✓	
8	Asset management system review	Sec. 24(1)(c)	1	✓						✓			
9	Operational audit	Sec. 25	4	✓						✓			
10	Code of Practice	Sec. 26(3)						✓				✓	
11	Code of Conduct	Sec. 27	4		✓						✓		
12	Compliance generally	Sec. 29	4		✓						✓		
13	Termination of service	Sec. 36	4					✓				✓	
14	Supplier of last resort	Sec. 24(1)(b)						N/A				N/A	
15	Ombudsman scheme	Sec. 66	4	✓						✓			
16	Interruption of water supplies	Sec. 77(3)	4					✓				✓	
17	Notification of building works	Sec. 84(4)&(5)	4				✓					✓	
18	Ensuring water service works are done	Sec. 84(2)	4				✓					✓	
19	Review of decisions	Sec. 87(2)	4				✓					✓	
20	Construction near water service works	Sec. 90(7)	4				✓					✓	
21	Termination of water supply (irrigation)	Sec. 95(3)	4					N/A				N/A	
22-23	Fire hydrants	Sec. 96(1)&(5)	4					✓				✓	
24	Sewer connections	Sec. 98(3)	4					✓				✓	

¹ The number refers to the item reference in the Water Compliance Reporting Manual, ERA April 2014

² Refer Controls and Compliance Rating Scales in Section 2.3.

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
25	Compliance notice issued by licensee re not maintaining pipes	Sec. 106(2)	4					✓						✓
28	Compliance notice issued by licensee re building works	Sec. 119(2)	4				✓							✓
29	Review of decisions	Sec. 122(2)	4				✓							✓
30	Apportionment of fees between properties	Sec. 125(2)	4					N/A						N/A
31	Lodging memorial to secure fees owing	Sec. 128(4)	4				✓							✓
32-33	Notice to property owner	Sec. 129(5) & 139(3)	4					✓						✓
34	Notice to roads authority	Sec. 141(1)	4					N/A						N/A
35-41	Proposal for major works	Sec. 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4)	4				✓							✓
42-45	Proposal for general works	Sec. 151(1)-(3), 153(3),	4				✓							✓
46-48	Interest in land	Sec. 166(5)-(6), 170	4					N/A						N/A
49-57	Notice of entry to property and authority to enter	Sec. 174(1),(3)&(4) Sec. 175(2)&(5), 176(1),(3)&(4), 181	4					✓						✓
58-61	Warrant to enter property	Sec. 186, 187(1)-(3), 190(4)-(5), 210(5), 218(2)-(3).	4				✓							✓
62	Compliance Officer	Sec. 210(5)	4					✓						✓
63	Minimum disruption	Sec. 218(2)	4				✓							✓
64	Physical damage	Sec. 218(3)	4					✓						✓
Water Services Regulations 2012														
74-75	Work affecting roads	Reg. 60(2), 63	4					✓						✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4				✓							✓
Water Services Code of Conduct (Customer Service Standards) 2013														
92	Information for customers	Cl. 7	4	✓						✓				
93	Timeliness of connections	Cl. 8	4					✓						✓
94	Annual service charges	Cl. 9	4	✓						✓				
95-98	Usage bills at least 6 monthly	Cl.10(2)-(5)	4					N/A						N/A
99	Address for billing	Cl. 11	4	✓						✓				
103-104	Basic of billing estimate	Cl. 13(1)&(2)	4					N/A						N/A
105	Request for meter reading	Cl. 14(1)	4					N/A						N/A

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
106	Higher than normal charge	Cl. 15	4					NP						NR
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4				✓							✓
113-117	Review of bill	Cl. 18(1)-(6)	4				✓							✓
118	At least 14 days for payment	Cl. 20	4	✓						✓				
119-121	Payment methods	Cl. 21(1)-(2), 22	4	✓						✓				
122	Payment in advance	Cl. 23(1)	4					✓						✓
123	Redirection of bills	Cl. 24	4					✓						✓
124	Payment plan	Cl. 25	4					✓						✓
125	Financial hardship policy - written	Cl. 26(1)-(2)	4	✓						✓				
126	Financial hardship policy - approval	Cl. 26(3)	4	✓							✓			
127	Financial hardship policy – new licences	Cl. 26(4)	4					NP						NR
128	Financial hardship policy – publicly available	Cl. 26(5)	4	✓						✓				
129	Financial hardship policy – 5 year review	Cl. 26(6)	4		✓									✓
130-132	Financial hardship policy – payment variations	Cl. 27(2)-(3), 28(1)	4	✓										✓
133	Financial hardship policy – written information	Cl. 28 (4)&(5)	4	✓										✓
134	Debt recovery	Cl. 29	4	✓										✓
139, 142, 144	Reducing flow rates	Cl. 33, 34(4)&(6)	4					NP						NR
145-146	Complaints procedure - written	Cl. 35(1)-(2)	4	✓						✓				
147-149	Complaints procedure - details	Cl. 35(3), (4)&(6)	4			✓					✓			
150, 151	No charge for information	Cl. 36(1)	4	✓										✓
152	Access to customer information	Cl. 37(1)	4	✓										✓
153	All Code of Conduct information to be publicly available in hardcopy and website	Cl. 37(1)	4			✓						✓		
Licence Conditions – Specific Clauses														
155	Fees to regulator	Cl. 4	4					✓						✓
156	Compliance with legislation	Cl. 5.1	4		✓						✓			
157	Compliance with Code of Practice	Cl. 5.2	4					NP						NR
158	Compliance with Code of Conduct	Cl. 5.3	4		✓						✓			
159	Compliance re any breaches	Cl. 5.4	4					✓						✓
160	Compliance with Accounting Standards	Cl. 12	4	✓						✓				
161	Compliance with performance standards	Cl. 13.1	4	✓						✓				

No. ¹		Legislative Reference	Audit Priority applied (rated 1 = High to 5 = Low)	Adequacy of Controls Rating ² (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed)					Compliance Rating (1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated)					
				A	B	C	D	NP	1	2	3	4	NR	
162	Operational audit	Cl. 14.4	4	✓						✓				
163	External administration	Cl. 15.1(a)-(c)	4					✓						✓
164	Advise Authority of major or general works	Cl. 15.1(d)	4				✓							✓
165	Provision of information to the Authority	Cl. 16.1	3		✓						✓			
166	Compliance reporting to Authority	Cl. 16.1	3		✓						✓			
167	Performance reporting to Authority	Cl. 16.3	3	✓						✓				
168	Publishing information	Cl. 17.2	4					✓						✓
169	Notices in writing	Cl. 18.1	4	✓						✓				
170	Notify Authority of asset management system (AMS)	Cl. 20.1	4	✓						✓				
171	Notify Authority of material change to AMS	Cl. 20.2	3	✓						✓				
172	AMS review	Cl. 20.6	4	✓						✓				
173	Ombudsman scheme	Cl. 21.1	4	✓						✓				
174	Customer contract – standard terms	Cl. 22.1	4					✓						✓
175-180	Customer contract approval and amendment	Cl. 23.1-23.3, 23.6, 24.1-2 24.4.	4					✓						✓
181	Obligations of supplier of last resort	Cl. 25.1	4					N/A						N/A
182	No services outside operating area	Cl. 28.1(b)	4					N/A						N/A
183	Financial hardship policy guidelines	Cl. 30.3	4	✓						✓				
190	Service and performance standards (if applicable)	Schedule 3	2	✓						✓				

Note: Obligations 65 to 88 (except 74 to 75) that were included in the Audit Plan have been excluded from this report as these obligations only apply to “water corporations” and not local government authorities.

2.6 Audit Observations and Recommendations

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
Additional Obligations under Licence WL 11 Versions 2 and 3 (applicable to 17 November 2013)⁶							
-	Customer Charter	Previous Licence	The licensee must establish a Customer Service Charter and make it available to customers.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that the Shire of Gnowangerup Customer Service Charter for Wastewater Services existed and was made available to customers up to 17 November 2013 at request and at no charge in a hard copy, was prominently displayed at the Shire's reception and published on the Shire's website. The Shire's Acting Manager of Infrastructure also advised that customers were advised of the availability of the Customer Service Charter in the Annual Report of the Shire.	A	1
-	Customer consultation	Previous Licence	The licensee must establish a customer consultation process.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that an adequate customer consultation process has been established (as per Schedule 3 of the operating licence Versions 2 and 3) and existed for customers up to 17 November 2013 and continues.	A	1

³ Number refers to the item reference in the Water Compliance Reporting Manual, Authority April 2014

⁴ Controls Rating Scale: (A=Adequate, B=Generally adequate, C=Inadequate, D=No controls, NP=Not performed).

⁵ Compliance Rating Scale: 1=Compliant, 2=Non-compliant (minor impact), 3=Non-compliant – moderate impact, 4=Non-compliant - major impact, NR=Not rated.

⁶ Licence WL11 Versions 2 and 3 applied to the Shire until the new licence Version 4 was issued on 18 November 2013.

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
Water Services Act 2012							
1.	Nature of services	Section 21(1)(a)	The licensee must provide a water service authorised by the licence to persons entitled to the service under the Act, except to the extent otherwise provided for by the Act.	2	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management Plan and a sample of rate notices that during the audit period, the licensee provided a water service in accordance with the licence (ie sewerage and non-potable water services) to persons entitled to the service under the Act. The auditor confirmed with the Shire's Acting Manager of Infrastructure that services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	A	1
2.		Section 21(1)(b)	The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that no request for connection was made to the licensee from a person within the operating area who is not entitled to the service.	NP	NR
3.		Section 21(1)(c)	The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	4	Confirmed by this audit and review.	A	1
4.	Operating area	Section 22	The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the license.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure, review of Asset Management System documentation and drawings and observation that the licensee does not provide a water service outside of the operating areas set out in Plan Number: OWR-OA-090.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
5.	Outsourcing of services	Section 23	All water service works used by the licensee in the provision of a water service must be held by the licensee, or must be covered by an agreement whereby the licensee can operate the works so as to comply with its obligations, or must fit in to other prescribed categories under the Act.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of Asset Management System documentation that all water service works used by the licensee in the provision of a water service are provided by the licensee.	A	1
6.	Asset management system	Sections 24(1)(a) & 24(2)	The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	2	This audit and review confirmed the licensee has an asset management system.	A	1
7.	Changes to asset management system	Section 24(1)(b)	The licensee must give details of the asset management system and any changes to it to the Authority.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that no significant changes have been made to the Asset Management System during the audit period. The requirement to notify the Authority of any material change to the asset management system within 10 days of change is included in the Shire's Compliance Schedule that is placed on the front of the hardcopy Licence file.	A	NR
8.	Asset management system review	Section 24(1)(c)	A licensee must provide the Authority with a report by an independent expert as to the effectiveness of its asset management system every 24 months, or such longer period as determined by the Authority.	4	Reviews undertaken as required by the Authority.	A	1
9.	Operational audit	Section 25	A licensee must, not less than once every 24 months, or such longer period as determined by the Authority, provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority.	4	Audits undertaken as required by the Authority.	A	1
10.	Code of Practice	Section 26(3)	The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	4	No Codes of Practice have been issued by the Minister.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
11.	Code of Conduct	Section 27	The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.	4	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with the Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer Recommendations.01/2014 to 04/2014.</i>	B	2
12.	Compliance	Section 29	The licensee must comply with the duties imposed on it by the Act in relation to its licence and must carry out its operations in respect of the licence in accordance with the Act.	4	Reviewed Compliance reports to the Authority for 2011/12, 2012/13 and 2013/14 and underlying recording systems and ensured data is complete and accurate. There were some delays and omissions in the Compliance reports. <i>Refer obligation 165.</i>	B	2
13.	Termination of service	Section 36	If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister.	4	Confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings and observation that the licensee didn't cease to provide a water service in the area.	NP	NR
14.	Supplier of last resort	Section 60	If the licensee is the supplier of last resort for a designated area, the licensee must perform the functions of the supplier of last resort and must comply with the relevant duties and carry out the relevant operations prescribed.	4	Confirmed by with the Shire's Acting Manager of Infrastructure that the licensee is not a supplier of last resort.	N/A	N/A
15.	Ombudsman scheme	Section 66	Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	4	Confirmed by review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman scheme.	A	1

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
16.	Interruption of water supplies	Section 77(3)	The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	4	Confirmed with the Shire's Acting Manager of Infrastructure that no interruption to water services occurred during the audit period.	NP	NR
17.	Notification of building works	Sections 82(4) & (5)	If a person must give the licensee notice of any building work to be carried out on land in the operating area of a license, the licensee must return a copy of the plans and specifications contained in the notice with any written directions about the proposed building work that the licensee considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided. The licensee must do this within 7 days of receiving the fee for dealing with the notification.	4	Confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no notice of building work has been received by the Shire. However, there is no internal procedure for notification of building works in relation to the water services. <u><i>Recommendation 06/2014</i></u> <i>The Shire should develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, etc. The detailed compliance obligations in this report could be used as a reference.</i>	D	NR
18.	Additional Water Services - Ensuring water service works are done	Section 84(2)	If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.	4	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure that, during the audit period, there was no requirement for additional water services. As such, no notice under section 83(3)(a) of the Act was given by the licensee. However, there is no internal procedure for additional water services and ensuring water services are done. <i>Refer recommendation 06/2014.</i>	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
19.	Review of decisions (Additional Water Services - Ensuring water service works are done)	Section 87(2)	If a person makes an application with the State Administrative Tribunal for a review of a decision in respect of the licensee providing additional water services when a person has not responded to the licensee's notice, the licensee cannot provide the works until the application has been finally dealt with, except in limited circumstances.	4	As per item 18.	D	NR
20.	Construction near water service works	Section 90(7)	If the licensee gives a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works, the licensee must, to the extent practicable, consult with the owner of the land on which the obstruction is located or the activity is taking place if the person to be given the notice is not the owner of the land.	4	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure that, during the audit period, no compliance notice was given by the Shire to a person in relation to undertaking construction or carrying out similar works in the vicinity of water service works. However, there is no internal procedure in place to govern issue of a compliance notice to a person who is undertaking construction or carrying out similar works in the vicinity of water service works and the requirement to consult with the owner of the land. <i>Refer recommendation 06/2014.</i>	D	NR
21.	Termination of water supply (irrigation)	Section 95(3)	The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	4	Confirmed by the interview with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation that the non-potable water supply (irrigation) does not apply to occupied dwellings.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
22.	Fire hydrants	Section 96(1)	If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of the Department of Fire and Emergency Services (DFES), or the relevant local government as to the location and type of hydrant.	4	Confirmed by the interview with the Shire's Acting Manager of Infrastructure that no request was received from DFES to install fire hydrants.	NP	NR
23.		Section 96(5)	The licensee must comply with requests made under sections 96(3) and 96(4) of the Act to the extent practicable and within a reasonable time.	4	As per item 22.	NP	NR
24.	Minister may require connection to sewer works	Section 98(3)	If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	4	Confirmed by the interview with the Shire's Acting Manager of Infrastructure that, during the audit period, no written notice requiring connection to the Shire's sewerage works has been received from the Minister.	NP	NR
25.	Discharge of Trade Waste - Compliance notice issued by Licensee	Section 106(2)	The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Rate Book that there is no trade waste discharged to the Shire's scheme i.e. wastewater other than wastewater of the kind and volume ordinarily discharged from an ordinary dwelling used solely or primarily as the dwelling of the occupants.	NP	NR
28.	Compliance notice issued by Licensee	Section 119(2)	The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no compliance notices have been issued by the Shire to any party. However, there is no internal procedure governing the issue of the compliance notices and what the notice should contain. <i>Refer recommendation 06/2014.</i>	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
29.	Review of decisions relating to giving compliance notices	Section 122(2)	If a person makes an application to the State Administrative Tribunal under section 122(1), the licensee cannot take, or continue to take, action against the person except in the circumstances specified.	4	As per item 28. <i>Refer recommendation 06/2014.</i>	D	NR
30.	Apportionment of fees between properties	Section 125(2)	If the licensee provides a water supply, sewerage or drainage service to 2 or more dwellings on land by a single property connection, the licensee may apportion fees. The licensee cannot apportion fees to the extent inconsistent with any agreement related to such a provision of services, or section 66 of the <i>Strata Titles Act 1985</i> .	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation that the non-potable water supply (irrigation) does not apply to occupied dwellings and that there are no multiple dwellings served by a single property connection.	N/A	N/A
31.	Lodging memorial to secure fees owing	Section 128(4)	If the licensee has previously lodged a memorial with the Registrar, the licensee must lodge a withdrawal of memorial with Registrar along with the prescribed fee (if any) if the charge or contribution has been paid.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no memorial has been lodged with the Registrar. It is possible to raise a memorial or caveat over land if rates including sewerage charges are unpaid. <i>Refer recommendation 06/2014.</i>	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
32.	Notice to property owner	Section 129(5)	If a routine inspection or maintenance is likely to cause disruption to the occupants of a place at least 48 hours' notice of a proposed entry must be given to the occupier of the place unless the occupier agrees otherwise.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no routine maintenance of the water service works was undertaken that would require entry to the residential dwelling or likely to cause disruption to the occupants of a place. The CEO advised that it is very unlikely that access to a residential dwelling would ever be required for the purpose of routine maintenance of water service works. The circumstances, in which the Shire's representatives may enter a residential dwelling to carry out investigations and/or work on the Shire's wastewater system, are set out in the Health Act 1911 as well as the Local Government Act 1995. Under both of these Acts at least 24 hour notice is required to be given prior the power of entry is exercised.	NP	NR
33.		Section 139(3)	If the licensee removes or erects a fence or gate when exercising a works power conferred by the Act, the licensee must take all reasonable steps to notify the owner before doing so.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation that the licensee did not exercise ancillary work powers during the audit period.	NP	NR
34.	Notice to roads authority	Section 141(1)	In certain instances, if a person authorised by the licensee carries out road work that involves breaking the surface of the road or that would cause major obstruction to road traffic, the licensee must give at least 48 hours' notice to the public authority managing the road.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure, review of the Asset Management System documentation and drawings that during the audit period the licensee had not carried out any road works that involved breaking the surface of the road or that would cause major obstruction to road traffic. As roads are maintained by the Shire, no notice is required to be given.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
35.	Proposals for major works (includes WWTP with capacity over 2ML per day, dams, irrigation schemes, etc.)	Sections 142	The licensee must comply with sections 143 and 144 of the Act in relation to the proposed major works, and has given any notice required under section 148.	4	The Authority has been notified of and has approved the asset management system as part of the licence approval. The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that no additional major works have been proposed during the audit period. Therefore, Division 3 – Major works, requirements for public notification and Ministerial authorization under Part 6 the Act did not apply to the licensee during the audit period. However, there is no internal procedure in place to govern proposals for major works. <i>Refer recommendation 06/2014.</i>	D	NR
36.		Sections 143 (2)	Before the licensee submits a proposal for the provision of major works to the Minister, the licensee must prepare, publish and make available plans and details of those major works as specified.	4	As per item 35.	D	NR
37.		Sections 143 (3)	The licensee must, within 5 days of publishing the plans and details on the licensee's website, give notice setting out the matters prescribed in section 143(4) to the persons and agencies specified.	4	As per item 35.	D	NR
38.		Sections 144(3)	The licensee must have regard to an objection or submission lodged within the relevant period.	4	As per item 35.	D	NR
39.		Section 145(2)	If the licensee makes alterations to the plans or details referred to in section 143(2), the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 35.	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
40.	Proposals for general works (includes new WWTP with capacity up to 2ML per day, reticulation mains and trunk lines, pumping stations, etc.)	Section 147(3)	The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).	4	As per item 35.	D	NR
41.		Section 147(4)	If the Minister gives a direction that further notices in relation to the proposed major works be given under section 143(3), the licensee must resubmit the proposal.	4	As per item 35.	D	NR
42.		Section 151(1)	A licensee proposing to provide water service works that are general works must prepare plans and details of the proposed works and publish and make them available for inspection.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that no additional general works have been proposed during the audit period. However, there is no internal procedure in place to govern proposals for general works. <i>Refer recommendation 06/2014.</i>	D	NR
43.		Section 151(2)	The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	4	As per item 42.	D	NR
44.		Section 152(3)	The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).	4	As per item 42.	D	NR
45.	Section 153(3)	If the licensee makes alteration to those plans or details referred to in section 151, the licensee must give written notice of the alterations to any person who is likely to be adversely affected by those alterations.	4	As per item 42.	D	NR	

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
46.	Interest in land	Section 166(5)	On being advised by the Minister that an interest in land is appropriate to the licensee's needs, the licensee is required to acquire the interest.	4	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure that, during the audit period, no advice has been received from the Minister to acquire the interest in land. This obligation does not apply to a local government authority.	N/A	N/A
47.		Section 166(6)	Any costs incurred in taking an interest in land are to be paid by the licensee.	4	As per item 46.	N/A	N/A
48.		Section 170	The licensee must not sell an interest in land if the purchaser would hold a parcel of land that did not comply with the minimum lot size and zoning requirements under the <i>Planning and Development Act 2005</i> , unless the Minister permits the licensee to do so.	4	As per item 46.	N/A	N/A
49.	Notice of entry to property and authority to enter	Section 173(4)	In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no entry to the residential dwelling was required for the purposes of doing works. As a local government authority, the Shire gives at least 24 hour' notice prior to entry to any property. This covers the required 48 hours' notice and other provisions in the Water Services Act 2012.	NP	NR
50.		Section 174(1)	Notice of a proposed entry by the licensee must be in writing and must set out the purpose of the entry, including (if applicable) any work proposed to be carried out.	4	As per item 49.	NP	NR
51.		Section 174(3)	Even if in a particular instance the licensee may enter a place under the Act without having to give notice of proposed entry, the licensee must when practicable, and when it will not compromise the reason for entry, give notice of entry to the occupier.	4	As per item 49.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
52.		Section 175(2)	If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	4	As per item 49.	NP	NR
53.		Section 175(5)	If the licensee enters a dwelling that is unoccupied, the licensee must leave a notice or a copy of the warrant (as applicable) in a prominent position in the dwelling before leaving the dwelling.	4	As per item 49.	NP	NR
54.		Section 176(1)	If the licensee has entered a place with or without consent, the licensee must leave the premises as soon as practicable after being notified that the owner or occupier has refused or withdrawn their consent.	4	As per item 49.	NP	NR
55.		Section 176(3)	The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function under the Act until they are not able to do so.	4	As per item 49.	NP	NR
56.		Section 176(4)	If the licensee enters or proposes to enter a place, and the owner or occupier requests the licensee produce evidence of authority for that entry, then the licensee must leave the place if they are unable to do so unless the owner or occupier agrees otherwise.	4	As per item 49.	NP	NR
57.		Section 181	The licensee, or a person assisting the licensee, must, as far as is practicable comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier.	4	As per item 49.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
58.		Section 186	If the licensee applies for a warrant, the application must contain the prescribed information.	4	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure that, during the audit period, no application was made by the licensee for a warrant. Although the Local Government Act 1995 provides grounds for application for a warrant, there is no internal procedure in place governing a warrant issued under the Water Services Act 2012, however unlikely. <i>Refer recommendation 06/2014.</i>	D	NR
59.		Section 187(1) – (3)	If the licensee applies for a warrant to enter, the application must be made in accordance with the procedures specified depending on the location of the applicant and the justice.	4	As per item 58.	D	NR
60.		Section 190(4)	Unless required to give a copy of the warrant, the licensee executing the warrant must produce the warrant for inspection by the occupier of the place concerned on entry (if practicable), and if requested to do so.	4	As per item 58.	D	NR
61.		Section 190(5)	On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	4	As per item 58.	D	NR
62.		Section 210(5)	If the licensee designates a person as an inspector or compliance officer, the licensee must give that person a certificate of authority that includes certain prescribed information.	4	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure that no person is currently designated as an inspector or compliance officer.	NP	NR
63.		Section 218(2)	In the exercise or purported exercise of a power under the Act, the licensee must ensure that, to the extent practicable, the free use of any place is not obstructed, and that as little damage, harm or inconvenience is caused as is possible.	4	As per item 49 and 58. There is no internal procedure. <i>Refer recommendation 06/2014.</i>	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
64.		Section 218(3)	If the licensee does any physical damage in the exercise of a works power or a power of entry, the licensee must ensure that the damage is made good, and pay compensation to the extent that it is not practicable to make good the damage.	4	The auditor confirmed with the Shire's Acting Manager of Infrastructure that, during the audit period, no physical damage has been done in the exercise of a works power or a power of entry. Any compensation claims for damage would be dealt with via the Shire's insurance.	NP	NR
Water Services Regulations 2012							
74.	Works affecting roads	Regulation 60(2)	If the licensee proposes to exercise a works power in a road and considers that it is necessary to alter the position of infrastructure, the licensee must notify the person who is responsible for the infrastructure and may request that the person make the alterations within the time specified in the notice.	4	The auditor confirmed by interview with the licensee's staff, review of the Asset Management System documentation and drawings that during the audit period the licensee did not propose to exercise and did not exercise a works power in a road.	NP	NR
75.		Regulation 63	If the licensee opens or breaks up the surface of a road, the licensee must complete the relevant work and reinstate and make good the road, and must take all reasonable measures to prevent that part of the road from being hazardous.	4	As per item 74.	NP	NR
89.	Compliance notice issued by licensee to include consequences and rights	Regulation 85	Compliance notices issued by the licensee must include a brief description of the possible consequences under the Act of not complying with the notice, and the rights of review under the Act in relation to the notice and who may apply for review.	4	The Shire's Acting Manager of Infrastructure confirmed that no compliance notice has been issued by the Shire during the audit period. Although, Section 3.25 of the Local Government Act 1995 provides ground for issue of compliance notices to owner or the occupier of the land in certain circumstances, there is no internal procedure governing the issue of the compliance notices and what the notice should contain. <i>Refer recommendation 06/2014.</i>	D	NR
Water Services Code of Conduct (Customer Service Standards) 2013							

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
92.	Information for customers	Clause 7	The licensee must have written information for customers about the specified matters.	4	Although not mandatory after 17 November 2013, the Shire's Customer Service Charter for Water Services is still available to customers. The charter is generally consistent with the licence provision in covering all the service issues likely to be of concern to the Shire's customers. Information about the fees that apply in relation to connections and when the fees are payable is included in the annual Rate Notice and accompanying Rates Newsletter.	A	1
93.	Timeliness of connections	Clause 8	The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements.	4	There were no new connections over audit period.	NP	NR
94.	Annual service charges	Clause 9	The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.	4	Confirmed on a sample basis that the annual rate notice is issued to each owner or occupier, as the case requires, of land on which a service charge is imposed. Water services charges are being determined based on the Gross Rental Value (GRV).	A	1
95.	Usage bills at least 6 monthly	Clause 10(2)	The licensee must issue a bill for usage to each customer at least once in every 6 month period.	4	Confirmed with the Shire's Acting Manager of Infrastructure that no usage charges are billed for sewerage or non-potable water supply. Note: Under Sec 123(1) of the Water Services Act 2012, fees and charges may be imposed for water services on prudent commercial principles. <i>(this also applies to further obligations below).</i>	N/A	N/A
96.		Clause 10(3)	The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
97.		Clause10(4)	If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
98.		Clause 10(5)	If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
99.	Address for billing	Clause 11	The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.	4	The auditor confirmed on a sample basis compliance with this requirement over the audit period.	A	1
103.	Basis of billing estimate	Clause 13(1)	If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply. Water services charges are being determined based on the Gross Rental Value (GRV). There are no bill estimates.	N/A	N/A
104.		Clause 13(2)	The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply. Water services charges are being determined based on the Gross Rental Value (GRV). There are no bill estimates.	N/A	N/A
105.	Request for meter reading	Clause 14(1)	The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A
106.	Higher than normal usage	Clause 15	The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
107.	Under and over charges	Clause 16(2)	The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.	4	The undercharging or overcharging can result from the amendment of a rate record, resulting in reassessment of rate or service charges imposed on the land. The Shire's Acting Manager of Infrastructure confirmed that no overcharging or undercharging occurred during the audit period. Although Section 6.40 of the Local Government Act 1995 provides ground for provision of rebate or refund in case of rates or service charges reassessment, there is no internal procedure to govern overcharging or undercharging resulting from amendment of rate record. <i>Refer recommendation 06/2014.</i>	D	NR
108.		Clause 16(3)	An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a repayment plan as specified in the code of conduct.	4	As per item 107.	D	NR
109.		Clause 16(4)	The licensee must not charge interest or late payment fees on an undercharged amount.	4	As per item 107.	D	NR
110.		Clause 16(5)	The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.	4	As per item 107.	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
111.		Clause 17(1)	If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount.	4	As per item 107.	D	NR
112.		Clause 17(2)	The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions.	4	As per item 107.	D	NR
113.	Review of bill	Clause 18(1)	The licensee must review a bill on the customer's request.	4	<p>The annual rate notice provides information on objections and appeals in relation to the rate records.</p> <p>As confirmed by the Shire's Acting Manager of Infrastructure, during the audit period, no objection and appeal in relation to rate records or request for review of a bill was made during the audit period. The Valuation of Land Act 1976 (as amended) Part IV sets out the manner in which objections and appeals may be instituted regarding the valuations.</p> <p>Section 6.76 and 6.77 of the Local Government Act 1995 provides the grounds on which individual objections and appeals may be instituted as to entries in the rate book regarding the ownership, or whether the property is rateable. An objection to the Rate Book must be made within 42 days after issue of the Notice of Valuation of Rate.</p> <p>The local government procedure does not meet the requirements of the Water Services Code of Conduct. Refer obligations 114 – 117 below.</p>	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
114.		Clause 18(2)	The license must have a written procedure for the review of a bill on the customer's request.	4	<p>There is no written procedure for review of a bill on the customer's request.</p> <p><u>Recommendation 01/2014</u></p> <ol style="list-style-type: none"> 1. <i>The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</i> 2. <i>The procedure should be made publicly available on the Shire's website and in hardcopy.</i> 3. <i>The procedure should include:</i> <ol style="list-style-type: none"> a) <i>what happens if the customer has been undercharged or overcharged;</i> b) <i>what the customer can do if dissatisfied with outcome of the review;</i> c) <i>that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal; and</i> d) <i>that the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.</i> 	D	NR
115.		Clause 18(3) & (6)	The review procedure in clause 18(2) must include the specified information and be publicly available.	4	Refer obligation 114 above.	D	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
116.		Clause 18(4)	The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.	4	Refer obligation 114 above.	D	NR
117.		Clause 18(5)	The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.	4	Refer obligation 114 above.	D	NR
118.	At least 14 days for payment	Clause 20	The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.	4	As per the annual Rate Notice sighted, the time set by the licensee for the payment of a bill is 35 days from the date of issue.	A	1
119.	Payment methods	Clause 21(1)	The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.	4	Compliance with this requirement was confirmed by reference to a sample of annual Rate Notices, Rates Newsletter leaflet sent out with the annual Rate Notices and licensee's Financial Hardship Policy – Waste Water Services.	A	1
120.		Clause 21(2)	The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered.	4	Confirmed that annual Rate Notice and Rates Newsletter which is sent out with the annual Rate Notice contain this information.	A	1

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
121.		Clause 22	Before receiving a bill payment by direct debit the licensee must obtain the express consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.	4	Confirmed by reference to a sample of annual Rate Notices that customers can tick Direct Debit option on the Rate Notice indicating their consent.	A	1
122.	Payment in advance	Clause 23(1)	The licensee must accept payment in advance from a customer on a customer's request.	4	The Shire's Acting Manager of Infrastructure confirmed that no request have been made by a customer to make a payment in advance during the audit period. If such a request was received, the payment in advance would be accepted.	NP	NR
123.	Redirection of bills	Clause 24	The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.	4	This obligation is provided for in the Shire's Financial Hardship Policy. The Shire's Acting Manager of Infrastructure confirmed that no requests were received in the audit period.	NP	NR
124.	Payment plan	Clause 25	The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay arrears if the customer is assessed by the licensee as experiencing payment difficulties.	4	This obligation is provided for in the Shire's Financial Hardship Policy. The Shire's Acting Manager of Infrastructure confirmed that no requests were received in the audit period.	NP	NR
125.	Financial hardship policy	Clauses 26(1) & (2)	The licensee must have a written policy in relation to financial hardship that is approved by the Authority.	4	The Shire's Financial Hardship Policy (FHP) – Waste Water Services was sighted. The Shire's FHP was approved by the Authority on 15 May 2014.	A	1

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
126.		Clause 26(3)	If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.	4	The existing licensees had an obligation to have a hardship policy that is duly approved by the Authority by 18 May 2014. The policy was approved on 15 May 2014.	A	1
127.		Clause 26(4)	If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license.	4	The licence was in place prior to the Act coming into effect.	N/A	N/A
128.		Clause 26(5)	The licensee's financial hardship policy must be publicly available.	4	The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. Confirmed that the Shire's policy is published on the Shire's website as well as a hardcopy of the policy displayed at the reception area of the Shire's office.	A	1
129.		Clause 26(6)	The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.	4	The Shire's policy was approved by the Authority on 15 May 2014 and is not due for review until 2019. The requirement to review the policy every 5 years is stated in the policy, however to ensure compliance with this requirement, the Shire of Gnowangerup Compliance Schedule should be updated for the required policy review due date. <i>Recommendation 02/2014</i> <i>The Shire should update the Shire's Compliance Schedule for the financial hardship policy next review due date.</i>	B	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
130.		Clause 27(2)	The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears.	4	This obligation is included in the Shire's Financial Hardship Policy.	A	NR
131.		Clause 27(3)	The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.	4	This obligation is included in the Shire's Financial Hardship Policy.	A	NR
132.		Clause 28(1)	Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.	4	This obligation is included in the Shire's Financial Hardship Policy.	A	NR
133.		Clause 28(4) & (5)	The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.	4	This obligation is included in the Shire's Financial Hardship Policy. The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy. Confirmed that the Shire's policy is published on the licensee's website as well as hardcopy of the policy displayed at the reception area of the Shire's office.	A	NR
134.	Debt recovery	Clause 29	The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.	4	This obligation is included in the Shire's Financial Hardship Policy.	A	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
139.	Reducing flow rate	Clause 33	The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.	4	Confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings. The Shire's Acting Manager of Infrastructure also advised that during the audit period no water has been re-used for irrigation purposes. This has been confirmed by review of the licensee's Performance Reports for 2011/12. 2012/13 and 2013/14.	N/A	N/A
142.	Timeframe to restore service	Clause 34(4)	The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.	4	As per 139.	N/A	N/A
144.		Clause 34(6)	The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.	4	As per 139.	N/A	N/A
145.	Complaints procedure	Clause 35(1)	The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service.	4	The Shire's Complaints Procedure was sighted. The policy covers all aspects of the Shire's services including water services.	A	1

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
146.		Clause 35(2)	The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any).	4	Although not specifically stated in the Shire's Complaints Procedure, the policy is generally compliant with the relevant provisions of the AS ISO 10002-2006 and the Authority's Customer Complaints Guidelines dated October 2008. <i>Also refer obligation 147 regarding obligations under the Code of Conduct.</i>	A	1
147.		Clause 35(3)	The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.	4	The audit reviewed the Shire's Complaints Procedure and noted that the procedure does not cover the specific complaints procedures for sewerage charges as per the Code of Conduct. <u><i>Recommendation 03/2014</i></u> <i>1. The Shire should update its complaints procedure to:</i> <i>a) state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</i> <i>b) in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</i> <i>c) set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</i>	C	2

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
148.		Clause 35(4)	The licensee's complaints procedure must inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.	4	The Shire's Policy – Complaints Handling does not inform the customer that they do not have to use the licensee's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act. <i>Refer recommendation 03/2014.</i>	C	2
149.		Clause 35(6)	The licensee's complaints procedure must be publicly available.	4	The definition of “publicly available” per Clause 3 of the Water Services Code of Conduct is website and hardcopy. The Shire's Complaints Procedure is available on the Shire's website and in the Shire's office.	A	1
150, 151	No charge for information	Clause 36(1)	The licensee must provide a customer with the specified services on request and at no charge.	4	Under this Section of Code the licensee must provide a customer with the following on request and at no charge: <ul style="list-style-type: none"> a) services for account, payment and general enquiries for use by customers with hearing or speech impaired; b) interpreter services for account, payment and general enquiries; c) a large-print version of any of the licensee's publicly available documents. The Shire's Acting Manager of Infrastructure confirmed that they are prepared to produce information in large print, in a language other than English or in other formats as required when such a request is made. The Shire's Acting Manager of Infrastructure advised that, during the audit period, no such request has been received by the licensee.	A	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
152.	Access to customer information	Clause 36(2)	The licensee must make available to each customer the customer's personal account information.	4	The Shire's Acting Manager of Infrastructure confirmed that the customer's personal account information is made available to each customer upon request. The Shire's Acting Manager of Infrastructure advised that, during the audit period, no request was received by the licensee.	A	NR
153.	All Code of Conduct information to be publicly available in hardcopy and website	Clause 37(1)	The licensee must make the prescribed information publicly available.	4	<p>The licensee must make the "prescribed information" publicly available. The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The "prescribed information" is set out in Section 37 of the Code and includes the fees and charges, bill payment options. Concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The auditor noted that this information is not currently available to customers. This information could be partially provided by obtaining a copy of the Department of Water's Easy Reference Guide to the Water Services Code of Conduct and making this available on the Shire's website and in hardcopy at the Shire's office. However, there also needs to be specific information in respect of the Shire's fees and charges, payment options, etc.</p> <p><u><i>Recommendation 04/2014</i></u></p> <p><i>The Shire should provide a brochure at the Shire office and on the website with the "prescribed information" for sewerage services as set out in Section 37 of the Code. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</i></p>	C	3

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
Licence Conditions – Specific Clauses							
155.	Fees to regulator	Clause 4	The licensee must pay the applicable fees in accordance with the Regulations.	4	No fees were payable during the audit period. Annual fees have been introduced from 1 January 2015.	NP	NR
156.	Compliance generally	Clause 5.1	Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	2	The auditor reviewed compliance with the Water Services Act 2012 and the Water Services Regulations 2013 as per obligations listed in this audit report and concluded that the Shire generally complies with the Water Services Act 2012 and the Water Services Regulations 2013 except for the issues noted in this report.	B	2
157.		Clause 5.2	The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	2	No Codes of Practice have been issued by the Minister.	N/A	N/A
158.		Clause 5.3	The licensee must comply with any code of conduct made by the Authority to the extent it applies to the licensee and is not inconsistent with the terms and conditions of the licence.	2	The auditor reviewed compliance with Code of Conduct as per obligations listed in this audit report, and concluded that the licensee generally complies with Code of Conduct with the exception of non-compliances noted as in this audit. <i>Refer recommendations 01/2014 to 04/2014.</i>	B	2
159.		Clause 5.4	The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	2	Confirmed by reference to the Authority's website that no Rectification Notice has been issued to the Shire by the Authority.	NP	NR
160.	Compliance with Accounting Standards	Clause 12	The licensee and any related body corporate must maintain accounting records that comply with the Australian Accounting Standards Board Standards or equivalent International Accounting Standards.	2	The auditor reviewed the audited Shire's Financial Report for the year ended 30 June 2014 and confirmed compliance.	A	1

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	2	<p>There are currently no individual performance standards set out in Schedule 3 of the Shire's licence WL11, Version 4, dated 18 November 2013.</p> <p>Under the previous licences that were in operation until 17 November 2013, the services and performance standards were set out in Schedule 4. The auditor reviewed the Shire's Performance Reports for the years ending 30 June 2012, 2013 and 2014 and confirmed that the Shire has complied with all services and performance standards as set out in Schedule 4 of the previous licence.</p> <p>The auditor reviewed the underling information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.</p>	A	1
162.	Operational audit	Clause 14.4	The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	2	This audit/review is designed in accordance with the Audit Guidelines.	A	1
163.	External administration	Clause 15.1(a), (b), (c)	The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations.	2	The auditor confirmed by interview and review of the audited Shire's Financial Report for the year ended 30 June 2014 that there is no external administration.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
164.	Advise Authority of major or general works	Clause 15.1(d)	The licensee must report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works.	2	The auditor confirmed with the Shire's Acting Manager of Infrastructure and review of the Asset Management System documentation and drawings that no additional major works or general works have been proposed, provided or undertaken by the licensee during the audit period. However, there is no internal procedure in place to advise the Authority within 10 business days of any water service major or general works. <i>Refer recommendation 06/2014.</i>	D	NR
165.	Provision of information to Authority	Clause 16.1	The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.	2	In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority: <ul style="list-style-type: none"> Annual performance reports no later than 31 July for the reporting year ending 30 June; and Annual compliance reports by 31 August for the year ending 30 June. The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the following exception: <ul style="list-style-type: none"> The Compliance Report for the year ended 30 June 2013 was submitted on 6 September 2013 rather than by the due date of 3 September 2013. <i>Recommendation 05/2014</i> <i>The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</i>	B	2

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
166.	Compliance reporting to Authority	Clause 16.2	The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the <i>Water Compliance Reporting Manual</i> that apply to the licensee.	2	As per item 165, the auditor reviewed the licensee's correspondence with the Authority and licensee's Compliance and Performance Reports for the years ending 30 June 2012, 2013 and 2014 and noted a minor exception as to the time of the information reporting requirements prescribed by the Water Compliance Reporting Manual. All non-compliances are recorded in the hardcopy ERA licence file maintained by the Shire. <i>Refer recommendation 05/2014</i>	B	2
167.	Performance reporting to Authority	Clause 16.3	The licensee must provide the Authority with the data required for performance reporting purposes that is specified in <i>Water Compliance Reporting Manual</i> , and the National Performance Framework that apply to the licensee.	2	The auditor reviewed the Shire's correspondence with the Authority and Shire's Performance Reports for the years ending 30 June 2012, 2013 and 2014 and confirmed the Shire provided the Authority with the data required for performance reporting purposes in the time and format required.	A	1
168.	Publishing information	Clause 17.2	Subject to clause 17.3, the licensee must publish within the specified timeframe any information that the Authority has directed the licensee to publish under clause 17.1.	2	Reviewed correspondence with the Authority in the audit period and confirmed that in the audit period the Shire was not directed by the Authority to publish any information.	NP	NR
169.	Notices in writing	Clause 18.1	Unless otherwise specified, all notices must be in writing.	2	Reviewed correspondence with the Authority in the audit period and confirm compliance. All correspondence observed was in hardcopy letter or email.	A	1
170.	Notify Authority of asset management system (AMS)	Clause 20.1	The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	2	The Authority has been notified of and has approved the asset management system as part of the licence approval.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
171.	Notify Authority of material change to AMS	Clause 20.2	The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	2	The auditor confirmed with the Shire's Acting Manager of Infrastructure, review of Asset Management System documentation and drawings and observation that no material changes were made to the WWTP assets during the audit period. The requirement to notify the Authority of any material change to the asset management system is included in the Shire's Asset Management Plan.	A	NR
172.	Asset Management System Review	Clause 20.6	The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	2	This review is being undertaken in accordance with the Audit and Review Guidelines.	A	1
173.	Ombudsman scheme	Clause 21.1	The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	2	Confirmed by interview with the Shire's Acting Manager of Infrastructure and review of the correspondence between the licensee and the Energy and Water Ombudsman (WA) Limited that the licensee is a member of the Water Services Ombudsman Scheme.	A	1
174	Customer contract	Clause 22.1	Subject to the Act and the terms of a customer contract that apply to the water service, the licensee must supply water services in accordance with the terms and conditions set out in Schedule 4 (if any).	2	There is currently no customer contract in place between the Shire and customers. There are no specific terms and conditions in Schedule 4 of the licence.	NP	NR
175.		Clause 23.1	If directed by the Authority, the licensee must submit a draft customer contract for approval.	2	As per item 174.	NP	NR
176.		Clause 23.2	The licensee must comply with any <i>Customer Contract Guidelines</i> that apply to the licensee.	2	As per item 174.	NP	NR

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
177.		Clause 23.3	The licensee may only amend the customer contract with the Authority's approval.	2	As per item 174.	NP	NR
178.		Clause 23.6	The licensee must comply with any direction by the Authority to amend the customer contract.	2	As per item 174.	NP	NR
179.		Clauses 24.1 and 24.2	Unless clause 24.3 applies, the licensee cannot enter into an agreement with a customer to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> without the prior approval of the Authority.	2	As per item 174.	NP	NR
180.		Clause 24.4	If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the <i>Customer Services Code</i> , the licensee must publish an annual report containing the information specified.	2	As per item 174.	NP	NR
181.	Obligations of supplier of last resort	Clause 25.1	If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act.	2	The auditor confirmed with the Shire's Acting Manager of Infrastructure that the Shire was not appointed as a supplier of last resort.	N/A	N/A
182.	No services outside operating area	Clause 28.1(b)	If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.	2	The auditor confirmed by interview with the Shire's Acting Manager of Infrastructure, review of Asset Management System documentation and drawings and observation that the Shire does not provide a water service outside of the operating area set out in Plan Number: OWR-OA-090.	N/A	N/A

No ³	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating ⁴	Compliance Rating ⁵
183.	Financial hardship Policy guidelines	Clause 30.3	The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	2	The licensee's Financial Hardship Policy was approved by the Authority on 15 May 2014. In its decision, the Authority was satisfied the licensee's FHP meets the relevant requirements of the Water Act, Code and Guidelines.	A	1
190.	Service and performance standards (if applicable)	Schedule 3	The licensee must comply with the service and performance standards as set out in Schedule 3.	3	<p>There are currently no service and performance standards set out in Schedule 3 of the Shire's licence WL20, Version 4, dated 18 November 2013.</p> <p>Under the previous licences that were in operation until 17 November 2013, the services and performance standards were set out in Schedule 4. The auditor reviewed the Shire's Performance Reports for the years ending on 30 June 2012, 2013 and 2014 and confirmed that the Shire has complied with all services and performance standards as set out in Schedule 4 of the previous licence.</p> <p>The auditor reviewed the underling information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.</p>	A	1

2.7 Current Audit Non-Compliances and Recommendations

Table of Current Audit Non- Compliances and Recommendations			
A. Resolved during current audit period			
Manual Reference	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
01/2014	<p>Review of Rates Notices with Sewerage Charges <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(1) – 18(6)</i> <i>Non-compliant – minor impact</i></p> <p>The licensee must have a written procedure for the review of a bill on the customer's request. The Shire does not have a written procedure for review of a bill on the customer's request. The CEO advised that no request for review of the rates notices relating to sewerage charges had been received during the audit period.</p>	<ol style="list-style-type: none"> 1. The Shire should develop a written procedure for review of bills (rates notices with sewerage charges). 2. The procedure should be made publicly available on the Shire's website and in hardcopy. 3. The procedure should include: <ol style="list-style-type: none"> a) what happens if the customer has been undercharged or overcharged; b) what the customer can do if dissatisfied with the outcome of the review c) that the customer may, but does not have to, use the licensee's complaints procedure before or instead of applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision that gave rise to the complaint, to the State Administrative Tribunal. d) That the licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received. 	Nil

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
02/2014	<p>Next Review of Financial Hardship Policy <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 26(6)</i> <i>Not rated (no activity)</i></p> <p>The Shire's Financial Hardship Policy was approved by the Authority on 15 May 2014 and is not due for review until 2019. The requirement to review the policy every 5 years is stated in the policy, however to ensure compliance with this requirement, the Shire's Compliance Schedule should be updated for the required policy review due date.</p>	The Shire should update the Compliance Schedule for the financial hardship policy next review due date.	Nil
03/2014	<p>Complaints Procedure <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 35(3),(4) & (6)</i> <i>Non-compliant – minor impact</i></p> <p>The audit reviewed the Shire's Complaints Handling policy and noted that the policy does not cover the specific complaints procedures for sewerage charges as per the Code of Conduct. That is, the procedure does not inform the customer that they do not have to use the Shire's complaints procedure, provide details of procedures under the Act, and set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</p>	<p>The Shire should update its Complaints Procedure to:</p> <ol style="list-style-type: none"> state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal; in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal. 	Nil
04/2014	<p>Prescribed Information to be Available in Hardcopy and on Website <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 36(1) and 37(1)</i> <i>Non-compliant – moderate impact</i></p> <p>The licensee must make the "prescribed information" publicly</p>	The Shire should provide a brochure at the Shire office and on the website with the "prescribed information" for sewerage services as set out in Section 37 of the Code. This includes the fees and charges, bill payment options, discounts/concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.	Nil

B. Unresolved at end of current audit period			
Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
	<p>available. The definition of "publicly available" per Clause 3 of the Water Services Code of Conduct is website and hardcopy.</p> <p>The "prescribed information" is set out in Section 37 of the Code and includes the fees and charges, bill payment options. Concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The auditor noted that this information is not currently available to customers. This information could be partially provided by obtaining a copy of the Department of Water's Easy Reference Guide to the Water Services Code of Conduct and making this available on the Shire's website and in hardcopy at the Shire's office. However, there also needs to be specific information in respect of the Shire's fees and charges, payment options, etc.</p>		
05/2014	<p>Performance and Compliance Reporting</p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clauses 16(1) & 16(2)</i></p> <p><i>Non-compliant – minor impact</i></p> <p>In accordance with the Water Compliance Reporting Manual April 2014, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> • Annual performance reports no later than 31 July for the reporting year ending 30 June; and • Annual compliance reports by 31 August for the year ending 30 June. <p>The auditor reviewed the Shire's correspondence with the Authority and the Compliance and Performance Reports for 2011/12, 2012/13, 2013/14 and noted the following exception:</p> <ul style="list-style-type: none"> • The Compliance Report for the year ended 30 June 2013 was submitted on 6 September 2013 rather than by the due date of 3 September 2013. 	<p>The Shire should ensure that all future Compliance Reports are submitted to the Authority within the timeframes required.</p>	<p>Nil</p>

B. Unresolved at end of current audit period

Reference (no./year)	Non-Compliance/Controls Improvement (Legislative Obligation/Compliance Rating//Details)	Auditor's Recommendation	Management Action taken by end of audit period
06/2014	<p>Internal Policies and Procedures relating to the Licence</p> <p><i>Water Services Act 2012 sections 84(4)&(5), 84(2), 87(2), 90(7), 119(2), 122(2), 128(4), 142, 143(2)&(3), 144(3), 145(2), 147(3)&(4), 151(1)-(3), 153(3), 186, 187(1)-(3), 190(4)-(5), 218(2).</i></p> <p><i>Water Services Regulations 2012 – Reg. 85.</i></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clauses 15.1(d), 16(2)-(5), 17(1) - (2).</i></p> <p><i>Not rated</i></p> <p>The licence includes compliance obligations in respect of water service works, notification to the Authority of general or major water service works, road works, issue of work order notices or compliance notices, under and over charges, etc.</p> <p>Although the audit confirmed these activities had not occurred in the audit period, there are no documented internal procedures that would ensure compliance with these conditions of the licence in future.</p>	<p>The Shire should develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, notification to the Authority within 10 business days of major or general water service works, etc. The detailed compliance obligations listed in this report could be used as a reference.</p>	<p>Nil</p>

2.8 Conclusion

The audit has been conducted to assess the licensee's level of compliance with the conditions of its licence.

Through the execution of the Audit Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Gnowangerup has:

- a) complied with its licence obligations during the audit period from 1 December 2011 to 30 November 2014 with the exception of:
 - the Shire does not have a written procedure for review of a bill on the customer's request as required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
 - the Shire's Complaints Procedure does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013*;
 - the "prescribed information" under the Water Services Code of Conduct is not available on the Shire's website and in hardcopy at the Shire's office; and
 - Compliance reports were not always submitted by the due dates with one minor delay for the 2013 report.
- b) implemented two of the recommended actions from the previous audit including implementing a compliance schedule and updating the Asset Management Plan to notify the Authority of any major changes to the asset management system. The remaining recommendation concerning review of the Customer Service Charter is no longer required;
- c) established an adequate control environment for ongoing compliance apart from the non-compliance issues noted above.
- d) maintained the data integrity of reporting to the Authority apart from the exceptions noted above.

The audit recommended that the Shire:

- develop a written procedure for review of bills (rates notices with sewerage charges) and the procedure should be made publicly available on the Shire's website and in hardcopy;
- update the Complaints Handling policy to include the details required by the *Water Services Code of Conduct (Customer Service Standards) 2013*;
- ensure that all future Compliance Reports are submitted to the Authority within the timeframes required;
- make available the "prescribed information" under the Water Services Code of Conduct on the Shire's website and in hardcopy at the Shire's office;
- develop and/or update internal procedures with the requirements under the licence re building works, road works, issue of work order notices or compliance notices, under and over charges, etc.; and
- update the Compliance Schedule for the financial hardship policy next review due date.

3. Asset Management System Review

3.1 Objectives and Scope

The objective of the review was to assess the adequacy and effectiveness of the asset management system in place for the undertaking, maintenance and monitoring of the licensee's assets.

The scope of the review included an assessment of the adequacy and effectiveness of the asset management system by evaluating the key processes of:

- Asset planning
- Asset creation/acquisition
- Asset disposal
- Environmental analysis
- Asset operations
- Asset maintenance
- Asset management information system
- Risk management
- Contingency planning
- Financial planning
- Capital expenditure planning
- Review of the asset management system.

The highest priority asset components based on inherent risk and the previously assessed processes were:

- **Asset Planning** - high inherent risk.
- **Environmental Analysis** – high inherent risk.
- **Asset Disposal** – previous review noted the annual inspection of assets should be implemented.
- **Asset Maintenance** - previous review noted the annual inspection of assets should be implemented and major maintenance required on treatment ponds.
- **Contingency Planning** - high inherent risk.

The review assessed the status of the previous review recommendations and also identified areas where improvement is required.

The review covered the period from 1 December 2013 to 30 November 2014.

3.2 Asset Management Process and Performance Rating Scales

The adequacy of process policy and definition and the performance of the key processes were assessed using the scales described in the tables below. The overall effectiveness rating for each asset management process is based on a combination of the process and policy adequacy rating and the performance rating.

Asset management process and policy definition - Adequacy ratings

RATING	DESCRIPTION	CRITERIA
A	Adequately defined	<ul style="list-style-type: none"> 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.
B	Requires some improvement	<ul style="list-style-type: none"> 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).
C	Requires significant improvement	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not for purpose (taking into consideration the assets that are being managed).

Asset Management Performance ratings

RATING	DESCRIPTION	CRITERIA
1	Performing effectively	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	Some action required	<ul style="list-style-type: none"> Process is not performed, or the performance is so poor that the process is considered to be ineffective.

3.3 Status of Previous Review Recommendations

Table of Previous Review Ineffective Components Recommendations				
Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
A. Resolved before end of previous review period				
	Nil			
B. Resolved during current review period				
01/2013 B2	<p>Asset Disposal and Maintenance</p> <p><i>Under-utilised and under-performing assets should be identified as part of a regular systematic review process.</i></p> <p>The revised AMP includes ad hoc/reactive inspections, and a programmed/condition inspection annually. A full inspection of the assets was completed in October 2013.</p> <p>The annual programmed/condition inspection per the AMP needs to be implemented into the Shire's planned work programme and the condition updated in the Asset Register.</p>	The Shire should implement the annual programmed and condition assessment of assets in the Shire's planned work schedule and update the Asset Register with the condition assessment at each inspection.	October 2014	No further action required.
02/2013 B3	<p>Contingency Planning</p> <p><i>Contingency plans should be documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>The revised AMP includes a detailed Incident and Emergency Response Plan. Mitigation strategies for asset failures are also included in the risk register in the AMP.</p> <p>The Shire plans to conduct an annual review and test</p>	The Shire's Compliance Schedule should include the planned annual review and testing of the Incident and Emergency Response Plan in the AMP.	November 2014	No further action required.

Table of Previous Review Ineffective Components Recommendations

Reference (no./year) Compliance rating	Effectiveness Criteria/ Details of issue	Auditor's Recommendation or Action Taken	Date Resolved	Further Action Required (Yes/No/N/A) & Details of further action required. (Including current recommendation ref. if applicable)
	of the plan which may comprise a tabletop exercise, functional exercises or a full scale drill. The annual review and testing of the Incident and Emergency Response Plan (in the AMP) needs to be included in the Shire's Compliance Schedule.			
C. Unresolved at end of current review period				
03/2013 A3	<p>Asset Maintenance – Treatment Ponds</p> <p><i>Regular inspections should be undertaken of asset performance and condition.</i></p> <p>Future inspections are planned to be completed at least annually.</p> <p>A full inspection of the assets was completed in October 2013. A CCTV inspection is planned for 2014/15. Future inspections are planned to be completed at least annually.</p> <p>From physical inspection of the treatment ponds during the audit, it was noted that the ponds require desludging to remove the build-up of nutrients. The ponds do not appear to be progressively cleaning the water due to the build-up. Also, the levy bank between treatment ponds 3 and 4 has been breached which whilst not impacting the continued operation of the scheme it will affect the progressive cleaning of the incoming water once the ponds are cleaned. There is also overgrown vegetation around the ponds that is reducing the capacity of the ponds.</p> <p>The Shire has budgeted \$50,000 to complete major maintenance of the treatment ponds in 2014/15.</p>	As planned, the Shire should complete the planned major maintenance to clean and refurbish the treatment ponds. The system used to convey the flows between the ponds can be reviewed when it is cleaned. The breach wall should be rebuilt and a “tee” collection pipe rebuilt between the ponds 3 and 4. There may be a need to ensure there are better baffles between the ponds to help prevent the sludge flowing through. The treatment ponds should have adequate security fencing around the perimeter to prevent unauthorised or accidental entry to the ponds.	-	Yes – the planned major maintenance of the treatment ponds scheduled for December 2014 has not yet been completed. <i>(Refer recommendation 09/2014).</i>

3.4 Summary of Asset Management System Effectiveness Ratings

The audit assessment of the asset management system process and policy definitions and their effectiveness, based on the ratings scale in Section 3.2, is shown in the table below.

Section 3.5 provides further details of the rating for each process in the asset management system.

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating				
	Adequately defined	Requires some improvement	Requires significant improvement	Inadequate	Performing effectively	Opportunity for improvement	Corrective action required	Serious action required	Not Rated
	A	B	C	D	1	2	3	4	NR
1. Asset planning	A				1				
1.1 Asset management plan covers key requirements.	A				1				
1.2 Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	A				1				
1.3 Service levels are defined.	A				1				
1.4 Non-asset options (e.g. demand management) are considered.	A				1				
1.5 Lifecycle costs of owning and operating assets are assessed.	A				1				
1.6 Funding options are evaluated.	A				1				
1.7 Costs are justified and cost drivers identified.	A				1				
1.8 Likelihood and consequences of asset failure are predicted.	A				1				
1.9 Plans are regularly reviewed and updated.	A				1				
2. Asset creation/ acquisition		B				2			
2.1 Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	A				1				
2.2 Evaluations include all life-cycle costs.	A				1				
2.3 Projects reflect sound engineering and business decisions.	A				1				
2.4 Commissioning tests are documented and completed.	A				1				
2.5 Ongoing legal/environmental/safety obligations of the asset owner are		B				2			

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
assigned and understood.								
3. Asset disposal	A				2			
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process.	A				2			
3.2 The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	A			1				
3.3 Disposal alternatives are evaluated.	A			1				
3.4 There is a replacement strategy for assets.	A			1				
4. Environmental analysis		B			2			
4.1 Opportunities and threats in the system environment are assessed.	A			1				
4.2 Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	A			1				
4.3 Compliance with statutory and regulatory requirements.		B			2			
4.4 Achievement of customer service levels.	A			1				
5. Asset operations	A			1				
5.1 Operational policies and procedures are documented and linked to service levels required.	A			1				
5.2 Risk management is applied to prioritise operations tasks.	A			1				
5.3 Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	A			1				
5.4 Operational costs are measured and monitored.	A			1				
5.5 Staff resources are adequate and staff receive training commensurate with their responsibilities.	A			1				
6. Asset maintenance	A					3		
6.1 Maintenance policies and procedures are documented and linked to service levels required.	A			1				
6.2 Regular inspections are undertaken of asset performance and condition.	A				2			
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A					3		
6.4 Failures are analysed and operational/maintenance plans adjusted	A			1				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
where necessary.								
6.5 Risk management is applied to prioritise maintenance tasks.	A				1			
6.6 Maintenance costs are measured and monitored.	A				1			
7. Asset Management Information System (MIS)	A				1			
7.1 Adequate system documentation for users and IT operators.	A				1			
7.2 Input controls include appropriate verification and validation of data entered into the system.	A				1			
7.3 Logical security access controls appear adequate, such as passwords.	A				1			
7.4 Physical security access controls appear adequate.	A				1			
7.5 Data backup procedures appear adequate and backups are tested.	A				1			
7.6 Key computations related to licensee performance reporting are materially accurate.	A				1			
7.7 Management reports appear adequate for the licensee to monitor licence obligations.	A				1			
8. Risk management	A				1			
8.1 Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	A				1			
8.2 Risks are documented in a risk register and treatment plans are actioned and monitored.	A				1			
8.3 The probability and consequences of asset failure are regularly assessed.	A				1			
9. Contingency planning	A				1			
9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	A				1			
10. Financial planning	A						3	
10.1 The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A				1			
10.2 The financial plan identifies the source of funds for capital expenditure and recurrent costs.	A						3	
10.3 The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance	A				1			

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating			Performance rating			
sheets).	A						
10.4 The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	A			1			
10.5 The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	A				3		
10.6 The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A			1			
11. Capital expenditure planning	A			1			
11.1 There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	A			1			
11.2 The plan provides reasons for capital expenditure and timing of expenditure.	A			1			
11.3 The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	A			1			
11.4 There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	A			1			
12. Review of asset management system	A			1			
12.1 A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	A			1			
12.2 Independent reviews (e.g. internal audit) are performed of the asset management system.	A			1			

3.5 Review Observations and Recommendations

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating ⁷	A	Performance Rating ⁸	1
1	ASSET PLANNING				
1.1	Asset management plan covers key requirements.	The Shire of Gnowangerup Asset Management Plan (AMP) revised in November 2013 was sighted. The service commitment stated in the AMP is: <i>“The Shire of Gnowangerup will provide its services in a manner which is fair, courteous and timely with a focus on consultation with our customers respecting your rights and meeting your reasonable expectations.”</i> The Plan aligns with the Asset Management Plan format set out in the Institute of Public Works Engineering Australia’s (IPWEA) International Infrastructure Management Manual (IIMM).			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The Asset Management Plan states the needs of the various stakeholders and is part of the Shire’s overall business planning framework.			
1.3	Service levels are defined.	The levels of service and performance parameters have been defined in the AMP. Performance is measured in performance reports to the Authority.			
1.4	Non-asset options (e.g. demand management) are considered.	The assets are considered appropriate for the current levels of demand. The population of Ongerup is predicted to either continue to decline at a rate of 1% to 3% per year or plateau at 2011 levels.			
1.5	Lifecycle costs of owning and operating assets are assessed.	The AMP states the current replacement cost of the scheme as \$911,680. The lifecycle costs of owning and operating the assets have been assessed in the Plan.			
1.6	Funding options are evaluated.	The Shire maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Ongerup Sewerage Scheme.			
1.7	Costs are justified and cost drivers identified.	The operating costs and renewal costs have been justified in the AMP. The cost drivers are the condition of the assets and the maintenance regime which will impact the life of the assets.			
1.8	Likelihood and consequences of asset failure are predicted.	The AMP includes a detailed risk assessment with the likelihood and consequences of each risk.			

⁷ Process ratings: A=adequately defined, B=requires some improvement, C=requires significant improvement, D=inadequate.

⁸ Performance ratings: 1=performing effectively, 2=opportunity for improvement, 3=corrective action required, 4=serious action required

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
1.9	Plans are regularly reviewed and updated.	The AMP was fully revised in November 2013. A full review is required every three years or if major changes occur.			
2	ASSET CREATION/ ACQUISITION	Process Rating	B	Performance Rating	2
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are planned for the scheme, only ongoing repairs and maintenance, and replacements of existing infrastructure as required.			
2.2	Evaluations include all life-cycle costs.	The Asset Management Plan was fully revised in November 2013. It includes an assessment of the lifecycles of the assets and a costing of the maintenance, operations and capital renewal costs.			
2.3	Projects reflect sound engineering and business decisions.	Projects are undertaken using the Shire's normal project planning and management processes.			
2.4	Commissioning tests are documented and completed.	No new assets were acquired or are planned.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	<p>Section 3.10 of the AMP outlines the legislative, environmental and safety requirements. These are monitored by the Executive Manager Infrastructure (currently the Acting Manager of Infrastructure).</p> <p>However, the Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p> <p><i>Recommendation 07/2014</i></p> <p><i>The Legislative Requirements Section of the AMP should be updated to reflect the recent changes to the legislative requirements including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.</i></p>			
3	ASSET DISPOSAL	Process Rating	A	Performance Rating	2
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	<p>This is a small system with only the essential assets to enable it to function. No disposals are anticipated in the next 5 years.</p> <p>The revised AMP includes annual physical inspections. A CCTV inspection and jet washing of access chambers and</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>pipes was completed in July 2014. The assets are generally in good condition. There are some minor repair and maintenance that need to be carried out.</p> <p><i>Recommendation 08/2014</i></p> <p><i>The Shire should review the July 2014 CCTV report on the condition of the access chambers and pipes and complete any further action required, whether immediate repairs or as part of the planned maintenance program over the next 12 months.</i></p> <p><i>The Asset Register should be updated for the condition assessment and date inspected for future reference.</i></p> <p><i>If planned maintenance is required, it needs to be included in the Shire's planned work programme and marked off as it is completed.</i></p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	<p>A physical inspection of assets was completed in October 2013. This examined the performance of assets and was used to develop a replacement and renewal strategy as stated in the AMP. This will continue in the annual condition assessment (as completed in July 2014).</p> <p>Refer recommendation in 3.1 above.</p>			
3.3	Disposal alternatives are evaluated.	<p>This is a small system with only the essential assets to enable it to function. No disposals are anticipated.</p>			
3.4	There is a replacement strategy for assets.	<p>The revised AMP includes a detailed replacement and renewal strategy.</p>			
4	ENVIRONMENTAL ANALYSIS	Process Rating	B	Performance Rating	2
4.1	Opportunities and threats in the system environment are assessed.	<p>Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.</p>			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	<p>The Annual Performance Report for 2013/14 was sighted. Performance standards have been met with no blockages reported.</p>			
4.3	Compliance with statutory and regulatory requirements.	<p>The Asset Management Plan identifies the following regulatory requirements:</p> <ul style="list-style-type: none"> ▪ Water Services Licensing Act 1995; ▪ Local Government Act 1995; ▪ Environmental Protection Act 1986; 			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<ul style="list-style-type: none"> ▪ Occupational Safety and Health Act 1984; and ▪ Water Agencies (Powers) Act 1984. <p>The Executive Manager Infrastructure and Team Leader of Works monitor compliance.</p> <p>The Shire has a licence (2009) from the Department of Environmental Regulation for the treatment ponds but no reporting is required under the terms of this licence. There is no effluent re-use scheme currently in use and therefore no licence or reporting is required.</p> <p>However, the Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p> <p><i>Refer recommendation 07/2014.</i></p>			
4.4	Achievement of customer service levels.	The Compliance Report for 2013/14 shows that customer service levels have been achieved. The Acting Manager of Infrastructure advised that there have been no customer complaints and this was confirmed by review of the Complaints Register for the review period.			
5	ASSET OPERATIONS	Process Rating	A	Performance Rating	1
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>The Asset Management Plan includes the operational policies and procedures of the system including sewerage collection system (reticulation and pumping) and sewerage treatment. As the scheme is a very simple scheme with minimal operating procedures required, these policies and procedures are considered adequate. The manufacturers' operating instructions/manuals are kept and used by Works staff.</p> <p>The procedures include the components of the overall system including sewerage collection system (gravity fed), access chambers and piping, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond. There is no effluent re-use scheme currently in use.</p>			
5.2	Risk management is applied to prioritise operations tasks.	<p>The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (gravity fed), access chambers and piping, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond.</p>			
5.3	Assets are documented in an Asset Register including asset type, location,	<p>The current Asset Register includes details on:</p> <ul style="list-style-type: none"> ▪ Asset Number; 			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	material, plans of components, and an assessment of assets' physical/structural condition and accounting data.	<ul style="list-style-type: none"> ▪ Description; ▪ Dimensions/ type; ▪ Construction materials/ model; ▪ Construction date; and ▪ Replacement Value <p>For access chambers and pipes, the assets' location is documented on maps.</p>			
5.4	Operational costs are measured and monitored.	All asset expenditure is captured in the Shire's Financial Management Information System (FMIS). The historical cost information for the assets has not been transferred to the Asset Register but is in the FMIS.			
5.5	Staff resources are adequate and staff receive training commensurate with their responsibilities.	<p>The AMP outlines the current human resources required to support the plan as follows:</p> <ul style="list-style-type: none"> ▪ Facility /Service Manager (Executive Manager Infrastructure) ▪ Asset Manager (Team Leader of Works) ▪ Maintenance - Contract Personnel. External licensed plumbers and electricians are utilised as necessary. <p>The Gnowangerup wastewater scheme is a simple system which requires a basic level of asset management to maintain it in an effective condition. There are adequate staff resources and staff receive adequate training through on-the-job training about the scheme and by applying the Shire's Asset Management Plan and work procedures. The staff also participate in an annual desktop review of the AMP and potential scenarios (completed in November 2014).</p>			
6	ASSET MAINTENANCE	Process Rating	A	Performance Rating	3
6.1	Maintenance policies and procedures are documented and linked to service levels required.	<p>The wastewater scheme is a simple system that requires a basic level of asset management to maintain it in effective condition. The assets are appropriate for the current level of demand.</p> <p>The Asset Management Plan includes a section on Maintenance Planning that provides an overview of the maintenance activities. There is a detailed Annual Maintenance Schedule in the AMP. The Annual Maintenance Schedule considers and includes various components of the overall system including sewerage collection system (reticulation) and the Wastewater Treatment storage ponds. The effluent re-use scheme is not currently in use.</p>			
6.2	Regular inspections are undertaken of asset performance and condition.	<p>The condition of assets was reviewed by a physical inspection in October 2013 and a full CCTV inspection in July 2014. The condition of assets is to be reviewed annually per the AMP. Refer recommendation in section 3.1 above.</p> <p>Asset operation is also monitored via the planned maintenance checks by senior staff and others, who have the skill and knowledge to do so.</p>			
6.3	Maintenance plans (emergency,	A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
	corrective and preventative) are documented and completed on schedule.	<p>maintenance tasks to be carried out and the intervals at which they need to be done. It provides a checklist of maintenance tasks but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily.</p> <p>The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Work's Manager, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p> <p>The Routine Maintenance Plan as well as Planned Work Program considers and includes various components of the overall system including sewerage collection system (reticulation), Wastewater Treatment ponds. The effluent re-use scheme is not currently in use.</p> <p>The detailed Planned Work Program includes the planned and actual maintenance activities for each asset. The review confirmed the planned maintenance activities had been completed for the review period apart from the major maintenance of the treatment ponds.</p> <p>As noted in the previous review in April 2014, remedial work is needed on the wastewater treatment ponds. This was due for completion in December 2014 but has not yet been completed. \$50,000 is included in the 2014/15 budget</p> <p>From physical inspection of the treatment ponds during this review and the previous review, it was noted that the ponds require desludging to remove the build-up of nutrients. The ponds do not appear to be progressively cleaning the water due to the build-up. Also, the levy bank between treatment ponds 3 and 4 has been breached which whilst not impacting the continued operation of the scheme, will affect the progressive cleaning of the incoming water once the ponds are cleaned. There is also overgrown vegetation around the ponds that is reducing the capacity of the ponds. The security fencing around the ponds also needs to be repaired.</p> <p><i><u>Recommendation 09/2014</u></i></p> <p><i>As planned, the Shire should complete the planned major maintenance to clean and refurbish the treatment ponds. The system used to convey the flows between the ponds can be reviewed when it is cleaned. The breach wall should be rebuilt and a "tee" collection pipe rebuilt between the ponds 3 and 4. There may be a need to ensure there are better baffles between the ponds to help prevent the sludge flowing through. The treatment ponds should have adequate security fencing around the perimeter to prevent unauthorised or accidental entry to the ponds.</i></p>
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any failures are rare but these are analysed at the time and operational/maintenance plans adjusted, as well as in the annual budgeting procedures as part of the Shire's annual budget preparation.
6.5	Risk management is applied to prioritise maintenance tasks.	The Asset Management Plan includes a risk assessment policy and this has been applied in developing a risk assessment register and the Annual Planned Maintenance program.

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (reticulation), Wastewater Treatment ponds. The effluent re-use scheme is not currently in use.			
6.6	Maintenance costs are measured and monitored.	Maintenance costs are tracked through the FMIS and actual/budget reporting each month. Variances are reviewed by the Executive and the Council in the monthly financial statements.			
7	ASSET MANAGEMENT INFORMATION SYSTEM	Process Rating	A	Performance Rating	1
7.1	Adequate system documentation for users and IT operators.	The asset management information system is a simple system based on Excel spreadsheets. The system is documented in the Asset Management Plan (revised November 2013) which refers to each spreadsheet included in the Appendices.			
7.2	Input controls include appropriate verification and validation of data entered into the system.	Excel spreadsheets are populated and data is checked when input.			
7.3	Logical security access controls appear adequate, such as passwords.	The AMP and the accompanying Excel spreadsheets have been saved on the Shire's server. There is a password access to the Shire's system and PCs which restricts access to authorised Shire officers.			
7.4	Physical security access controls appear adequate.	The Shire offices are locked and alarmed outside of hours.			
7.5	Data backup procedures appear adequate and backups are tested.	The system is regularly backed up as part of the standard IT maintenance procedures on a nightly basis and disks are taken offsite for safekeeping. Backups are tested monthly as part of the backup procedure.			
7.6	Key computations related to licensee performance reporting are materially accurate.	<p>Some Excel spreadsheets contains formulas such as, for example:</p> <ul style="list-style-type: none"> - In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores; - In the Annual Capital Investment Budget spreadsheet and in the Annual Operations & Maintenance Budget spreadsheet, the light blue cells are automatically calculated. <p>The review confirmed that the key computations in the Excel spreadsheets are accurate.</p>			
7.7	Management reports appear adequate for the licensee to monitor licence obligations.	Apart from printing the Excel spreadsheets out, there is no ability to create management reports. However, the functionality of the suite of Excel spreadsheets is adequate for the Shire's needs.			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
8	RISK MANAGEMENT	Process Rating	A	Performance Rating	1
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system.	The Asset Management Plan revised in November 2013 includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment for events and assets. Most risks are rated Low with a few rated Moderate. The risk assessment register considers and includes various components of the overall system including sewerage collection system (reticulation), Wastewater Treatment ponds. The effluent re-use scheme is not currently in use.			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The risks have been documented in a Risk Assessment worksheet. Treatment plans (mitigation and contingency) have been documented in the Asset Management Plan.			
8.3	The probability and consequences of asset failure are regularly assessed.	The Asset Management Plan revised in November 2013 includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment for events and assets, including the probability and consequences of asset failure.			
9	CONTINGENCY PLANNING	Process Rating	A	Performance Rating	1
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	The Asset Management Plan revision in November 2013 includes mitigation and contingency plans. These include pump failure, pond overflow and system blockages. There is also an Emergency Incident Plan attached to the AMP Staff involved in the operation of the scheme tested the Plan in November 2014 with a facilitated desktop meeting that included review of the AMP and discussion of possible scenarios. The effluent re-use component has not been in use during the review period and the Shire advised that there are no plans to resume its operation.			
10	FIN/ANCIAL PLANNING	Process Rating	A	Performance Rating	3
10.1	The financial plan states the financial objectives and strategies and actions to achieve the objectives.	The AMP has a broad financial plan that sets out the strategy and objectives.			
10.2	The financial plan identifies the source of funds for capital expenditure and recurrent costs.	The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Ongerup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. The Shire also maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>replacing and upgrading of capital facilities for the Ongerup Sewerage Scheme.</p> <p>The AMP has been updated for capital expenditure and operating/maintenance costs for the 20 years to 2033. The AMP notes that additional funding sources may be needed and that the Shire should consider this in its long term financial planning.</p> <p>The specified area rate income for the scheme in 2013/14 was \$4,055 in 2013/14 increasing to \$10,000 in the 2014/15 budget. The annual operating, maintenance and renewal costs range from \$15,610 in 2015/16 to \$25,310 in 2033.</p> <p>The capital and operating costs for the next 5 years are covered by the sewerage reserve of \$100,188 at 30 June 2014 and the \$10,000 per annum being set aside plus the \$50,000 operating budget for the refurbishment of the treatment ponds in 2014/15. However, over the next 20 years, there is an annual funding gap of \$5,610 in 2015/16 rising to \$15,310 in 2033/4.</p> <p><u><i>Recommendation 10/2014</i></u></p> <p><i>The Shire should determine, as part of its long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long term operating, maintenance and capital renewal costs.</i></p>
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	The Asset Management Plan revised in November 2013 includes detailed projections of the lifecycle costs of owning the assets for 20 years to 2033, the projected revenue required and the accumulated balance of the sewerage reserve.
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	The AMP includes a projection of the income required to cover the costs of the scheme over the next 20 years. As noted in section 10.2 there is a funding gap that needs to be considered in the Shire's long term financial planning.
10.5	The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.	The Asset Management Plan revised in November 2013 includes detailed projections of the lifecycle costs of owning the assets for 20 years to 2033, the projected revenue required and the accumulated balance of the sewerage reserve. As noted in section 10.2 there is a funding gap that needs to be considered in the Shire's long term financial planning.
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where	Variations in actual and budget income and expenses are identified in monthly reports. The Shire officers and the Council review the variances and take corrective action where necessary.

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	necessary.				
11	CAPITAL EXPENDITURE PLANNING	Process Rating	A	Performance Rating	1
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The only capital expenditure in the next 5 years is the refurbishment of the treatment ponds which has been budgeted for in 2014/15. The AMP includes a detailed capital expenditure plan to replace the existing assets as they near the end of their life in 20 years' time.			
11.2	The plan provides reasons for capital expenditure and timing of expenditure.	The analysis assumes that assets will be replaced at the end of their standard economic life.			
11.3	The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan.	The capital expenditure plan is consistent with the asset life and condition recorded in the detailed Asset Register and Asset Condition and Performance Excel spreadsheets.			
11.4	There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned.	The Asset Management Plan will be revised at least every three years and when any significant changes occur.			
12	REVIEW OF ASSET MANAGEMENT SYSTEM	Process Rating	A	Performance Rating	1
12.1	A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.	<p>The Asset Management Plan has been fully revised in November 2013.</p> <p>The Plan has a section on Monitoring and Review Procedures. This requires a full review of the plan every 3 years or if major changes occur, and external review of the system every 3 years as per the licence condition.</p> <p>The legislative requirements section includes the requirement to notify the Authority of any significant changes to the asset management system. The Plan has document control (version details).</p>			
12.2	Independent reviews (e.g. internal audit) are performed of the asset management system.	An independent review is performed every 3 years as required by the licence.			

3.6 Current Review Asset System Deficiencies and Recommendations

Table of Current Review Asset System Deficiencies and Recommendations			
A. Resolved during current review period			
Ref.	Asset System Deficiency (Rating/AMS Component/Effectiveness Criteria/Details)	Date Resolved (& management action taken)	Auditor's Comments
	Nil		
B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
07/2014 B2	<p>Asset Creation and Acquisition <i>Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.</i></p> <p>The Legislative Requirements Section of the AMP still refers to the Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as changes to the operating licence (new version of the operating licence was issued on 18 November 2013).</p>	The Legislative Requirements Section of the AMP should be updated to the reflect the recent changes to the legislative requirements including Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 as well as for the new version of the operating licence issued on 18 November 2013.	Nil
08/2014 B2	<p>Asset Disposal and Maintenance <i>Under-utilised and under-performing assets are identified as part of a regular systematic review process.</i></p> <p>The revised AMP includes annual physical inspections. A CCTV inspection and jet washing of access chambers and pipes was completed in July 2014. The assets are generally</p>	a) The Shire should review the July 2014 CCTV report on the condition of the access chambers and pipes and complete any further action required, whether immediate repairs or as part of	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	in good condition. There are some minor repairs and maintenance that need to be carried out.	<p>the planned maintenance program over the next 12 months.</p> <p>b) The Asset Register should be updated for the condition assessment and date inspected for future reference.</p> <p>c) If planned maintenance is required, it needs to be included in the Shire's planned work programme and marked off as it is completed.</p>	
09/2014 A3	<p>Asset Maintenance – Treatment Ponds <i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p>As noted in the previous review in April 2014, remedial work is needed on the wastewater treatment ponds. This was due for completion in December 2014 but has not yet been completed. \$50,000 is included in the 2014/15 budget</p> <p>From physical inspection of the treatment ponds during this review and the previous review, it was noted that the ponds require desludging to remove the build-up of nutrients. The ponds do not appear to be progressively cleaning the water due to the build-up. Also, the levy bank between treatment ponds 3 and 4 has been breached which whilst not impacting the continued operation of the scheme, will affect the progressive cleaning of the incoming water once the ponds</p>	As planned, the Shire should complete the planned major maintenance to clean and refurbish the treatment ponds. The system used to convey the flows between the ponds can be reviewed when it is cleaned. The breach wall should be rebuilt and a "tee" collection pipe rebuilt between the ponds 3 and 4. There may be a need to ensure there are better baffles between the ponds to help prevent the sludge flowing through. The treatment ponds should have adequate security fencing around the perimeter to prevent unauthorised or accidental entry to the ponds.	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	are cleaned. There is also overgrown vegetation around the ponds that is reducing the capacity of the ponds. The security fencing around the ponds also needs to be repaired.		
10/2014 A3	<p>Financial Planning – Source of Funding</p> <p><i>The financial plan identifies the source of funds for capital expenditure and recurrent costs.</i></p> <p><i>The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i></p> <p>The Shire has a specified area rating which is applied to all properties connected or capable of being connected to the sewerage scheme in the Ongerup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments.</p> <p>The Shire also maintains a Sewerage Reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Ongerup Sewerage Scheme.</p> <p>The AMP has been updated for capital expenditure and operating/maintenance costs for the 20 years to 2033. The AMP notes that additional funding sources may be needed and that the Shire should consider this in its long term financial planning.</p> <p>The specified area rate income for the scheme in 2013/14 was \$4,055 in 2013/14 increasing to \$10,000 in the 2014/15 budget. The annual operating, maintenance and renewal costs range from \$15,610 in 2015/16 to \$25,310 in 2033.</p>	The Shire should determine, as part of its long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long term operating, maintenance and capital renewal costs.	Nil

B. Unresolved at end of current review period			
Reference (no./year) Compliance rating	Asset System Deficiency (AMS Component/Effectiveness Criteria/Details)	Auditor's Recommendation	Management Action taken by end of audit period
	The capital and operating costs for the next 5 years are covered by the sewerage reserve of \$100,188 at 30 June 2014 and the \$10,000 per annum being set aside plus the \$50,000 operating budget for the refurbishment of the treatment ponds in 2014/15. However, over the next 20 years, there is an annual funding gap of \$5,610 in 2015/16 rising to \$15,310 in 2033/4.		

3.7 Conclusion

The review has been conducted to assess the effectiveness of the licensee's asset management system.

The assets are as described above with no major changes since the previous review. The scheme is a limited effluent system.

Through the execution of the Review Plan and assessment and testing of the control environment, the information system, control procedures and compliance attitude, the audit team members have gained reasonable assurance that the Shire of Gnowangerup:

- a) has implemented 2 of the 3 recommendations from the previous review being conducting an annual assessment of the condition of assets, and review and testing of the contingency plans. The remaining recommendation concerning refurbishment of the treatment ponds is planned to be completed in 2014/15; and
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the only exception being:
 - The Asset Management Plan still refers to the former Water Services Act 1995 and the operating licence issued in 2009 and do not reflect the most recent changes to the legislation and the new version of the operating licence issued on 18 November 2013.

The review recommended that the Shire:

- a) as planned in 2014/15, complete the refurbishment of the treatment ponds;
- b) update the Legislative Requirements Section of the Asset Management Plan for the changes to the legislative requirements including the Water Services Act 2012, Water Services Regulation 2013 and Water Services Code of Conduct (Customer Service Standards) 2013 and the new version of the operating licence issued on 18 November 2013.
- c) review the July 2014 CCTV report on the condition of the access chambers and pipes and complete any further action required, whether immediate repairs or as part of the planned maintenance program over the next 12 months.
- d) determine, as part of the Shire's long term financial planning, the source of funds for the increasing funding gap between the rates collected for the Ongerup sewerage scheme and the long term operating, maintenance and capital renewal costs.

Overall, the scheme is being well-maintained and is in good working order. There is an effective asset management system in place.

Appendix A - Methodology

A1. Audit and Review Approach

Our approach to meeting the requirements for the operational audit and asset management system effectiveness review is set out below.

Planning

- Review the status of the post-implementation action plans from the previous audit and the previous review.
- Contact the Shire to gain an understanding of the business, relevant management plans, systems, and any changes since the previous review that may affect the risk assessment for planning purposes.
- Update the risk assessment in the previous report for any specific factors or changes relevant to the licensee (in tabular form against each licence condition and asset management system component).
- Submit a draft Audit and Review Plan, including the risk assessment and proposed approach, to the Authority for review and approval.
- Send a Pre-Visit Checklist of information and documentation required to the Shire to enable staff to prepare for the visit (and where possible, send us information prior to the site visit).

Fieldwork

- Visit the Shire's office and the wastewater treatment facilities in Gnowangerup. Conduct various meetings with stakeholders, including corporate services and works/facilities management personnel, to determine the effectiveness of systems and procedures in place and to compare actual performance against the licence standards.
- Review the status of actions in the previous Post Audit Implementation Plan.
- Analyse documented procedures to assess whether they are consistent with regulatory requirements or arrangements under the licence;
- Review the systems and procedures to assess whether they reflect compliance obligations and performance standards, including assessing and testing the following:
 - **control environment** – management's philosophy and operating style, organisational structure, assignment of authority and responsibilities, the use of internal audit, the use of information technology and the skills and experience of the key staff members;
 - **information system** – the appropriateness of the information systems to record the information needed to comply with the licence, accuracy of data, security of data and documentation describing the information system;
 - **control procedures** – the presence of systems and procedures to monitor compliance with the licence or the effectiveness of the asset management system and to detect and correct non-compliance or under-performance;
 - **compliance attitude** - the action taken by the licensee in response to the previous audit/review recommendations, and an assessment of management's attitude towards compliance; and
 - **outcome compliance** – the actual performance against standards prescribed in the licence throughout the audit period.

-
- Update the risk assessment with any new information obtained in the course of the audit testing and, in instances of significant non-compliance, assess the licensee's plan to ensure compliance and recommend any further improvements to achieve compliance.

Reporting

- Prior to the conclusion of the site visits, the lead auditor will discuss any observations and recommendations with the licensee's management to confirm our understanding of the issues and to discuss the action to be taken.
- Provide a draft report to the Authority for review no later than two weeks before the final report is due and make any revisions necessary.
- Provide the updated draft report to the Authority for review and feedback prior to finalising the report.
- Issue the final report to the Authority.
- The Authority will contact the Shire for the Post Audit Implementation Plan after the report is finalised.

A2. Key Documents and Information Sources

Regulatory Documents and Reports

- Audit and Review Guidelines: Water Licences – July 2014
- Water Compliance Reporting Manual – April 2014
- Shire of Gnowangerup - Water Operating Licence WL 11 – versions 2 , 3 and 4
- Map of Licence Area - Ongerup
- Audit Report - Shire of Gnowangerup Water Licence - Operational Audit and Asset Management System Review– June 2012
- Shire of Gnowangerup - Asset Management System Review Report – April 2014
- Post Audit and Review Action Plans – current status reports
- Compliance reports to the Authority – 2011/12, 2012/13 and 2013/14
- Performance reports to the Authority – 2011/12, 2012/13 and 2013/14
- Licence for Prescribed Premises - Environmental Protection Act 1986
- Department of Environment licence 2009.
- Relevant correspondence with regulators (the Authority).

Scheme Information and Procedures

- Customer Service Charter for Wastewater Services (2011)
- Complaints and Issues Register and complaint records
- Financial Hardship Policy

Asset Management System

- Asset Management Plan for Shire of Gnowangerup Sewerage Scheme (November 2013)
- Incident and Emergency Response Plan
- Asset Register
- Asset inspection report – CCTV July 2014.
- Asset maintenance records and maintenance cost records
- Risk Management Plan

Shire Planning and Financial Information

- 2013 Annual Report
- Shire of Gnowangerup 2014-2015 Budget

-
- Annual Shire Rates Notice

A3. Licensee's Representatives

The Shire's primary contacts were:

- Yvette Wheatcroft - Acting Manager of Infrastructure
- Carol Shaddick - Senior Finance Officer
- Maurice Walsh - Environmental Health Officer

A4. Audit and Review Team and Hours

NAME AND POSITION	HOURS
Geoff White – Director	10
Andrea Stefkova – Assistant Manager	30
David Wills – Principal Consulting Engineer	3
Cleve Flottman – Senior Consulting Engineer	12
TOTAL	55

END OF REPORT