



## **Shire of Jerramungup**

### **Operational Audit and Asset Management System Review Water Licence WL19 (Non-potable and sewerage)**

**Report**  
Economic Regulation Authority  
7 April 2015

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**Limitations of this Report**

This report was prepared for distribution to the Economic Regulation Authority and the Shire of Jerramungup 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 Jerramungup, 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

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### 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 of Jerramungup's (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 Jerramungup. The scheme was constructed in 1978 and is a septic tank effluent disposal system. The scheme includes a gravity reticulation system, a treatment plant and an effluent re-use scheme. The scheme provides sewerage services to the town's population of approximately 400 people. The scheme collects and treats approximately 22,000 m<sup>3</sup> of residential and commercial effluent and re-uses treated and disinfected effluent on spray irrigation of the town's sports ovals.

The Shire is required to comply with the terms and conditions of their license. There were three versions of the Water Operating License WL19 in force over the audit period - Version 2 (to 2 December 2012), Version 3 (to 17 November 2013) which had a minor update to the map reference (both 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. This audit and review covers the period from 1 December 2011 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 Jerramungup 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 Handling policy does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013* and is not publicly available in at the Shire's office and website.
  - Performance reports are not always submitted by the due dates, there is no Compliance Breach Register and late reports are not being included as non-compliances in the compliance reporting to the Authority.
  - some of the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* is not publicly available (enquiry/translator services, powers of access to premises, interruptions to supply, etc.).
- b) implemented 2 of 4 recommended actions from the previous audit including developing a compliance schedule and updating the Asset Management Plan and one recommendation concerning the Customer Service Charter is no longer required. The following recommendation has not yet been implemented:

- 
- ensure that annual Performance reports are submitted by the due date and Compliance reports are complete (by maintaining a Compliance Breach Register);
  - 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 and the Department of Health 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 make it 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* and make the policy available at the Shire office and website;
- ensure that all future Performance Reports are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach register in respect of the licence;
- develop and/or update internal procedures with the requirements under the licence re water service works, notification to the Authority of general or major water service works within 10 business days, 48 hours' notice of entry to premises, issue of work order notices or compliance notices, warrants, under and over charges, memorials and objections; and
- update the Compliance Schedule for the Financial Hardship policy's 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.

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 Jerramungup:

- a) implemented 1 out of 2 recommended actions from the previous review in relation to review and update of the Asset Management Plan and partially implemented the remaining recommendation to develop and test contingency plans. Contingency Plans have been developed and staff involved in the operation of the scheme have been advised of the contingency plans. However, the plumber and electrician contact details are yet to be included in the Contingency Plan.
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the exception of:
  - the Department of Health (DOH) Water Recycling Assessment Report (assessment date 16 April 2014) found several issues in relation to disinfection system, general lack of recycled water warning, no monthly water quality sampling program in place, the need to clear the vegetation on the banks and inside the oxidation pond as well as around storage tank and pump shed and repairs and improvements to the fencing. The Assessment Report made 12 recommendations to the Shire to rectify the non-compliances and to improve operation of the scheme; and
  - there is a lack of maintenance of the assets due to not having a dedicated resource internally to take effective operational control of the day to day maintenance of the system and to deal with planned and unplanned maintenance matters.

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The review recommended that the Shire:

- a) complete the maintenance activities at the primary storage pond, storage dam, storage tank and pump station;
- b) subject to the results of the proposed feasibility study of using only stormwater for the irrigation of the sports grounds, should prioritise the remaining recommendations set out in the Department of Health Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability;
- a) due to the lack of internal resources, consider engaging an external contractor to perform regular i.e. monthly checks of the scheme as per the planned maintenance program, to resume monthly water quality sampling program and to oversee the implementation of recommendations from the DOH's Water Recycling Assessment Report. A monthly report should be provided to the Consultant for reporting to the Deputy CEO on the ongoing operation and maintenance of the scheme;
- c) ensure that all specified maintenance tasks are carried out as per the Planned Work Program and these are documented; and
- d) update the Contingency Plan with the plumber and electrician contact details and consider the risk of "failure of the disinfection plant"..

Overall, the operation and maintenance of the scheme needs to be improved by implementing the recommendations from the DOH's Water Recycling Assessment Report. There is an effective asset management system in place with a few exceptions as noted in this report.

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

7 April 2015



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## 2. Operational Audit

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### 2.1 Introduction

The Shire of Jerramungup 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 township of Jerramungup.

There were three versions of the Water Operating License WL19 in force over the audit period - Version 2 (to 2 December 2012), Version 3 (to 17 November 2013) which had a minor update to the map reference (both 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.

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 one late annual compliance report, no Compliance Schedule (obligations 165 and 166) and no process to notify the Authority of major changes in the asset management system (obligation 171).
- **Compliance with the service and performance standards** - area of high inherent risk (obligation 190).



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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 May 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)
<b>A. Resolved before end of previous audit</b>				
	Nil			
<b>B. Resolved during current audit period</b>				
01/2011	<b>Operational Audit and Asset Management System Review</b> <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.	30 April 2012	No further action.

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)
02/2011	<p><b>Customer Service Charter</b></p> <p><i>Compliant - 1</i></p> <p><i>Licence condition Schedule 3 Clause 2.5</i></p> <p>The audit confirmed through sighting that the Customer Service Charter is prominently displayed at the Shire's reception, and through discussion with the Shire's Consultant that the Charter is provided upon request and at no charge to customers.</p> <p>In addition, the audit confirmed that the Charter is available to customers on the website.</p> <p>The Shire's Consultant advised that customers are advised of the availability of the Charter in the rate notices. However, this was omitted in this year's rates notice. This will be rectified next financial year. The notice advising the charter's availability will form part of the rates booklet next year. A reminder has been set up in the staff calendar to action this.</p>	Implement a Compliance Schedule with the Customer Service Charter notification in the annual rates notice included as part of the schedule of events to ensure regulatory timeframes are met.	-	<p>No further action.</p> <p>Customer Service Charter is no longer a compliance obligation.</p>

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)
03/2011	<p><b>Notify Changes to Asset Management System</b>  <i>Compliant - 1</i>  <i>Water Services Licensing Act 1995 Clause 17.2</i>  The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.  Apart from the new AMIS and AMP, there were no material changes made to the asset management system that would require notification to the Authority.  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.  The new AMP was issued in March 2011. Although, the Legislative Requirements section of the AMP 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.  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>	June 2014	No further action.
<b>C. Unresolved at end of current audit period</b>				
04/2011	<p><b>Performance and Compliance Reporting</b>  <i>Non-compliant - Minor impact</i>  <i>Licence condition Clause 21.2</i>  In accordance with the Water Compliance Reporting Manual May 2011, the Shire is required to submit to the Authority:</p> <ul style="list-style-type: none"> <li>Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> </ul>	<p>a) Implement a Compliance Schedule with timeframes for annual Performance and Compliance Reports submission as part of the schedule of events. The Compliance Schedule will also assist replacement staff to meet regulatory timeframes if the DConsultant is on leave.  b) Ensure that all future Compliance Reports are submitted to the Authority</p>		<p>Yes – further action required.  Due dates for annual Performance and Compliance Reports were noted in the Shire's Compliance Schedule.  Review of the Compliance and Performance reports for the current audit period noted some late and incomplete reports.</p>

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)
	<ul style="list-style-type: none"> <li>Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <p>The audit reviewed the Shire's Compliance and Performance Reports for the year ending 30 June 2009, 2010 and 2011 and relevant correspondence between the Shire and the Authority and noted the following exception:</p> <ul style="list-style-type: none"> <li>Compliance Report for the year ended 30 June 2010 was submitted after the due. This was recorded as a non-compliance in the next Compliance Report for the year ended 30 June 2011.</li> <li>There is no procedure in place to ensure the timely submission of reports. The submission of reports is purely reactionary to the reminders received from the Authority.</li> </ul>	within the timeframes required.		<p><i>Refer recommendation 05/2014.</i></p> <p>Also there is no Compliance Breach Register being maintained.</p> <p><i>Refer recommendation 06/2014.</i></p>

## 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. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (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)	4					✓					✓
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					✓					✓

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

<sup>2</sup> Refer Controls and Compliance Rating Scales in Section 2.3.

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (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					✓					✓
26-27	N/A to this licence												
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					✓					✓
<b>Water Services Regulations 2012</b>													
74-75	Work affecting roads	Reg. 60(2), 63	4					✓					✓
89	Compliance notice issued by licensee to include consequences and rights	Reg. 85	4				✓						✓
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>													
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



No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (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
105	Request for meter reading	Cl. 14(1)	4					N/A					N/A
106	Higher than normal charge	Cl. 15	4					N/A					N/A
107-112	Under and over charges	Cl. 16(2)-(5), 17(1)-(2)	4				✓						✓
113	Review of bill - requests	Cl. 18(1)	4				✓						✓
114-117	Review of bill - procedures	Cl. 18(2)-(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 - approval	Cl. 26(4)	4					N/A					N/A
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					N/A					N/A
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			✓				✓			
<b>Licence Conditions – Specific Clauses</b>													
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					N/A					N/A
158	Compliance with Code of Conduct	Cl. 5.3	4		✓					✓			
159	Compliance re any breaches	Cl. 5.4	4					✓					✓
160	Compliance with	Cl. 12	4	✓					✓				

No. <sup>1</sup>		Legislative Reference	Audit Priority applied  (rated 1 = High to 5 = Low)	Adequacy of Controls Rating <sup>2</sup>  (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
	Accounting Standards			✓					✓				
161	Compliance with performance standards	Cl. 13.1	4	✓					✓				
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					N/A					N/A
171	Notify Authority of material change to AMS	Cl. 20.2	3	✓									NR
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 <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Additional Obligations under Licence WL 11 Versions 2 and 3 (applicable to 17 November 2013)<sup>6</sup></b>							
-	Customer Charter	<i>Previous licence</i>	The licensee must establish a Customer Service Charter and make it available to customers.	4	The auditor confirmed with the Shire's Consultant that the Shire of Jerramungup 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 Consultant also advised that the customers were advised of the availability of the Customer Service Charter in the Information Brochure accompanying the annual Rate Notice. The auditor confirmed that the Shire of Jerramungup Customer Service Charter for Wastewater Services is still available on the Shire's website and still being referenced in the Information Brochure accompanying the annual Rate Notice.	A	1
-	Customer consultation	<i>Previous licence</i>	The licensee must establish a customer consultation process.	4	The auditor confirmed with the Shire's Consultant that an adequate customer consultation process has been established (as per Schedule 3 of the operating licence Version 2) and existed for customers up to 17 November 2013 and continues.	A	1

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

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

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

<sup>6</sup> Licence WL19 Versions 2 and 3 applied to the Shire until the new licence Version 4 was issued on 18 November 2013.

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Water Services Act 2012</b>							
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 Consultant, review of Asset Management System documentation and drawings and observation, review of the Shire's Rate Book and a sample of annual 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 Consultant 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 Consultant 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 licence.	4	The auditor confirmed with the Shire's Consultant, 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-036/2(C).	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Consultant 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 Consultant 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 as well as in the Shire's Asset Management Plan Sewerage and Effluent Re-use Scheme dated June 2014.	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

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
10.	Code of Practice	Section 26(3)	The licensee must comply with each <b>code of practice</b> 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
11.	Code of Conduct	Section 27	The licensee must comply with the <b>code of conduct</b> 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 and Performance 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 in the Performance reports and some omissions in the Compliance reports. <i>Refer obligations 165 to 167.</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 Consultant 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 Consultant 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 <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Consultant 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 Consultant 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 water service works, notification to the Authority of general or major water service works, road works, issue of work order notices or compliance notices, 48 hours' notice of entry to premises, under and over charges, memorials and objections. 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 Consultant 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 <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 with the Shire's Consultant 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 Consultant and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings.	N/A	N/A
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 Consultant that no request was received from DFES to install fire hydrants.	NP	NR

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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 with the Shire's Consultant 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 Consultant 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
26.	N/A						
27.	N/A						
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 Consultant 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
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

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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 Consultant and review of the Asset Management System documentation and drawings 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 Consultant 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 have not been paid. <i>Refer recommendation 06/2014.</i>	D	NR
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 Consultant 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 Consultant 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

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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 Consultant 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 Consultant, 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
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 auditor confirmed with the Shire's Consultant 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

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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
40.		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.	Proposals for general works (includes new WWTP with capacity up to 2ML per day, reticulation mains and trunk lines, pumping stations, etc.)	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	<p>The auditor confirmed with the Shire's Consultant and review of the Asset Management System documentation and drawings that no additional general works have been proposed during the audit period.</p> <p>However, there is no internal procedure in place to govern proposals for general works.</p> <p><i>Refer recommendation 06/2014.</i></p>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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
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 Consultant 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

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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 Consultant 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 hours' notice prior to entry to any property. This does not meet the required minimum of 48 hours' notice and other provisions in the Water Services Act 2012. <i>Refer recommendation 06/2014.</i>	D	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.	D	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.	D	NR
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.	D	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.	D	NR



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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.	D	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.	D	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.	D	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.	D	NR
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 Consultant 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

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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 that no person is designated as an inspector or compliance officer under the Water Services Act 2012.	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
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 Consultant that, during the audit period, no physical damage has been done in the exercise of a works power or a power of entry. The Shire's Customer Service Charter for Water Services is still available on the Shire's website. The charter stipulates the Shire's liability for loss or damage in relation to water services works and rights of compensation. Any compensation claims for damage would be dealt with via the Shire's insurance.	NP	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
<b>Water Services Regulations 2012</b>							
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 Consultant confirmed that no compliance notice has been issued by the Shire during the audit period. 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
<b>Water Services Code of Conduct (Customer Service Standards) 2013</b>							

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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 available on the Shire's website. The charter is consistent with the licence provision in covering all the service issues likely to be of concern to the Shire's customers. The Charter is also available at the Shire office.  Information about the fees that apply in relation to connections and when the fees are payable in the annual Rate Notice and accompanied Information Brochure.  Together these include the required information.	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 Consultant 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

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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
97.		Clause 10(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 the prescribed circumstances.	4	As per 95, no usage charges are billed for sewerage or non-potable water supply.	N/A	N/A

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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
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 Consultant 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

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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
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



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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 Consultant, 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. <b>Refer obligations 114 – 117 below.</b></p>	D	NR

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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"> <li><i>The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</i></li> <li><i>The procedure should be made publicly available on the Shire's website and in hardcopy.</i></li> <li><i>The procedure should include:</i> <ol style="list-style-type: none"> <li><i>what happens if the customer has been undercharged or overcharged;</i></li> <li><i>what the customer can do if dissatisfied with outcome of the review;</i></li> <li><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></li> <li><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></li> </ol> </li> </ol>	D	2
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	2

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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	2
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	2
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, Information Brochure 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 Information Brochure which is sent out with the annual Rate Notice contain this information.	A	1

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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 Consultant confirmed that no request have been made by a customer to make a payment in advance during the audit period	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 Consultant 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 Consultant 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 16 May 2014.	A	1

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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 Shire's FHP was approved by the Authority on 16 May 2014, as per Authority's Decision – Water Financial Hardship Policies dated 16 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 Shire's licence was in place before the commencement of the Act.	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 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 FHP was approved by the Authority on 16 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.  <i><u>Recommendation 02/2014</u></i> <i>The Shire should update the Shire's Compliance Schedule for the financial hardship policy's next review due date.</i>	B	NR

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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

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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 Consultant and review of the Asset Management System documentation and drawings that the non-potable water supply (irrigation) does not apply to occupied dwellings.	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 Policy – Complaints Handling was sighted. The policy covers all aspects of the Shire's services including water services.	A	1
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 Handling policy, the policy is 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

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	<p>The audit reviewed the Shire's Complaints Handling policy and noted that the policy is silent on how complaints are to be lodged and recorded and on time limits for responding to complaints.</p> <p><u>Recommendation 03/2014</u></p> <ol style="list-style-type: none"> <li><i>The Shire should update its complaints handling policy to:</i> <ol style="list-style-type: none"> <li><i>provide for how the complaints are to be lodged and recorded and time limits for responding to complaints.</i></li> <li><i>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></li> <li><i>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></li> <li><i>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></li> </ol> </li> <li><i>The Shire should publish its complaint handling policy on its website as well as display the hardcopy of the policy in the reception area of the Shire's office.</i></li> </ol>	C	2



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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 Handling policy is not publicly available. The auditor was unable to locate the Shire's Policy – Complaints Handling on the Shire's website or in the Shire's office. <i>Refer recommendation 03/2014.</i>	C	2
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: 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 Consultant advised that, during the audit period, no such request has been received.	A	NR

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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 Consultant confirmed that the customer's personal account information is made available to each customer upon request and without charge. The Shire's Consultant advised that, during the audit period, no such request has been 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 Shire's website as well as annual Rate Notice contain information about fees and charges, bill payment methods and the fees and charges associated with each options and the exemptions, discounts, rebates and concessions that are available to customers.</p> <p>However, this does not include all of the "prescribed information" set out in Section 37 of the Code. The "prescribed information" includes the water services fees and charges, bill payment options, concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The missing information could be 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.</p> <p><i>Cont'd....</i></p>	C	2

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					<u>Recommendation 07/2014</u> <i>The Shire should provide a copy of the Department of Water's Easy Reference Guide to the Water Services Code of Conduct on the Shire's website and in hardcopy at the Shire's office.</i>		
<b>Licence Conditions – Specific Clauses</b>							
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 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

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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
161.	Compliance with performance standards	Clause 13.1	The licensee must comply with any individual performance standards prescribed by the Authority.	2	There are currently no individual performance standards set out in Schedule 3 of the Shire's licence WL19, Version 4, dated 18 November 2013. Under the previous licence that was 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. The auditor reviewed the underling information recording systems such as incident reports, complaints register and confirmed the accuracy and completeness of the data.	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 and the licensee has fully cooperated.	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 <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	<p>The auditor confirmed with the Shire's Consultant 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.</p> <p>However, there is no internal procedure in place to advise the Authority within 10 business days of any water service major or general works.</p> <p><i>Refer recommendation 06/2014.</i></p>	D	NR

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	<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"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <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"> <li>• The Performance Report for year ended 30 June 2012 was submitted after the due date. This constituted a contravention of Schedule 5, clause 2.1 of the licence (version 2 dated 9 October 2009) that was not reported in 2013 Compliance Report.</li> </ul> <p>The auditor reviewed the Shire's Compliance Schedule and confirmed that the required submission due dates for annual compliance and performance reports are correctly stated.</p> <p><u>Recommendation 04/2014</u>  <i>The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.</i></p>	B	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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	<p>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 exceptions as to the time and manner with the information reporting requirements prescribed by the Water Compliance Reporting Manual.</p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's Consultant advised that they don't keep a compliance register. Therefore the auditor was unable to determine whether the compliance reports sent to the Authority during the audit period are consistent with the compliance register.</p> <p><u><i>Recommendation 05/2014</i></u></p> <p><i>The Shire should maintain a compliance breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual Compliance report.</i></p>	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	<p>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 format required, however noted exceptions as to the time with the information reporting requirements prescribed by the Water Compliance Reporting Manual.</p> <p><u><i>Refer Recommendation 04/2014</i></u></p>	B	2

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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
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 Consultant, review of Asset Management System documentation and drawings and observation that no material changes were 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 on the front of the hardcopy Licence file as well as on the front page of the Shire's Asset Management Plan Sewerage and Effluent Re-use scheme (dated June 2014).	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 and the licensee has fully cooperated.	A	1



No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Consultant 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
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

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 Consultant 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 Consultant, 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-036/2(C).	N/A	N/A
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 Shire's Financial Hardship Policy was approved by the Authority on 16 May 2014, as per Authority's Decision – Water Financial Hardship Policies dated 16 May 2014. In its decision, the Authority was satisfied the Shire's FHP meets the relevant requirements of the Water Act, Code and Guidelines.	A	1

No <sup>3</sup>	Operating Area	Legislative Reference	Description	Audit Priority	Systems , Processes, Controls in Place to Comply with Licence (including any recommendations)	Adequacy of Controls Rating <sup>4</sup>	Compliance Rating <sup>5</sup>
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 WL19, Version 4, dated 18 November 2013.</p> <p>Under the previous licence that was 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><b>Review of Rates Notices with Sewerage Charges</b></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 18(2) – 18(6)</i></p> <p><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.</p> <p>The Shire does not have a written procedure for review of a bill on the customer's request.</p> <p>The Consultant 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"> <li>1. The Shire should develop a written procedure for review of bills (rates notices with sewerage charges).</li> <li>2. The procedure should be made publicly available on the Shire's website and in hardcopy.</li> <li>3. The procedure should include: <ol style="list-style-type: none"> <li>a) what happens if the customer has been undercharged or overcharged;</li> <li>b) what the customer can do if dissatisfied with the outcome of the review</li> <li>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.</li> <li>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.</li> </ol> </li> </ol>	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><b>Next Review of Financial Hardship Policy</b>  <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 16 May 2014 and is not due for review until 2019.</p> <p>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><b>Complaints Procedure</b>  <i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 35(3),(4) &amp; (6)</i>  <i>Non-compliant – minor impact</i></p> <p>The Shire's Complaints Handling policy is silent on how complaints are to be lodged and recorded and on the time limits for responding to complaints.</p> <p>Also, the Shire's Policy – Complaints Handling 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's Policy – Complaints Handling is not publicly available. The auditor was unable to locate the Shire's Policy – Complaints Handling on the Shire's website or in the Shire's office.</p>	<ol style="list-style-type: none"> <li>The Shire should update its Complaints Handling policy to: <ol style="list-style-type: none"> <li>provide for how the complaints are to be lodged and recorded and time limits for responding to complaints.</li> <li>state that a customer may, but does not have to, use the complaints procedure before or instead of the procedures under the Act i.e. applying to the Water Services Ombudsman or making an appeal from, or applying for a review of, the decision to the State Administrative Tribunal;</li> <li>in addition to an option of applying to the Water Services Ombudsman, list the option of making an appeal from, or applying for a review of, the decision that gave rise to the complaint to the State Administrative Tribunal; and</li> <li>set out the benefits to the customer, in relation to time and costs, if the customer chooses to use the complaints procedure before or instead of the procedures under the Act i.e. Water Services Ombudsman or State Administrative Tribunal.</li> </ol> </li> <li>The Shire should publish its Complaint Handling policy on its website as well as display the hardcopy of the policy in the reception area of the Shire's office.</li> </ol>	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
04/2014	<p><b>Performance and Compliance Reporting</b></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clauses 16.1 &amp; 16.3</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"> <li>• Annual performance reports no later than 31 July for the reporting year ending 30 June; and</li> <li>• Annual compliance reports by 31 August for the year ending 30 June.</li> </ul> <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"> <li>• The Performance Report for year ended 30 June 2012 was submitted after the due date. This constituted a contravention of Schedule 5, clause 2.1 of the licence (version 2 dated 9 October 2009) that was not reported in 2013 Compliance Report.</li> </ul> <p>The auditor reviewed the Shire's Compliance Schedule and confirmed that the required submission due dates for annual compliance and performance reports are correctly stated.</p>	The Shire should ensure that all future Performance Reports are submitted to the Authority within the timeframes required.	Nil
05/2014	<p><b>Compliance Register</b></p> <p><i>Licence Conditions – Specific Clauses – Provision of Information Clause 16.2</i></p> <p><i>Non-compliant – minor impact</i></p> <p>Section 9.3.2.3 of the Audit and Review Guidelines: Water Licenses July 2014 states that Authority expects licensees to maintain a compliance (or breach) register in respect of their licence conditions. The Shire's</p>	The Shire should maintain a Compliance Breach register in respect of their licence conditions to ensure that all contraventions of the licence conditions for each financial year are reported to the Authority in the annual compliance report.	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
	Consultant advised that they don't keep a compliance breach register.		
06/2014	<p><b>Internal Policies and Procedures relating to the Licence</b></p> <p><i>Water Services Act 2012 sections 82(4)&amp;(5), 84(2), 87(2), 90(7), 119(2), 122(2), 128(4), 142, 143(2)&amp;(3), 144(3), 145(2), 147(3)&amp;(4), 151(1)-(3), 153(3), 173(4), 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 16(2)-(5), 17(1)-(2).</i></p> <p>Licence – Clause 15(1)(d).</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 within 10 business days, 48 hours' notice of entry to premises, issue of work order notices or compliance notices, warrants, under and over charges, memorials and objections.</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 water service works, notification to the Authority of general or major water service works within 10 business days, 48 hours' notice of entry to premises, issue of work order notices or compliance notices, warrants, under and over charges, memorials and objections.</p> <p>The detailed compliance obligations listed in this report could be used as a reference.</p>	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
07/2014	<p><b>Prescribed Information to be Available</b></p> <p><i>Water Services Code of Conduct (Customer Service Standards) 2013 Clause 37(1)</i></p> <p><i>Non-compliant – minor impact</i></p> <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 Shire’s website as well as annual Rate Notice contain information about fees and charges, bill payment methods and the fees and charges associated with each options and the exemptions, discounts, rebates and concessions that are available to customers.</p> <p>However, this does not include all of the “prescribed information” set out in Section 37 of the Code. The “prescribed information” includes the water services fees and charges, bill payment options, concessions, enquiry/translator services, powers of access to premises, interruptions to supply, etc.</p> <p>The missing information could be 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.</p>	<p>The Shire should provide a copy of the Department of Water’s Easy Reference Guide to the Water Services Code of Conduct on the Shire’s website and in hardcopy at the Shire’s office.</p>	<p>Nil</p>



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## 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 Jerramungup 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 Handling policy does not contain all the information required under the *Water Services Code of Conduct (Customer Service Standards) 2013* and is not publicly available in at the Shire's office and website.
  - Performance reports are not always submitted by the due dates, there is no Compliance Breach Register and late reports are not being included as non-compliances in the compliance reporting to the Authority.
  - some of the "prescribed information" under the *Water Services Code of Conduct (Customer Service Standards) 2013* is not publicly available (enquiry/translator services, powers of access to premises, interruptions to supply, etc.).
- b) implemented 2 of 4 recommended actions from the previous audit including developing a compliance schedule and updating the Asset Management Plan and one recommendation concerning the Customer Service Charter is no longer required. The following recommendation has not yet been implemented:
  - ensure that annual Performance reports are submitted by the due date and Compliance reports are complete (by maintaining a Compliance Breach Register);
- 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 and the Department of Health 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 make it 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* and make the policy available at the Shire office and website;
- ensure that all future Performance Reports are submitted to the Authority within the timeframes required;
- maintain a Compliance Breach register in respect of the licence;
- develop and/or update internal procedures with the requirements under the licence re water service works, notification to the Authority of general or major water service works within 10 business days, 48 hours' notice of entry to premises, issue of work order notices or compliance notices, warrants, under and over charges, memorials and objections; and
- update the Compliance Schedule for the Financial Hardship policy's next review due date.

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### 3. Asset Management System Review

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#### 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.
- **Contingency Planning** - high inherent risk and previous review noted no formal contingency plans or testing.

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 2011 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"><li>Processes and policies are documented.</li><li>Processes and policies adequately document the required performance of the assets.</li><li>Processes and policies are subject to regular reviews, and updated where necessary.</li><li>The asset management information system(s) are adequate in relation to the assets that are being managed.</li></ul>
B	Requires some improvement	<ul style="list-style-type: none"><li>Process and policy documentation requires improvement.</li><li>Processes and policies do not adequately document the required performance of the assets.</li><li>Reviews of processes and policies are not conducted regularly enough.</li><li>The asset management information system(s) require minor improvements (taking into consideration the assets that are being managed).</li></ul>
C	Requires significant improvement	<ul style="list-style-type: none"><li>Process and policy documentation is incomplete or requires significant improvement.</li><li>Processes and policies do not document the required performance of the assets.</li><li>Processes and policies are significantly out of date.</li><li>The asset management information system(s) require significant improvements (taking into consideration the assets that are being managed).</li></ul>
D	Inadequate	<ul style="list-style-type: none"><li>Processes and policies are not documented.</li><li>The asset management information system(s) is not for purpose (taking into consideration the assets that are being managed).</li></ul>

#### Asset Management Performance ratings

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

### 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)
<b>A. Resolved before end of previous review period</b>				
	Nil			
<b>B. Resolved during current review period</b>				
05/2011 A2	<b>Review of Asset Management Plan/System</b> <i>A review process is in place to ensure that the asset management plan and the asset management system described herein are kept current.</i> The Monitoring and Review Procedures in the AMP suggest review of the AMP in five yearly intervals and the maintenance and capital investment plans shall be revised annually. The "Document Status" table does not provide for recording details about routine reviews of the document that do not escalate into the reissue of the AMP.	a) The Asset Management Plan should be reviewed at more frequent intervals i.e. annually and reissued when changes occur. The accompanying Excel spreadsheet should be updated during the year as required and revised annually. b) Modify the "Document Status" table to include a brief description of changes to the document from the previous version.	June 2014	No further action required
<b>C. Unresolved at end of current review period</b>				
06/2011 C3	<b>Contingency Planning</b> <i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i> Key staff have an understanding of unwritten procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case	a) Based on the risk assessment in the AMP, a set of contingency plans or emergency procedures should be developed by the Shire to cover situations identified in the risk assessment as being a major or significant risk. For example bushfire affecting ponds or reticulation equipment; reticulation pump or	-	Yes – further action is required to update the Contingency Plan for plumber and electrician contact details. <i>(Refer recommendation 11/2014).</i>

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)
	<p>of a pump failure.</p> <p>However, a formal Contingency Plan has not been developed.</p> <p>The Asset Management Plan has an action item to develop a contingency plan for sewerage overflows by October 2011.</p>	<p>electrical failure; extreme rainfall events/water overflows from the ponds; pipeline burst or blockages etc.</p> <p>The contingency plans should include:</p> <ul style="list-style-type: none"> <li>o Detailed procedures</li> <li>o Key local contact details – name, number and location</li> <li>o Communication protocols</li> <li>o Specifications, location and availability of emergency equipment</li> <li>o Authorities that need to be contacted and when.</li> </ul> <p>b) Once developed, the contingency plans should be reviewed and tested on at least an annual basis or whenever major changes are required to the plans to ensure they are operable and that appropriate persons are aware of their responsibilities in cases of emergency.</p>		

### 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
<b>1. Asset planning</b>	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				
<b>2. Asset creation/ acquisition</b>	A				1				
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	A				1				

ASSET MANAGEMENT SYSTEM COMPONENT & EFFECTIVENESS CRITERIA	Process and policy definition rating				Performance rating			
assigned and understood.								
<b>3. Asset disposal</b>	A				1			
3.1 Under-utilised and under-performing assets are identified as part of a regular systematic review process.	A				1			
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			
<b>4. Environmental analysis</b>	A				1			
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.	A				1			
4.4 Achievement of customer service levels.	A				1			
<b>5. Asset operations</b>			C			3		
5.1 Operational policies and procedures are documented and linked to service levels required.			C			3		
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.		B				2		
<b>6. Asset maintenance</b>		B				2		
6.1 Maintenance policies and procedures are documented and linked to service levels required.		B				2		
6.2 Regular inspections are undertaken of asset performance and condition.	A				1			
6.3 Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.		B				2		
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			
<b>7. Asset Management Information System (MIS)</b>	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 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			
<b>8. Risk management</b>	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			
<b>9. Contingency planning</b>		B			1			
9.1 Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.		B			1			
<b>10. Financial planning</b>	A				1			
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				1			
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).								
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				1			
10.6 The financial plan states the financial objectives and strategies and actions to achieve the objectives.	A				1			
<b>11. Capital expenditure planning</b>	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			
<b>12. Review of asset management system</b>	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 <sup>7</sup>	A	Performance Rating <sup>8</sup>	1
<b>1</b>	<b>ASSET PLANNING</b>				
1.1	Asset management plan covers key requirements.	The Shire of Jerramungup Asset Management Plan (AMP) Sewerage and Effluent Re-use Scheme reviewed in June 2013 was sighted. The reviewer was satisfied that the Shire's AMP covers key requirements.			
1.2	Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning.	The goal, objective and level of service are stated in the AMP as: <i>"to provide cost effective wastewater collection, treatment and disposal services for the town of Jerramungup which meet community expectations for health and environmental management"</i> .			
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 Shire has slight growth predictions over the next ten years. Additional allotment service connections resulting from growth can be accommodated within the current systems' capacity, and expansion or augmentation of the assets is not expected in the future.			
1.5	Lifecycle costs of owning and operating assets are assessed.	The Asset Management Plan (June 2014) includes the lifecycle costs of owning the assets. The net present value of the assets is \$490,515 with average operations and maintenance cost of \$31,755 over the 5 years to 2015/16 (per the Asset Management Plan). The current replacement value is approximately \$1.5 million.			
1.6	Funding options are evaluated.	<p>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 Sewerage and Effluent Re-use Schemes in Jerramungup.</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 Jerramungup town sites. 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 Asset Management Plan (June 2014) notes that the Shire have enough rates income for the sewerage and effluent re-use scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The current revenues from sewerage rates are \$44,500 (2013/14 rates). The current Effluent Reserve fund balance of \$428,172 (as per Shire's Annual Financial Report 2013/14) is deemed sufficient to meet the future</p>			

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

<sup>8</sup> 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)			
		liabilities of the scheme without supplementation from other funding sources. A detailed Annual Capital Investment Budget has been developed as part of the asset management system. Major replacements and refurbishments have not been projected in the next ten years.			
1.7	Costs are justified and cost drivers identified.	The estimated replacement costs of assets are included in the AMP. Demand is stable. Operating and maintenance cost are detailed in the AMP for 5 years until 2015/16. The document still contains historical information for review period and it is anticipated that the forecasting for the next review period will be completed after the review report is delivered.			
1.8	Likelihood and consequences of asset failure are predicted.	The analysis assumes that assets will be replaced at the end of their standard economic life. Assets are given a condition rating and an importance rating in the AMP as a form of risk assessment.			
1.9	Plans are regularly reviewed and updated.	The AMP was fully revised in June 2014. A full review is required every five years. The Plan will also be reviewed annually and updated as necessary.			
<b>2</b>	<b>ASSET CREATION/ ACQUISITION</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
2.1	Full project evaluations are undertaken for new assets, including comparative assessment of non-asset solutions.	No new assets are shown on the Capital Investment Budget. Only replacement of existing components as they reach the end of their life.			
2.2	Evaluations include all life-cycle costs.	No new assets are shown on the Capital Investment Budget.			
2.3	Projects reflect sound engineering and business decisions.	No new assets are shown on the Capital Investment Budget.			
2.4	Commissioning tests are documented and completed.	No new assets acquired.			
2.5	Ongoing legal/environmental/safety obligations of the asset owner are assigned and understood.	Section 2.3 of the AMP outlines the legislative requirements, including the operating licence. The Health Act, Environmental Protection and Occupational Health, Safety and Welfare are briefly considered. Jerramungup Sothern Oxidation Pond, East Oxidation Pond and Sewerage overflow (Sport Dam) have the Department of Environment Regulation (DER) registrations.			
<b>3</b>	<b>ASSET DISPOSAL</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
3.1	Under-utilised and under-performing assets are identified as part of a regular systematic review process.	This is a small system and all assets are performing as intended. No disposals are planned other than pump station pumps being replaced as required. A formalised system of asset condition appraisal has been instigated. The asset condition appraisal inspections were			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>completed in August 2014 and will be repeated each year. The general condition of the access chambers, pipes, wastewater treatment plan, reservoirs and effluent re-use is good. Any under-performing assets would be also identified in the planned maintenance checks each year.</p> <p>The Shire keeps a record of blockages. The AMP notes that where two blockages occur within a pipe network over a twelve month period, the pipe shall be CCTV inspected for root intrusion or pipe failure. There were no blockages during the review period.</p>			
3.2	The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.	Asset condition is reviewed in the planned maintenance checks and reasons for any under-performance are investigated.			
3.3	Disposal alternatives are evaluated.	According to the AMP, assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate.			
3.4	There is a replacement strategy for assets.	The Asset Management Plan records details of the main assets and their replacement costs and expected lives.			
<b>4</b>	<b>ENVIRONMENTAL ANALYSIS</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
4.1	Opportunities and threats in the system environment are assessed.	Opportunities and threats for the system are considered in the AMP and in the risk assessment spreadsheet.			
4.2	Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved.	The Annual Performance Reports for 2011/12, 2012/13 and 2013/14 were sighted. Performance standards have been met with no blockages reported.			
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"> <li>Water Services Licensing Act 1995 (repealed and replaced with Water Services Act 2012);</li> <li>Water Services Code of Conduct 2013</li> <li>Water Services Regulation 2013</li> <li>Local Government Act 1995;</li> <li>Environmental Protection Act 1986;</li> <li>Occupational Safety and Health Act 1984; and</li> <li>Occupational Safety and Health Regulations 1996.</li> </ul>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<p>The AMP also requires compliance with the Shire's Operating Licence for Sewerage Services under the Water Services Licencing Act 1995 that was amended by substitution to bring it in line with the Water Services Act 2012, valid until 29<sup>th</sup> April 2021.</p> <p>The Shire's Consultant and External Consultant monitor compliance.</p>			
4.4	Achievement of customer service levels.	Compliance and Performance reports for 2011/12, 2012/13 and 2013/14 show that customer service levels have been achieved. The Shire advised that there have been no customer complaints.			
5	<b>ASSET OPERATIONS</b>	Process Rating	C	Performance Rating	3
5.1	Operational policies and procedures are documented and linked to service levels required.	<p>The Shire's scheme includes a gravity reticulation system, a treatment plant and an effluent re-use scheme. The Asset Management Plan includes an overview of the operations of the sewerage and effluent re-use system. 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 (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use. The effluent re-use scheme is used on a seasonal basis from October to March each year. The effluent is mixed with stormwater collected in a separate dam such that approximately 1% of the recycled water used for irrigation is from the waste water scheme.</p> <p>In April 2014, the Department of Health (DOH) performed an assessment of the scheme against the <i>Guidelines for the Non-Potable Uses of Recycled Water in WA (dated August 2011)</i> and issued a Water Recycling Assessment Report to the Shire. The Assessment Report noted several non-compliances with the Guidelines and areas for further improvement. The main issues related to the disinfection system such as chlorine gas not having interlocks and alarm system, no safety shower and eye wash station as per AS 4775:2007 and above ground pipes not the colour purple as per AS 3500.5:2003. Other issues noted related to a general lack of recycled warning signs at the WWTP, disinfection system, storage dam, storage tank and at the sports oval, and no monthly water quality sampling program in place, the need to clear the vegetation on the banks and inside the oxidation pond as well as around the storage tank and pump shed and improvements to the fencing.</p> <p>Furthermore, the Assessment Report notes that the chlorine shed was locked and no inspection was possible at the time of the assessment. The Shire advised that since then they have inspected the chlorine shed and found that chlorine gas was never used to chlorinate the water. No data was available to determine the recycled water quality used before irrigation of the sport oval. The Assessment Report made 12 recommendations to the Shire to rectify the non-compliances and to improve operation of the scheme.</p> <p>The Shire advised the Department of Health that they are assessing the feasibility of only using stormwater for irrigation of the sports ovals. If this is feasible, the Shire would not re-apply for a licence to use recycled water to irrigate the sports oval.</p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p><u>Recommendation 08/2014</u></p> <p>a) <i>The Shire should complete the following maintenance:</i></p> <ul style="list-style-type: none"> <li>– <i>vegetation over 1 metre tall on the banks of the primary storage pond should be removed, and if additional storage capacity is required, the vegetation inside the pond should be removed;</i></li> <li>– <i>the fence around the storage dam should be fixed;</i></li> <li>– <i>vegetation around the storage tank should be cleared; and</i></li> <li>– <i>the pump shed needs some maintenance.</i></li> </ul> <p>b) <i>As per the Shire's advice to the Department of Health, the Shire should complete the proposed feasibility study of using only stormwater for the irrigation of the sports grounds.</i></p> <p>c) <i>If the above study determines that the effluent re-use scheme should continue, the Shire should prioritise the remaining recommendations set out in the Department of Health Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability.</i></p>
5.2	Risk management is applied to prioritise operations 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. The risk assessment register and the Annual Planned Maintenance program consider and include various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and effluent re-use storage pond/treatment and reticulation/re-use.
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.	<p>There are no drawing register or "As Constructed" drawings stored on site. The information within the asset register was extracted from the original construction drawings. Drawings are not available electronically. The AMP provides a summary description of each installation within the scheme. A detailed listing of assets is documented in the Asset Register for the scheme (Excel worksheet) including assets for the sewerage collection system (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use..</p> <p>The Asset Register includes construction dates and replacement values for all main asset groups including chambers, pipes, treatment plant, pump station and effluent re-use. All assets are discretely numbered with an alpha-numeric asset number. All asset groups include the relevant construction material, asset type and descriptions. The Shire has collected GPS co-ordinates for all accessible access chambers.</p> <p>Condition Data and Performance information is recorded for static and rotating assets. The condition monitoring system has been instigated on an annual cycle for all assets and recorded in the Asset Condition and Performance</p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>Excel spreadsheet. The pumps are inspected annually and refurbished or replaced where defects or wear is detected. Performance monitoring against the pump curves is not currently possible on site. Workshop performance testing is conducted where poor performance is suspected from the pump run hours and energy consumption records.</p> <p>The accounting data is adequately documented in a separate financial Asset Register and the Financial Management Information System.</p>
5.4	Operational costs are measured and monitored.	<p>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. This includes costs for the sewerage collection system (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use.</p>
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"> <li>▪ Manager Infrastructure Services – tasked with establishing and maintaining the drawing information system;</li> <li>▪ Consultant – responsible for updating the asset registers, inventory control and procurement, asset condition and performance, risk assessment and management, maintenance planning and works management systems, financial management and budgeting, and data and information and storage and retrieval; and</li> <li>▪ Administrative Support Officers – responsible for data entry into the AMIS from condition appraisal inspections and completed works orders.</li> </ul> <p>These staff receive adequate training through on-the-job training about the scheme and by applying the Shire's Asset Management Plan and work procedures.</p> <p>External licensed plumbers and electricians are also utilised as necessary.</p> <p>The Consultant has overall responsibility for the maintenance of the scheme and is very experienced with the scheme and similar schemes at other Shires he is contracted to. However, there is currently no dedicated resource internally to take effective operational control of the day to day maintenance of the system and to deal with planned and unplanned maintenance matters. The Leader Town Services is currently overseeing the operation and maintenance of the scheme, although this is not part of his duties.</p> <p><u><i>Recommendation 09/2014</i></u></p> <p><i>Due to the lack of internal resources, the Shire should consider engaging an external contractor to perform regular i.e. monthly checks of the scheme as per the planned maintenance program, to resume monthly water quality</i></p>

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		<i>sampling program and to oversee the implementation of recommendations from the DOH's Water Recycling Assessment Report. The contractor should provide a monthly report to the Consultant for reporting to the Deputy CEO on the ongoing operation and maintenance of the scheme.</i>			
<b>6</b>	<b>ASSET MAINTENANCE</b>	Process Rating	<b>B</b>	Performance Rating	<b>2</b>
6.1	Maintenance policies and procedures are documented and linked to service levels required.	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 pumping), Wastewater Treatment Plant and effluent re-use storage ponds/treatment and reticulation/re-use. However, as the recycled water is not currently in use, there is no monthly water quality sampling program in place (as per the DOH's Water Recycling Assessment Report). <i>Refer recommendation 08/2014</i>			
6.2	Regular inspections are undertaken of asset performance and condition.	This is a small system and all assets are performing as intended. No disposals are planned other than pump station pumps being replaced as required. A formalised system of asset condition appraisal has been instigated. The asset condition appraisal inspections were completed in August 2014 and will be repeated each year. The general condition of the access chambers, pipes, wastewater treatment plan, reservoirs and effluent re-use is good, although the DOH's Water Recycling Assessment Report noted several issues that require rectification in regards to the disinfection system, vegetation clearing and fencing. Any under-performing assets would be also identified in the planned maintenance checks each year. The Shire keeps a record of blockages. The AMP notes that where two blockages occur within a pipe network a twelve month period, the pipe shall be CCTV inspected for root intrusion or pipe failure. There were no blockages during the review period. The auditor inspected the visible scheme assets and confirmed the assets are in a sound condition apart from the issues noted in the Department of Health inspection in April 2014 (refer section 6.3 below)..			
6.3	Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.	A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies 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. The unforeseen maintenance tasking is instigated by a telephone call-out system to the Shire Leader Town Services, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities. The detailed Planned Work Program includes the planned and actual maintenance activities for each asset including			



Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use ponds/treatment and reticulation/re-use.</p> <p>The Shire's wastewater scheme is a simple system which requires a basic level of asset management to maintain it in an effective condition. Although the assets are generally in good condition, apart from other operational issues, the DOH's Water Recycling Assessment Report also noted several maintenance issues such as the need to clear the vegetation on the banks and inside the oxidation pond as well as around the storage tank and pump shed, pump shed requires some cleaning and maintenance including the repair of the door and repairs and improvements to the fencing. These finding indicate a lack of maintenance due to not having a dedicated resource internally to take effective operational control of the day to day maintenance of the system.</p> <p><u><i>Recommendation 10/2014</i></u></p> <p><i>The Shire should ensure that all specified maintenance tasks are carried out as per the Planned Work Program and in the intervals at which they need to be done. The completion of the maintenance should be documented in the Planned Maintenance schedule.</i></p> <p><i>Also refer to recommendations 08/2014 and 09/2014</i></p>
6.4	Failures are analysed and operational/maintenance plans adjusted where necessary.	Any failures of any scheme component are rare but would be analysed and considered as part of the Shire's annual budget preparation.
6.5	Risk management is applied to prioritise maintenance 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. The risk assessment register considers and includes various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use storage pond/treatment and reticulation/re-use. The effluent re-use scheme is not currently in use.</p> <p>The risk assessment register and the Annual Planned Maintenance program consider and include areas of operation which could be subject to moderate, significant or major risk, including failure to access chamber, failure of mains/pipes, collapse or leakage at settlement pond/s, fencing and gates, failure of pump/s and sports oval tank rupture or leak. The inspection of these assets form part of the Maintenance Management Plan.</p>
6.6	Maintenance costs are measured and monitored.	Maintenance costs of all scheme components are tracked through the FMIS and actual/budget reporting that is monitored by the Executive and the Council each month.

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
		Process Rating	A	Performance Rating	1
<b>7</b>	<b>ASSET MANAGEMENT INFORMATION SYSTEM</b>				
7.1	Adequate system documentation for users and IT operators.	The asset management information system is a simple system based on the Excel spreadsheets available from the Authority. The system is documented in the Asset Management Plan (revised June 2014) 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 Consultant's PC 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 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. The backups are tested every quarter.			
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"> <li>- In the Risk Assessment spreadsheet, inherent risk is automatically assigned from the likelihood and overall consequence scores;</li> <li>- In the Annual Capital Investment Budget spreadsheet and in the Annual Operations &amp; Maintenance Budget spreadsheet, the light blue cells are automatically calculated.</li> </ul> <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.	<p>Apart from printing the Excel spreadsheets out, there is no ability to create management reports.</p> <p>However, the functionality of the suite of Excel spreadsheets for asset management planning purposes is adequate for the Shire's needs.</p>			
<b>8</b>	<b>RISK MANAGEMENT</b>				
8.1	Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management	The Asset Management Plan (June 2014) includes a risk assessment policy and procedure. This has been applied to develop a detailed Risk Assessment for events and assets. The risk assessment register considers and includes various components of the overall system including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use storage pond/treatment and reticulation/re-use. The effluent re-use			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	system.	<p>scheme is not currently in use.</p> <p>The Shire has identified seven area of operation which could be subject to moderate, significant or major risk, including failure to access chamber, failure of mains/pipes, collapse or leakage at settlement pond/s, fencing and gates, failure of pump/s, sports oval tank rupture or leak, and major non-compliance with licence conditions.</p> <p>Mitigation and Management Strategies have been put in place to mitigate the risks identified and these are now included in the Contingency Plan which forms part of the Asset Management Plan.</p>			
8.2	Risks are documented in a risk register and treatment plans are actioned and monitored.	The risks for all scheme components and potential events 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 June 2014 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 failure of any scheme component/asset.			
<b>9</b>	<b>CONTINGENCY PLANNING</b>	Process Rating	<b>B</b>	Performance Rating	<b>1</b>
9.1	Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.	<p>The Asset Management Plan revision in June 2014 includes mitigation and contingency plans. These include all relevant components of the scheme including failure of access chambers, failure of mains/pipes, collapse or leakage at settlement pond/s, fencing and gates, failure of pump/s, sports oval tank rupture or leak, and major non-compliance with the licence conditions. The plan could also include the risk of failure of the disinfection plant (or at least assess the risk)</p> <p>Staff involved in the operation of the scheme have been advised of the contingency plans, when the AMP was revised in June 2014. Also, confirmed with the Consultant that key staff have an understanding of the procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure. However, the plumber and electrician contact details are yet to be included in the Contingency Plan.</p> <p><u>Recommendation 11/2014</u></p> <p><i>a) The Shire should update the Contingency Plan with the plumber and electrician contact details.</i></p> <p><i>b) The Shire should assess the risk of "failure of the disinfection plant for the recycled water" and update the contingency plans as necessary.</i></p>			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
<b>10</b>	<b>FIN/ANCIAL PLANNING</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
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.	<p>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 Jerramungup Sewerage Scheme.</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 Jerramungup town site. The purpose of this rate is to offset the cost of the sewerage treatment, including operation, maintenance, administration, depreciation and loan repayments. It is anticipated that income under the specified area rating will marginally increase to recover the full cost of the sewerage scheme.</p> <p>The Asset Management Plan (June 2014) notes that the Shire has enough rates income for the sewerage and effluent re-use scheme to cover the operational, maintenance and capital costs of replacement over the life of the scheme. The current revenues from sewerage rates are \$44,555 (2013/14 rates). The surplus on operations is transferred to the reserve each financial year. The replacement plan requires annuity provision of \$34,647. As per the Shire's Annual Financial Report 2013/14, the Shire transferred \$44,140 in 2012/13 and \$34,454 in 2013/14 to the Shire's Effluent Reserve. The current Effluent Reserve fund balance of \$428,172 (as per the Shire's Annual Financial Report 2013/14) is deemed sufficient to meet the future liabilities of the scheme without supplementation from other funding sources.</p> <p>A detailed Annual Capital Investment Budget has been developed as part of the asset management system. Major replacements and refurbishments have not been projected in the next ten years.</p>			
10.3	The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets).	<p>The Annual Budget document is completed for each coming financial year for the Shire which includes the Sewerage System. Actual/budget income and expenditure is monitored.</p> <p>Sighted the Shire of Jerramungup Capital Investment and Maintenance Budgets.</p>			
10.4	The financial plan provides firm predictions on income for the next five years and reasonable indicative predictions beyond this period.	<p>The AMP includes a projection of income each year for 5 years until 2015/16. The document still contains historical information for review period and it is anticipated that the forecasting for the next review period will be completed after the review report is delivered.</p> <p>The current revenues from sewerage rates are \$44,555 (2013/14 rates) which is sufficient to cover average operations and maintenance cost of \$31,755 over the 5 years (per the Asset Management Plan). The surplus on operations is transferred to the reserve each financial year.</p>			
10.5	The financial plan provides for the	The current revenues from sewerage rates are \$44,555 (2013/14 rates) which is sufficient to cover average			

Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)			
	operations and maintenance, administration and capital expenditure requirements of the services.	operations and maintenance cost of \$31,755 over the 5 years (per the Asset Management Plan). The surplus on operations is transferred to the reserve each financial year.  The replacement plan requires annuity provision of \$34,647. As per the Shire's Annual Financial Report 2013/14, the Shire transferred \$44,140 in 2012/13 and \$34,454 in 2013/14 to the Shire's Effluent Reserve. The current Effluent Reserve fund balance of \$428,172 (as per the Shire's Annual Financial Report 2013/14) is deemed sufficient to meet the future liabilities of the scheme without supplementation from other funding sources.			
10.6	Significant variances in actual/budget income and expenses are identified and corrective action taken where necessary.	Variations in actual and budget income and expenses are identified in monthly reports and reviewed by the Executive and Council for action required.			
<b>11</b>	<b>CAPITAL EXPENDITURE PLANNING</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
11.1	There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates.	The forecast lifecycle asset replacement program is included in the Annual Capital Investment Budget Excel spreadsheet.			
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.	A process of review is in place for the yearly update of the capital investment plans.			
<b>12</b>	<b>REVIEW OF ASSET MANAGEMENT SYSTEM</b>	Process Rating	<b>A</b>	Performance Rating	<b>1</b>
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.	The Asset Management Plan has been fully revised in June 2014.  The Plan has a section on Monitoring and Review Procedures. This requires a full review of the plan every 5 years and external review of the system every 3 years as per the licence condition. The maintenance and capital investment plans are revised annually.  The front page of the Plan includes the requirement to notify the Authority of any significant changes to the asset			

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Item no.	Component and Effectiveness Criteria (refer criteria in Audit Guidelines)	Observations and results (including any potential improvements)
		<p>management system as well as the Document Status Table outlining the revision number, whether the Authority has been notified of the change, the author, whether the review resulted in change, the reviewer, and who approved the AMP for issue and when.</p> <p>Although the Document Status Table has not been modified to include a brief description of changes from the previous version, the table now contains a column to indicate whether the review of the plan resulted in change. 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

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
08/2014 <b>C3</b>	<p><b>Asset Operation</b>  <i>Operational policies and procedures are documented and linked to service levels required.</i></p> <p>The Shire's scheme includes a gravity reticulation system, a treatment plant and an effluent re-use scheme. The Asset Management Plan includes an overview of the operations of the sewerage and effluent re-use system. 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 (reticulation and pumping), Wastewater Treatment Plant, disposal of treated sewerage through evaporation to the environment and the effluent re-use storage pond/treatment and reticulation/re-use. The effluent re-use scheme is not currently in use.</p> <p>In April 2014, the Department of Health (DOH) performed an assessment of the scheme against the <i>Guidelines for the Non-Potable Uses of Recycled Water in WA (dated August 2011)</i> and issued a Water Recycling Assessment Report to the Shire. The Assessment Report noted several non-</p>	<p>a) The Shire should complete the following maintenance:</p> <ul style="list-style-type: none"> <li>– vegetation over 1 metre tall on the banks of the primary storage pond should be removed, and if additional storage capacity is required, the vegetation inside the pond should be removed;</li> <li>– the fence around the storage dam should be fixed;</li> <li>– vegetation around the storage tank should be cleared; and</li> <li>– the pump shed needs some maintenance.</li> </ul> <p>b) As per the Shire's advice to the Department of Health, the Shire should complete the proposed feasibility study of using only stormwater for the irrigation of the</p>	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
	<p>compliances with the Guidelines and areas for further improvement. The main issues related to the disinfection system such as chlorine gas not having interlocks and alarm system, no safety shower and eye wash station as per AS 4775:2007 and above ground pipes not the colour purple as per AS 3500.5:2003. Other issues noted related to a general lack of recycled warning signs at the WWTP, disinfection system, storage dam, storage tank and at the sports oval, and no monthly water quality sampling program in place, the need to clear the vegetation on the banks and inside the oxidation pond as well as around the storage tank and pump shed and improvements to the fencing.</p> <p>Furthermore, the Assessment Report notes that the chlorine shed was locked and no inspection was possible at the time of the assessment. The Shire advised that since then they have inspected the chlorine shed and found that chlorine gas was never used to chlorinate the water. No data was available to determine the recycled water quality used before irrigation of the sport oval. The Assessment Report made 12 recommendations to the Shire to rectify the non-compliances and to improve operation of the scheme.</p>	<p>sports grounds.</p> <p>c) If the above study determines that the effluent re-use scheme should continue, the Shire should prioritise the remaining recommendations set out in the Department of Health Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability.</p>	
09/2014 <b>B2</b>	<p><b>Asset Operation</b></p> <p><i>Staff resources are adequate and staff receive training commensurate with their responsibilities.</i></p> <p>The current resources are not considered adequate as there is currently no dedicated resource internally to take effective operational control of the day to day maintenance of the system and to deal with planned and unplanned maintenance matters. The Leader Town Services is currently overseeing the operation and maintenance of the scheme, although this is not part of his duties.</p>	<p>Due to the lack of internal resources, the Shire should consider engaging an external contractor to perform regular i.e. monthly checks of the scheme as per the planned maintenance program, to resume monthly water quality sampling program and to oversee the implementation of recommendations from the DOH's Water Recycling Assessment Report. The contractor should provide a monthly report to the Consultant for reporting to the</p>	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
		Deputy CEO on the ongoing operation and maintenance of the scheme.	
10/2014 <b>B2</b>	<p><b>Asset Maintenance</b></p> <p><i>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</i></p> <p>A comprehensive Routine Maintenance Plan has been included in the AMP. The maintenance schedule specifies 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 Leader Town Services, who attends the site, assesses the requirements and arrange the immediate and follow-up actions and activities.</p> <p>The detailed Planned Work Program includes the planned and actual maintenance activities for each asset including sewerage collection system (reticulation and pumping), Wastewater Treatment Plant and effluent re-use ponds/treatment and reticulation/re-use.</p> <p>The Shire's wastewater scheme is a simple system which requires a basic level of asset management to maintain it in an effective condition. Although the assets are generally in good condition, apart from other operational issues, the DOH's Water Recycling Assessment Report also noted several maintenance issues such as the need to clear the vegetation on the banks and inside the oxidation pond as well as around the storage tank and pump shed, pump shed requires some cleaning and maintenance including the repair of the door and repairs and improvements to the fencing.</p>	The Shire should ensure that all specified maintenance tasks are carried out as per the Planned Work Program and in the intervals at which they need to be done. The completion of the maintenance should be documented in the Planned Maintenance schedule.	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
	These finding indicate a lack of maintenance, which could be due to not having a dedicated resource internally to take effective operational control of the day to day maintenance of the system.		
11/2014 <b>B1</b>	<p><b>Contingency Planning</b></p> <p><i>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks.</i></p> <p>The Asset Management Plan revision in June 2014 includes mitigation and contingency plans. These include all relevant components of the scheme including failure of access chambers, failure of mains/pipes, collapse or leakage at settlement pond/s, fencing and gates, failure of pump/s, sports oval tank rupture or leak, and major non-compliance with the licence conditions. The plan could also include the risk of failure of the disinfection plant (or at least assess the risk)</p> <p>Staff involved in the operation of the scheme have been advised of the contingency plans, when the AMP was revised in June 2014. Also, confirmed with the Consultant that key staff have an understanding of the procedures, such as the calling of a plumber in the case of a pipe blockage, or an electrician in the case of a pump failure. However, the plumber and electrician contact details are yet to be included in the Contingency Plan.</p>	<p>a) The Shire should update the Contingency Plan with the plumber and electrician contact details.</p> <p>b) The Shire should assess the risk of "failure of the disinfection plant for the recycled water" and update the contingency plans as necessary.</p>	Nil

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### 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.

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 Jerramungup:

- a) implemented 1 out of 2 recommended actions from the previous review in relation to review and update of the Asset Management Plan and partially implemented the remaining recommendation to develop and test contingency plans. Contingency Plans have been developed and staff involved in the operation of the scheme have been advised of the contingency plans. However, the plumber and electrician contact details are yet to be included in the Contingency Plan.
- b) established an adequate control environment for ongoing compliance in respect of the asset management system with the exception of:
  - the Department of Health (DOH) Water Recycling Assessment Report (assessment date 16 April 2014) found several issues in relation to disinfection system, general lack of recycled water warning, no monthly water quality sampling program in place, the need to clear the vegetation on the banks and inside the oxidation pond as well as around storage tank and pump shed and repairs and improvements to the fencing. The Assessment Report made 12 recommendations to the Shire to rectify the non-compliances and to improve operation of the scheme; and
  - there is a lack of maintenance of the assets due to not having a dedicated resource internally to take effective operational control of the day to day maintenance of the system and to deal with planned and unplanned maintenance matters.

The review recommended that the Shire:

- a) complete the maintenance activities at the primary storage pond, storage dam, storage tank and pump station;
- b) subject to the results of the proposed feasibility study of using only stormwater for the irrigation of the sports grounds, should prioritise the remaining recommendations set out in the Department of Health Water Recycling Assessment Report and determine a plan for their implementation commensurate with urgency, risk and practicability;
- c) due to the lack of internal resources, consider engaging an external contractor to perform regular i.e. monthly checks of the scheme as per the planned maintenance program, to resume monthly water quality sampling program and to oversee the implementation of recommendations from the DOH's Water Recycling Assessment Report. A monthly report should be provided to the Consultant for reporting to the Deputy CEO on the ongoing operation and maintenance of the scheme.
- d) ensure that all specified maintenance tasks are carried out as per the Planned Work Program and these are documented; and
- e) update the Contingency Plan with the plumber and electrician contact details and consider the risk of "failure of the disinfection plant".

Overall, the operation and maintenance of the scheme needs to be improved by implementing the recommendations from the DOH's Water Recycling Assessment Report. There is an effective asset management system in place with a few exceptions as noted in this report.

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## Appendix A - Methodology

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### 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 Jerramungup. 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
- Customer Complaints Guidelines – October 2008
- Shire of Jerramungup - Water Operating Licence WL 19 – versions 2, 3 and 4.
- Jerramungup Operating Area (Sewerage and Non-potable water supply services) Plan No. OWR-OA-036/2(C).
- Audit Report - Shire of Jerramungup Water Licence - Operational Audit and Asset Management System Review– May 2012
- 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
- The Department of Health (DOH) Water Recycling Assessment Report (assessment date 16 April 2014)
- Water Services Act 2012
- Water Services Regulations 2013
- Water Services Code of Conduct (Customer Service Standards) 2013
- Local Government Act 1995
- Relevant Correspondence with regulators

### ***Scheme Information and Procedures***

- Customer Service Charter for Wastewater Services (optional after 17 November 2013)
- Complaints and Issues Register and complaint records
- Policy – Complaints Handling
- Financial Hardship Policy
- Annual Shire Rates Notice and Information Brochure
- Shire's Compliance Schedule
- Shire's Fees and Charges Schedule 2013/14 and 2014/15
- Shire's Policy Manual

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**Asset Management System**

- Shire of Jerramungup - Asset Management Plan for Sewerage and Effluent Reuse Scheme Assets (June 2014)
- Asset Register
- Asset Inspection Reports
- Asset Register spreadsheets
- Asset Condition and Performance spreadsheet
- Risk Assessment spreadsheet
- Financial Management spreadsheets
- Maintenance Management spreadsheets

**Shire Planning and Financial Information**

- Forward Capital Works Plan 2013/14 to 2016/17
- 2014 Annual Report
- Shire of Jerramungup 2014-2015 Budget
- Annual Shire Rates Notice and Information Brochure
- Shire's Rate Book

**A3. Licensee's Representatives**

The Shire's primary contacts were:

- Brent Bailey – Deputy Chief Executive Officer
- Ian Neil – Consultant
- Harry Louw – Leader Town Services
- Bill Atyeo – 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