

Audit Report

Operational Audit & Asset Management System Review

Shire of East Pilbara

3604-70

Prepared for
Economic Regulation Authority, Western
Australia

29 April 2015



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Executive Summary

General

The Shire of East Pilbara (Shire) holds a water services operating licence (WL17) which permits it to provide sewerage services and non-potable water supply services. The Shire's sewerage services consist of the two functional categories of sewerage treatment and sewerage disposal. Sewerage collection service is provided by Water Corporation under water services operating licence number 32. Sewerage disposal services of treated effluent is either through discharge to adjoining wetland or disposal following chlorination by irrigation through a non-potable water supply reticulation scheme.

The Shire's licence permits it to undertake, maintain and operate any water service works to the Newman sewage treatment plant as bound by the 1.25 ha of Crown Land at Crown Reserve 45776 Windell, Location 144, defined as the licensee's operating area – plan number OWR-OA-201(B).

The operating licence was granted by the Economic Regulation Authority (ERA) on 30 April 1999 and subsequently amended on 18 November 2013.

The sewage treatment plant accepts raw sewage flows from the residential, townsite mine camps and commercial shopping centre within Newman Townsite under an asset transfer agreement with Water Corporation, dated 1 July 1996. The plant provides full secondary mechanical treatment of wastewater to meet environmental and water quality requirement as set out in the Department of Environment Regulation (DER) licence L6870/1993/12.

The sewage treatment plant has a current maximum operating capacity of 2,000 KI / day (maximum population of approximately 13,000 people). The plant consists of inlet works comprising primary screening and grit removal before the flow enters secondary treatment through a two aeration channel orbal oxidation ditch providing an activated sludge treatment process before the flow exits to a treated effluent sedimentation clarifier. Treated effluent from the clarifier can be stored in either a 8.8ML storage pond or 1 ML treated effluent storage tank. The waste activated sludge return from the clarifier can be diverted from the orbal to a series of sludge drying beds. Sludge is disposed of at the Shire's landfill in accordance with DER licence L6870/1993/12 requirements. The plant also has emergency storage ponds, chlorine building and operations building.

Following chlorination, the (Class A) treated sewage effluent is pumped to a header tank before discharging into the non-potable water supply reticulation network and disposal through individual irrigation systems.

The Shire advised that water supply to irrigation is initiated after 9:00pm daily by a call for water from a header tank located on a high point near the Shire's sewage treatment plant approximately four km from Newman Town. When the level drops in the header tank then the main effluent pump located at the sewage plant takes over and pumps water through 200mm diameter mainline to provide irrigation directly to three sports ovals in town. The main line passes an Ambulance station High School and Lions Park which are also watered by the main line.

The Shire advised that in addition there are three main storage tanks in Town which fill during the day and provided irrigation water for POS and two additional ovals which are also operational after 9:00pm. All watering starts at 9pm and must be finished by 4:00am. Once watering is complete the main pump to Town refills the header tank and then shuts down. The Assets for the third party users mentioned above are not owned by the Shire. The plant involved includes main sewage treatment plant and additional treated water storage the header tank and the pipeline to town. At the watering point there are some pump stations and irrigation sprinklers etc. to effect watering. The system transfers approximately 1,000 kilolitres of treated water to the town and about 90% of that is used by the Shire on its own assets.

The Shire is currently constructing a second sedimentation clarifier at the sewage treatment plant and is in the process of receiving phased asset transfers of expanded non-potable waters supply works associated with recent land developments in the township.

Audit and Review Objectives

Cardno was commissioned by the ERA to undertake an operational audit and asset management system effectiveness review of the Shire of East Pilbara in accordance with the requirements set out in Sections 24 and 25 of the Water Services Act 2012 (WA) and also included in Clauses 14 and 20 of the Shire's operating licence.

This audit has been conducted in order to assess:

1. The Shire of East Pilbara's level of compliance with the conditions of its operating licence.
2. The effectiveness of the Shire of East Pilbara's asset management system.

This report outlines the findings of the audit and review of the Shire of East Pilbara to fulfil the above objectives, conducted on 12 January 2015 and 15 January 2015. The operational audit covers the period of 1 December 2011 to 30 November 2014. The asset management system review covers the period 1 December 2011 to 30 November 2014.

The audit was carried out in accordance with the Audit and Review Guidelines: Water Licences, as published by the ERA in July 2014.

Operational Audit Findings (Previous and Current)

Findings of the Previous Operational Audit 2008-2011

The previous audit identified the following non-compliances:

- ▶ 2011 audit report non-compliant issue 1. Licence Condition Reference Cl.5 and Cl 2.1.1. Compliance. The Shire did not provide the compliance report to the Authority by the due date and as such is a non-compliance with the licence for the following compliance reports:
 - The Annual Performance Report for the year ended 30 June 2010 was submitted late
 - The Annual Performance Report for the year ended 30 June 2011 was submitted late and did not include any reference to the late submission of the Compliance report for the year ending 30 June 2010.
- ▶ 2011 audit report non-compliant issue 2. Licence Condition Reference Cl.7 and Schedule 3 Cl 2. Customer Service Charter. The Shire has produced a Service Charter which was only issued in May 2010. The Shire thus did not have a Service Charter for a significant portion of the audit period.
- ▶ 2011 audit report non-compliant issue 3. Licence Condition Reference Cl.8 and Schedule 3 Cl 4. Customer Consultation. Non-compliance due to the Shire having:
 - No meetings with customers take place on a regular basis;
 - No simple newsletter, providing basic information about the licensee's operations is published;
- ▶ 2011 audit report non-compliant issue 4. Licence Condition Reference Cl.21.1. Provision of Information. Non-compliance due to:
 - The Annual Performance Report for the year ended 30 June 2010 was submitted late
 - The Annual Performance Report for the year ended 30 June 2011 was submitted late and did not include any reference to the late submission of the Compliance report for the year ending 30 June 2010
 - The Shire only issued its Service Charter in May 2010;

- ▶ 2011 audit report non-compliant issue 5. Licence Condition Reference Schedule 6. Other Provisions. The Shire's Service Charter has not recorded conditions for connection to the non-potable water system.

Findings of the Operational Audit 2011-2014

Issues identified during the current audit (with reference to the summary of recommendations in Section 6):

- ▶ A1-2015 Water Services Licensing Act 1995, Schedule 3 Clause 4.1 - The licensee had not established a Customer Council or instituted at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities. *Note that this obligation is no longer in effect.*
- ▶ A2-2015 Water Services Act 2012, Clause 5.1 - The Shire did not meet all the requirements of its licence and as such have not complied with the Act.
- ▶ A3-2015 Water Services Act 2012, Section 12, Clause 16 – Provision of information (Obligation 165 & 166) - From review of available correspondence, the Auditor noted that the licensee has responded to correspondence from the ERA although not always within specified timeframes.
- ▶ A4-2015 Water Services Act 2012, Section 12, Clause 16 – Provision of information (Obligation 166) - The licensee did not submit compliance reports within specified timeframes to the Authority for 2011/12 and the 2013/14 reporting.
- ▶ A5-2015 Water Services Act 2012, Section 29, Licence Clause 26 - Duties of the Licensee - The Shire has not met all the requirements of the duties imposed on it by the Act as it provides non-potable water supply services outside of the current operating area, does not have a works holding arrangement for non-potable water supply works it does own, and does not fully comply with all the requirements of the Code.
- ▶ A6-2015 Water Services Act 2012, Section 12, Clause 28 - Provision of Water Services Outside Operating Area - Non-potable water supply services are provided outside of current operating area.
- ▶ A7-2015 Water Services Act 2012, Section 22, Clause 28 - Provision of Water Services Outside Operating Area - Licensee has not notified the ERA of services provided outside of operating area
- ▶ A8-2015 Water Services Act 2012, Section 23, Clause 29 - Works Holding Arrangements - The licensee does not own a significant proportion of the non-potable water supply works and has yet to enter into an agreement consistent with Clause 29, Section 23 of the Act with the owner.

Summary Opinion of the Control Environment

With respect to the operation of the licenced services during the audit period, the Auditors conducted tests and assessed the control environment, the procedures, policies and performance of the Shire of East Pilbara and found that it had an adequate control environment to ensure that the majority of licence obligations are met and that it generally operates in accordance with the operating licence. For the non-compliances observed, we found that the controls were generally adequate. We did not observe any instances where we considered the controls in place to be inadequate.

Operational Audit - Overall Compliance

The overall compliance of the Shire of East Pilbara with its licence is summarised in Section 4.2 of this report. In total 172 obligations were assessed, 7 were assessed as non-compliant, 35 were assessed compliant, 76 as not applicable, 54 were not able to be rated.

Asset Management System Review

Findings of the Previous Asset Management System Review (2008- 2011)

The asset management system review assessed the performance of the Shire of East Pilbara against the key asset management processes and effectiveness criteria set out in the ERA Guidelines.

The previous asset management system review set out the following recommendations:

- ▶ A1-2012 - Asset Planning – AMP requires minor editing and rearrangement as discussed with Consultant.

Resolved during audit period

- ▶ A2-2012 - Asset Planning - Plan provided but not organisation diagram.

Resolved during audit period

- ▶ A3-2012 - Environmental Analysis - The process to identify the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis / management and contingency plans.

Resolved during audit period

- ▶ A4-2012 - Asset Management Information System - That Council gives consideration to scanning all relevant information (held at various locations by different treatment plant related staff) and filing within the Synergy system to enable all relevant operations and other information to be accessed at a single source, and distributed to others and Authorities as appropriate.

Resolved during audit period

- ▶ A5-2012 - Contingency Planning - The contingency plans for each identified risk should be detailed as requested in the 2008 review.

Unresolved at end of audit period

- ▶ A6-2012 - Review of Asset Management System - It is recommended that Council's consultant undertake an appropriate review annually and sign off with a note to file verifying that the system is up to date and noting any amendments made.

Unresolved at end of audit period

Findings of the Asset Management System Review (2011- 2014)

The review of the Shire of East Pilbara's asset management system identified the following recommendations and improvement opportunities during the current audit:

Reference (no./year)	Asset management system component	Issue	Auditor's recommendation
R1-2015	Asset planning - Asset management plan covers key requirements	The AMP does not provide sufficiently detail information regarding the non-potable water supply works.	We recommend that either additional section(s) be added to the AMP document to relate to the non-potable water assets and associated operations and maintenance requirements for the recycled water scheme. This would also include a detailed description of the non-potable asset system including aspects such as pipe length by condition, age, diameter etc to provide a fuller picture of the licensee's asset base. We would also suggest that schematics of the network be included.
R2-2015	Asset planning - Asset management plan covers key requirements	AMP does not detail training requirements	We recommend that a section in the AMP be included to address training requirements for the licensee's provision of water services.
R3-2015	Asset planning - Asset management plan covers key requirements	AMP does not address non-asset strategies for managing demand associated with the non-potable water supply.	We recommend that a section in the AMP be included that identifies non-asset strategies for managing changing demand such as imposed non-potable water service restrictions, changes to operation processes to optimise available network non-potable water storage capacity etc.
R4-2015	Asset operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data	Asset register does not provide for assets' physical/structural condition and accounting data nor does it adequately detail assets within the non-potable water supply service	We recommend that the existing register be refined into a format and content consistent with industry standard such as set out in the International Infrastructure Management Manual. Asset numbering to be aligned with the financial asset register. This new asset register should also include assets from the non-potable water supply system. This recommendation should be undertaken along with improvement actions 2.1-2.3, section 12 of the Shire's 2013 AMP.
R5-2015	Asset maintenance - Regular inspections are undertaken of asset performance and condition	A program for assessing asset performance and condition of the non-potable water supply works is not in place.	We recommend that a condition assessment program for the licensee's sewerage and non-potable water service assets be developed and implemented with details included in the AMP. Details from the condition assessments to be integrated into the asset register and performance against the program to be monitored as part of existing monthly meetings.
R6-2015	Risk management - Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system	Risk management within the AMS does not reflect the Shire's corporate risk management policy and strategy.	We recommend that the risk analysis be updated to be consistent with the Shire's risk management policy and strategy. The risk assessment to be expanded to include risks associated with the non-potable water supply service and infrastructure. Changes to be amended in the AMP and Operations Manual.

Reference (no./year)	Asset management system component	Issue	Auditor's recommendation
R7-2015	<i>Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i>	<i>Contingency plans are not currently tested regularly to confirm their operability, coverage and suitability.</i>	We recommend that the licensee undertake 'Activation' exercises as a desktop scenario basis semi-annually as part of monthly meetings. Records of the exercise to be appended to the monthly meeting minutes.
R8-2015	<i>Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i>	<i>Contingency plans do not adequately reflect the potential events identified in the risk assessment nor the non-potable water supply service.</i>	We recommend that contingency plans be developed and included in the Operations Manual to address events such as pipe burst and leaks (including afterhours events), bushfire, extreme rainfall events/ water overflows from ponds and other potential faults and emergencies. Plans to align with events identified in the revised risk assessment (Refer to recommendation R6-2015)
R9-2015	<i>Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</i>	<i>Capital expenditure planning currently does not sufficiently address non-potable water supply works.</i>	We recommend that appropriate asset register and renewal model be developed for the non-potable water supply works and included in the AMS financial planning process and reported in the next revision of the AMP.
R10-2015	<i>Asset planning - Asset management plan covers key requirements</i>	<i>The AMP does not include an appropriately detailed sign off and document control sheet at front of document.</i>	AMP 2014 (Asset Manual Document) to include an appropriately detailed sign off and document control sheet at front of document.

Assessment of the Effectiveness of the Asset Management System

Based on the outcomes of the review, the Auditors found that the asset management processes and measures have been implemented and are being followed. It is the Auditor's opinion that the asset management system is generally operating well with the majority of processes implemented.

However, there were a number opportunities for improvement identified for the some of the licensee's asset management processes.

Asset Management System Review - Overall Effectiveness

A summary of our assessment of the effectiveness of the Shire of East Pilbara's Asset Management System is provided in Section 4.3. All elements were rated "B" or better for policy and procedures. All elements were rated "2" or better for performance.

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1 Introduction

1.1 Background

The Economic Regulation Authority (ERA) is responsible for regulating the licensing schemes for gas, electricity and water services in Western Australia. The primary objective of regulation is to ensure the provision of a competitive and fair environment, particularly where businesses operate as natural monopolies.

The Shire of East Pilbara (Shire) holds a water services operating licence (WL17) which permits it to provide sewerage services and non-potable water supply services. The Shire's sewerage services consist of the two functional categories of sewerage treatment and sewerage disposal. Sewerage collection service is provided by Water Corporation under water services operating licence number 32. Sewerage disposal services of treated effluent is either through discharge to adjoining wetland or disposal following chlorination by irrigation through a non-potable water supply reticulation scheme.

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Following chlorination, the (Class A) treated sewage effluent is pumped to a header tank before discharging into the non-potable water supply reticulation network and disposal through individual irrigation systems.

The Shire advised that water supply to irrigation is initiated after 9:00pm daily by a call for water from a header tank located on a high point near the Shire's sewage treatment plant approximately four km from Newman Town. When the level drops in the header tank then the main effluent pump located at the sewage plant takes over and pumps water through 200mm diameter mainline to provide irrigation directly to three sports ovals in town. The main line passes an Ambulance station High School and Lions Park which are also watered by the main line.

The Shire advised that in addition there are three main storage tanks in Town which fill during the day and provided irrigation water for POS and two additional ovals which are also operational after 9:00pm. All watering starts at 9pm and must be finished by 4:00am. Once watering is complete the main pump to Town refills the header tank and then shuts down. The Assets for the third party users mentioned above are not owned by the Shire. The plant involved includes main sewage treatment plant and additional treated water

storage the header tank and the pipeline to town. At the watering point there are some pump stations and irrigation sprinklers etc. to effect watering. The system transfers approximately 1,000 kilolitres of treated water to the town and about 90% of that is used by the Shire on its own assets.

1.2 Purpose of this report

As a condition of the licences, licensees are required to conduct a performance audit and asset management review that assesses the performance of the licensee against its obligations under the licences.

The purpose of the performance audit was to assess the effectiveness of measures taken by the licensee to meet the conditions referred to in the licence including the legislative obligations called up by the licence. The scope of the audit report includes assessing the adequacy and effectiveness of performance against the requirements of the licensee by considering:

- ▶ process compliance
- ▶ outcome compliance
- ▶ output compliance
- ▶ integrity of reporting
- ▶ compliance with any individual license conditions.

The asset management system review covers:

- ▶ a description of the audit or review objectives and the methodology used to conduct the audit or review
- ▶ the interval of time covered by the audit or review and the previous audit or review, if applicable
- ▶ the period over which the audit or review has been performed
- ▶ details of the licensee's representatives participating in the audit or review
- ▶ details of key documents and other information sources examined by the auditor during the course of the audit or review
- ▶ details of the audit or review team members and hours utilised by each member
- ▶ any other information the auditor considers relevant to the audit or review scope of work.

Sections 24 and 25 of the *Water Services Act 2012* obligate the licensee to provide the Authority with an operational audit conducted by an independent expert acceptable to the Authority not less than once in every 24 month period (or such longer period as the Authority allows) and provide the Authority with a report by an independent expert acceptable to the Authority as to the effectiveness of the asset management system not less than once in every 24 month period (or such longer period as the Authority allows).

An operational audit of the Shire of East Pilbara's Water Services Operating Licence was last performed for the period 1 December 2008 to 30 November 2011. An asset management system review of the licence was last performed for the period 1 December 2008 to 30 November 2011.

Version 3 of the Shire of East Pilbara's Water Services Operating Licence WL17 was issued on 18 November 2013.

2 Audit/Review Scope

2.1 Audit/Review Objectives

The objectives of this audit were to:

1. Provide to the Authority an independent assessment of the Shire of East Pilbara's compliance with all of the relevant obligations under the licences
2. Provide to the Authority an independent assessment of the effectiveness of the Shire of East Pilbara's asset management system in relation to WL17
3. Provide recommendations to address non-compliances, if any.

2.2 Scope of works

The audit encompassed an assessment of the following four key areas using a risk based approach (to ISO 31000:2009):

- ▶ Process compliance: assessment of the effectiveness of systems and procedures
- ▶ Outcome compliance: assessment of actual performance against the prescribed licence standards
- ▶ Output compliance: assessment of records to indicate procedures are followed and controls are maintained
- ▶ Integrity of reporting: assessment of the completeness and accuracy of the compliance and performance reports.

The scope of works of this audit included:

- ▶ Interviews with key staff members from the Shire of East Pilbara to:
 - Assess findings from the last audit and review the actions taken to address the recommendations from the previous audit / review
 - Assess performance against licence conditions for WL17
 - Assess performance against each asset management process for WL17.
- ▶ Reviews of documents, procedures and policy manuals in relation to financial management and planning, service performance standards, asset management, operations and maintenance functions and reporting
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine its effectiveness
- ▶ Preparation of an audit report in accordance with the format outlined in the ERA Audit and Review Guidelines: Water Licences (July 2014).

2.3 Methodology and approach

The audit was undertaken in accordance with ASAE3000. Our approach to the reporting work was to work closely with the licensee so that comments and challenges could be responded to and addressed before the audit report was finalised. The key areas of our approach included:

- ▶ A start-up discussion (by telephone) with the Shire to:
 - Discuss the main issues to be addressed at audit
 - Identify any issues from the previous audit
 - Identify any new issues arising from changes to the Licence or operating environment requirements
 - Discuss the audit plan.
- ▶ Preparation of a draft audit plan for comment by the licensee. The audit plan identified the number and location of audits, the information to be addressed and the auditor responsible.
- ▶ Submission of the draft audit plan to the ERA for approval
- ▶ A start-up meeting on-site at the beginning of our audit work
- ▶ On-site audit work comprising:
 - Face-to-face interviews with business staff responsible for the audit area
 - Demonstration of key systems
 - Sample testing for outcome compliance (assessing sample of documents to confirm procedures / policies are followed and implemented)
 - Review of any non-compliances and assess if any corrective action was undertaken and its effectiveness
 - Controls assessment on obligations that are found to be non-compliant
- ▶ Preliminary audit feedback at the audit close-out meeting
- ▶ Preparation of a draft report for the Shire's review and comment
- ▶ Preparation of a final report for submission to the ERA

Our methodology for completing this audit assignment was based on:

- ▶ A risk assessment that determined the priority of each audit area, using the risk management framework in Appendix A
- ▶ Our understanding of the licensee's business
- ▶ The experience of our audit team in undertaking regulatory audits which has been gained in several jurisdictions in Australia and in the United Kingdom
- ▶ The outcome of the previous audit completed of the licensee

Our audit methodology, including the key documents required to be reviewed and the supporting systems that we requested to see demonstrated, is detailed in Table 2-1 and Table 2-2.

Table 2-1 Licence audit methodology

Audit Area	Priority	Approach	Systems	Key Documents
Licence Audit				
Clause 4 Fees	5	<ul style="list-style-type: none"> Review invoices from Authority and receipts of payment 		<ul style="list-style-type: none"> Invoices and receipts
Clause 5 Compliance	Various	<ul style="list-style-type: none"> Review legislative requirements and confirm compliance Identify any corrective action applied to correct / prevent breaches of compliance 	<ul style="list-style-type: none"> Work scheduling system 	<ul style="list-style-type: none"> Performance standards Compliance Summary Reports (record of breaches)
Clause 12 Accounting Records	4	<ul style="list-style-type: none"> Check that 2011/12, 2012/13 and 2013/14 financial statements are signed off as being to appropriate standards 		<ul style="list-style-type: none"> 2011/12 Financial statement 2012/13 Financial Statement 2013/14 Financial Statement
Clause 13 Individual Performance Standards	NA	<ul style="list-style-type: none"> Confirm that not applicable 		
Clause 14 Operational Audit	4	<ul style="list-style-type: none"> Confirm Authority's requirement for an operational audit every 24 months Check if any requests have been submitted to the Authority to review requirements 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Previous operational audit reports Correspondence with the ERA
Clause 15 Reporting change in circumstances	5	<ul style="list-style-type: none"> Review any correspondence with the Authority 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA
Clause 16 Provision of Information	4	<ul style="list-style-type: none"> Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Annual compliance reports Annual performance reports Correspondence register
Clause 17 Publishing Information	4	<ul style="list-style-type: none"> Check if any requests have been issued by the Authority to publish any information relating to the performance of the licensee and correlating response 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Letters of notification / requests from the Authority Response to the Authority
Clause 18 Notices	4	<ul style="list-style-type: none"> Confirm all notices are issued in writing 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Issued notices Licensee communication/correspondence to the Authority
Clause 19	4	<ul style="list-style-type: none"> Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response 		<ul style="list-style-type: none"> Requests for review of decision (Correspondence)

Audit Area	Priority	Approach	Systems	Key Documents
Review of the Authority's Decisions				
Clause 20 Asset Management System	4	<ul style="list-style-type: none"> Confirm that the asset management policies and procedures meet legislative requirements. Note for compliance with this clause the auditor simply needs to assure themselves that an asset management system is in place (i.e. AMP, staff, IT system etc). For the level of effectiveness the auditor should refer to the Asset Management System Review undertaken concurrently. 	<ul style="list-style-type: none"> Enterprise Asset Management System Computerised Maintenance Management System 	<ul style="list-style-type: none"> Asset Management Policies Asset Management Plans Asset Management Systems and Procedures Manual Asset Register
Clause 21 Water Services Ombudsman Scheme	4	<ul style="list-style-type: none"> Confirm whether the licensee is a member of a scheme and assess compliance 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Correspondence with Ombudsman
Clause 22 Standard Terms & Conditions	NA	<ul style="list-style-type: none"> Confirm that not applicable 		
Clause 23 Customer Contract	4	<ul style="list-style-type: none"> Check whether the Authority has asked for and approved a customer contract during the audit period. Confirm that the contracts comply with the Customer Contract Guidelines Check whether there have been any amendments to the customer contracts during the audit period. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Examples of customer contracts
Clause 24 Non Standard Terms & Conditions of Service	4	<ul style="list-style-type: none"> Assess whether the licensee has agreements with customers that include non-standard terms and conditions If applicable, confirm that the non-standard terms and conditions have been approved by the Authority If applicable, confirm annual reports of agreements containing non-standard terms and conditions have been published and comply with the operating licence requirements. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Examples of agreements with non-standard terms & conditions (if applicable) Annual reports of non-standard terms & conditions agreements
Clause 25 Supplier of Last Resort	4	<ul style="list-style-type: none"> Confirm whether the licensee is a supplier of last resort and, if applicable, assess compliance with the functions required under the operating licence. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA/Minister Last Resort Supply Plan
Clause 26 Duties of the licensee	4	<ul style="list-style-type: none"> Assess compliance with the duties of the licensee under the Water Act 		<ul style="list-style-type: none"> Correspondence with ERA Compliance Summary Reports (record of breaches)

Audit Area	Priority	Approach	Systems	Key Documents
Clause 27 Provision of Water Services	4	<ul style="list-style-type: none"> Confirm the provision of services complies with those set out in Schedule 1 of the operating licence 		<ul style="list-style-type: none"> Current plan of operating area Customer contracts in place for the provision of water services
Clause 28 Provision of Water Services Outside Operating Areas	4	<ul style="list-style-type: none"> Check whether the licensee provides water services outside its designated operating area. 	<ul style="list-style-type: none"> Correspondence register 	<ul style="list-style-type: none"> Correspondence with ERA Current plans of operating area and map of licenced operating area
Clause 29 Works Holding Arrangements	4	<ul style="list-style-type: none"> Check whether any water service works that are not held by or for the licensee are covered by a Works Holding Arrangement agreement 		<ul style="list-style-type: none"> Works Holding Arrangements
Clause 30 Hardship Policy	4	<ul style="list-style-type: none"> Confirm that the licensee has a Hardship Policy and complies with any of the Authority's Financial Hardship Policy Guidelines that apply. 		<ul style="list-style-type: none"> Correspondence between licensee and ERA Hardship Policy
Clause 31 Memorandum of Understanding	NA	<ul style="list-style-type: none"> Confirm that not applicable 		

Table 2-2 Asset management review methodology

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Asset Management Review				
Asset planning	<ul style="list-style-type: none"> Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning Service levels are defined Non-asset options (eg, demand management) are considered Lifecycle costs of owning and operating assets are assessed Funding options are evaluated Costs are justified and cost drivers identified Likelihood and consequences of asset failure are predicted Plans are regularly reviewed and updated 	<ul style="list-style-type: none"> Review and assess the adequacy of asset planning processes Review and assess adequacy of asset management plans Assess if asset management plans are up to date Assess implementation of asset management plans (status) Assess whether the asset management plan clearly assigns responsibilities and if these have been applied in practice 	<ul style="list-style-type: none"> GIS Asset database / information system 	<ul style="list-style-type: none"> Overview of planning approach Population projections Infrastructure Planning Reports Example planning reports Review of asset management plans Service level agreements
Asset creation and acquisition	<ul style="list-style-type: none"> Full project evaluations are undertaken for new assets Evaluations include all life-cycle costs Projects reflect sound engineering and business decisions Commissioning tests are documented and completed Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 	<ul style="list-style-type: none"> Review adequacy of policies and procedures in relation to asset creation and acquisition Review examples of creations / acquisitions to check if policies and procedures were followed and check costs against estimates 	<ul style="list-style-type: none"> Asset database / information system 	<ul style="list-style-type: none"> Policies and procedures for asset creating and acquisition. Accounting and engineering
Asset disposal	<ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken Disposal alternatives are evaluated There is a replacement strategy for assets 	<ul style="list-style-type: none"> Review adequacy of policies and procedures in relation to asset disposal, asset replacement, identification of under-performing assets Determine if a review on the usefulness of assets are undertaken Review examples to check that policies and procedures are being followed 	<ul style="list-style-type: none"> Asset database / information system 	<ul style="list-style-type: none"> Policies and procedures for asset disposal. Accounting and engineering

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Environmental analysis	<ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved Compliance with statutory and regulatory requirements Achievement of customer service levels 	<ul style="list-style-type: none"> Review performance and service standards over audit period Review performance / identify any breaches and non-compliances and corrective action taken Review adequacy of reporting and monitoring tools 		<ul style="list-style-type: none"> Policies and procedures Planning reports Customer service Compliance reports Strategic plans (if appropriate)
Asset operations	<ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required Risk management is applied to prioritise operations tasks Assets are documented in an Asset Register, including asset assessment of assets' physical, structural condition and accounting data Operational costs are measured and monitored Staff receive training commensurate with their responsibilities 	<ul style="list-style-type: none"> Review adequacy of policies and procedures in relation to asset operations Review staff skills / training and resources available Check that operations procedures are being followed including testing of the asset register, observation of operational procedures and analysis of costs Identify any operational events and corrective actions 	<ul style="list-style-type: none"> Asset information system SCADA 	<ul style="list-style-type: none"> Asset register Operations procedures Operational costs Daily / weekly / monthly checksheets Staff skills / resourcing structure
Asset maintenance	<ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required Regular inspections are undertaken of asset performance and condition Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule Failures are analysed and operational / maintenance plans adjusted where necessary Risk management is applied to prioritise maintenance tasks Maintenance costs are measured and monitored 	<ul style="list-style-type: none"> Review adequacy of policies and procedures in relation to asset maintenance / maintenance functions Check that policies and procedures have been followed including testing of maintenance schedules, analysis of costs, Review maintenance schedules / plans Identify any maintenance events and corrective actions 	<ul style="list-style-type: none"> Asset information system 	<ul style="list-style-type: none"> Maintenance procedures and schedules Record of maintenance Maintenance costs
Asset Management	<ul style="list-style-type: none"> Adequate system documentation for users and IT operators 	<ul style="list-style-type: none"> Review adequacy of asset information system: <ul style="list-style-type: none"> Asset coverage 	<ul style="list-style-type: none"> Asset Management Information system 	<ul style="list-style-type: none"> AMIS manual AMIS data coverage and quality report

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
Information System	<ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system Logical security access controls appear adequate, such as passwords and that appropriate system access and functionality is provided to users Physical security access controls appear adequate Data backup procedures appear adequate Key computations related to licensee performance reporting are materially accurate Management reports appear adequate for the licensee to monitor licence obligations 	<ul style="list-style-type: none"> Functionality Data coverage Security User functionality granted is appropriate Review outputs / reports generated by systems and assess suitability for reporting against performance standards / licence obligations 		<ul style="list-style-type: none"> Asset reports
Risk management	<ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system Risks are documented in a risk register and treatment plans are actioned and monitored The probability and consequence of risk failure are regularly assessed 	<ul style="list-style-type: none"> Review risk assessment coverage Review sample of risk mitigation to check policies and procedures are followed Assess staff understanding of risk management and adequacy of risk management training for staff 		<ul style="list-style-type: none"> Corporate Risk management framework Risk assessment
Contingency planning	<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	<ul style="list-style-type: none"> Review adequacy / relevance and currency of contingency plans Review if plans have been tested and report on findings Identify any improvements that have been actioned as a result of testing of the contingency plans 		<ul style="list-style-type: none"> Contingency plans
Financial planning	<ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives The financial plan identifies the source of funds for capital expenditure and recurrent costs The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) 	<ul style="list-style-type: none"> Review adequacy and effectiveness of financial planning and reporting processes Review current financial plan and assess whether the process is being followed 		<ul style="list-style-type: none"> Financial Plan

Audit Area	Effectiveness Criteria	Approach	Systems	Key Documents
	<ul style="list-style-type: none"> The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 			
Capital expenditure planning	<ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates The plan provides reasons for capital expenditure and timing of expenditure The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	<ul style="list-style-type: none"> Review adequacy and effectiveness of capital planning processes through examination of application of process and example documents 	<ul style="list-style-type: none"> Spreadsheets for capital planning and prioritisation 	<ul style="list-style-type: none"> Capital expenditure planning process outline Value engineering documents Risk management applied to investment planning Program management documents Review of capex estimate v outturn
Review of AMS	<ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current Independent reviews (e.g., internal audit) are performed of the asset management system 	<ul style="list-style-type: none"> Determine when the asset management plan was last updated and assess whether any significant changes have occurred Determine whether any independent reviews have been performed. If so, review results and action taken Consider the need to update the asset management plan based on the results of this review Determine when the AMS was last reviewed. 		<ul style="list-style-type: none"> Asset management plans

2.4 Time period covered by the audit/review

This audit and review covers the period from 1 December 2011 to 30 November 2014.

The previous audit covered the period from 1 December 2008 to 30 November 2011 and was undertaken by Paxon Group. The Post Audit Implementation Plan was finalised by Rowcon.

2.5 Time period of the Audit/Review process

The audit/review commenced in October 2014 with preparation of the draft Audit Plan. Interviews with the Shire of East Pilbara's staff were carried out on 12 January 2015 and 15 January 2015 at the office of the Shire's Environmental Engineer, West Perth, and the Shire office in Newman, Western Australia respectively.

2.6 Details of the licensee representatives participating in the Audit/Review

Details of representatives from the Shire of East Pilbara who participated in the audit and review process are provided in Table 2-3 below.

Table 2-3 Details of licensee Representatives

Name	Organisation	Role
Allen Cooper	Shire of East Pilbara	Chief Executive Officer (CEO)
Sian Appleton	Shire of East Pilbara	Deputy CEO
Mel Rowe	Rowcon Pty Ltd	Environmental Engineer

2.7 Details of key documents and other information sources

- ▶ Operating Licence – Licence No 17, Version 3 – Shire of East Pilbara (18 November 2013)
- ▶ Operating Licence – Licence No 17 Version OL2 – Shire of East Pilbara (15 May 2009)
- ▶ 2011 Operational Audit and Asset Management Review of Newman - Non-Potable Water Supply, Sewerage Services (February 2009)
- ▶ Shire of East Pilbara - Operating Area (Sewerage Services)(Plan No.: OWR-OA-201(B))
- ▶ End User Service Charter for Newman Non-Potable Water Supply (May 2010)
- ▶ ERA letters (received over audit period)
- ▶ DER licence L6870/1993/12
- ▶ Department of Health WA Water reuse guidelines
- ▶ Department of Mines Dangerous Goods Licence SO 16829
- ▶ Financial asset register - 1314 Asset Register by Group - Detailed
- ▶ SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy
- ▶ Asset Management Plan for Newman Sewage Treatment Plant 2013
- ▶ SEP WWTP Newman Business Case for Expansion 1 10 2014 Final
- ▶ NEWMAN STP - FLOW DIAGRAM REV B
- ▶ SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx

- ▶ SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx
- ▶ SEP Asset Register Detailed SPARES LIST December 2014
- ▶ Newman Sewage Treatment Operations.xlsx – financial information
- ▶ Addendum Revision D – Regulatory and legislative requirement review
- ▶ Strategic Community Plan – Final 2013
- ▶ Newman Tomorrow V05 20/12
- ▶ Shire of East Pilbara Corporate Business Plan 10/05/2013 v3
- ▶ Long Term Financial Plan V3 03/2014
- ▶ Asset Management Strategy-Vsn2 12/13_Final
- ▶ Authorisations_and_Delegations_Manual_2014-2015
- ▶ Compliance reports 2011/12, 12/13, 13/14
- ▶ Performance reports 2011/12, 12/13, 13/14
- ▶ Policy Manual 2014
- ▶ Risk Management Strategy 2014
- ▶ Septic and sewage treatment plant operating manual Rev G 2014
- ▶ SoEP_Annual_Budget_14-15
- ▶ 2012 Asset Management System Review of Water Corporation
- ▶ Water Corporation and SEP Sewage Asset Transfer Agreement 1997
- ▶ Shire of East Pilbara Town Planning Scheme No. 4 (TPS4)
- ▶ SEPH_G__Guidelines_for_On-Site_Waste_Water_Treatment_System
- ▶ Septic Application June 2013
- ▶ Code_of_Conduct_2014

2.8 Details of Auditors participating in the Audit/Review and hours utilised

The audit/review team comprised the following staff members from Cardno. Details of their roles and hours utilised in the audit/review process are provided in the table below.

Table 2-4 Details of Audit / Review Team Members

Name	Organisation	Role	Summary of Task	Hours Utilised
John MacDonald	Cardno	Auditor	<ul style="list-style-type: none"> ▪ Prepare audit plan ▪ Undertake audit ▪ Prepare audit report 	100
Stephen Walker	Cardno	Reviewer	<ul style="list-style-type: none"> ▪ Review audit plan ▪ Review audit report 	20

3 Licensee's response to previous recommendations

In the previous operating licence audit and asset management review, a series of actions were recommended or suggested to improve the existing controls.

3.1 Previous audit non-compliances and recommendations

Details of the actions completed by the Shire of East Pilbara against each of the previous operational licence audit non-compliance and recommendations are presented in Table 3-1 below.

Table 3-1 Previous audit non-compliances and recommendations

A. Resolved before end of previous Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
B. Resolved during current Audit period				
Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
1/2012	Water License Number 17, Version OL2, Schedule 3, Clause 3.10 The previous audit noted the following:	The previous audit recommended the following: 1. An appropriate record should be kept of all disclosure and reporting requirements stipulated	17/03/2013	No further action required It was noted that the Shire submitted their

B. Resolved during current Audit period

<ul style="list-style-type: none"> ▪ The Annual Performance Report for the year ended 30 June 2010 was submitted late, as referred to in the ERA letter to the Shire dated 20 August 2010; ▪ This letter stated: <i>"As the performance report was submitted after the due date, it will need to be recorded as a noncompliance with Schedule 5, clause 2.1 in next year's compliance report (for the year ending 30 June 2011)."</i>; ▪ However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit mistakenly refer to the late submission of the Water Performance Report for the year ended 30 June 2011 and not 30 June 2010. 	<p>in the operating licence provided by the ERA to the Shire.</p> <p>Responsibility for compliance with these requirements should be allocated to a specific person who should pro-actively pursue it; and</p> <p>2. In addition, a proper record of all instances of non-compliance with licence conditions should be kept and be appropriately included in the Annual Compliance Report forwarded to the ERA.</p> <p>Section 9 of the Shire's Operations Manual (revision g 2014 and revision f 2012) sets out reporting and disclosure requirements with due dates.</p> <p>Correspondence appropriately retained on Shire's server within the AMS records.</p>	<p>2014 Compliance Report late (the due date was 1/9/15 and the ERA received the report on 25/9/15).</p> <p>Refer to recommendation A1-2015</p>
<p>The late submission of the Annual Performance Report for the year ended 30 June 2010 was in fact incorrectly recorded in the 2010 Annual Compliance Report (as the late submission only occurred after 30 June 2010);</p> <ul style="list-style-type: none"> ▪ The Annual Performance Report for the year ended 30 June 2011 was submitted late, as referred to in the ERA letter to the Shire dated 17 August 2011; ▪ This letter stated: <i>"As the performance report was submitted after the due date, it will need to be recorded as a non-compliance with Schedule 5, clause 2.1 in the compliance report for the year ending 30 June 2012."</i>; ▪ The Compliance Report for the year ended 30 June 2010 was submitted late as referred to in the ERA letter to the Shire dated 22 September 2010; ▪ This letter stated: <i>"Failure to provide the compliance report to the Authority by the due date is a noncompliance with the licence and this item should be included in the compliance report for the year ending 30 June 2011."</i>; and 		

B. Resolved during current Audit period

	<ul style="list-style-type: none"> However, the unsigned copy of the Compliance Report for the year ended 30 June 2011, as presented for audit did not include any reference to the late submission of the Compliance report for the year ending 30 June 2010. 			
2/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The Shire states, in paragraph 1.10 of its '<i>End-user Service Charter for Newman Non- Potable Water Supply – May 2010</i>' (Service Charter), it provides a: <i>"24 hour emergency contact services to receive advice of emergency situation."</i>; An emergency assistance telephone number is provided in the 'Service Charter'; Mr. Ken Giblett, the Works Supervisor for the Shire is the emergency contact officer; and However, only the office reception number is provided as an after-hours emergency services number on the Shire's website. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> The emergency assistance telephone number should be prominently disclosed on the Shire's website. 	31/03/2012	No further action required
3/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The Shire states in paragraph 2.8 of its Service Charter: <i>"...an officer of the Shire will personally respond within two business days of the complaint lodgment."</i>; and <i>"...complaints must be resolved within a period of 15 days."</i> <p>The Shire further states in paragraph 2.8 of its Service Charter: <i>"If not satisfied with the Shire's response, or if the matter has not been resolved within a period of 15 days the complainant may refer the matter to the Department of Water."</i></p>	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> The Service Charter should be amended to indicate complaints must be resolved within a period of 15 business days, as stipulated in Schedule 3 to the Operating Licence, and not 15 days as currently stated. 	NA	Not Applicable. The Charter is no longer a licence requirement.
4/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The Shire does not have a complaints register in place. <p>However, a properly compiled '<i>Complaint Registration</i>' form does exist.</p>	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> The '<i>Complaint Registration</i>' forms should be sequentially numbered and filed to help provide an audit trail in respect of complaints received; and 	08/11/2012	No - The Shire has implemented a complaints management system module within the

B. Resolved during current Audit period

	<p>This form provides for the capture of an appropriate level of detail in respect of lodged complaints. But, the form is not prenumbered.</p>	<ul style="list-style-type: none"> A database should be setup to record complaints. 		current SynergySoft operating system.
5/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The Shire states in paragraph 2.8 of its Service Charter: <i>"The shire has a written complaints procedure in place and an officer designated to record complaints and to coordinate a response.";</i> No complaints procedure manual exists. <p>However, supporting forms to the 'Complaint Registration' form exist. These forms deal with:</p> <ul style="list-style-type: none"> Complaint Resolution; Closure; and Non-Closure of complaints. <p>As such, it guides the user to follow a structured process to resolving the complaint; and</p> <ul style="list-style-type: none"> As stated above, no complaints procedure manual exist to emphasise the obligations to: <ul style="list-style-type: none"> Promptly co-operate with the Department of Water's request during the process of investigation and conciliation of complaints; and Provide the Department of Water with stipulated information upon request. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> A specific person should be allocated the task to: <ul style="list-style-type: none"> Promptly cooperate with the Department of Water's request during the process of investigation and conciliation of complaints; Provide the Department of Water with stipulated information upon request; and A complaints procedure manual should be compiled and be implemented. 	17/12/2014	Resolved
6/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> The Shire states in paragraph 2.2 of its Service Charter: <i>"In addition, Council meeting agendas always include an item for discussion/comment on the wastewater services. The dates of Council meetings are advertised in local newspapers and are generally open to members of the public who may ask questions at set times during meetings.";</i> 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> Due to the specific circumstances of the Shire, it may be beneficial to consult the ERA as to the type and extent of customer consultation to be undertaken. 	22/02/2014	Not Applicable – licence conditions have changed

B. Resolved during current Audit period

- An examination of Minutes of Council Meetings held during the 2011 calendar year disclosed only on one occasion was public question time used.

As such, this appears to be an ineffective medium to use for customer consultation;

- No meetings with customers take place on a regular basis;
- No simple newsletter, providing basic information about the licensee's operations is published;
- On an annual basis, a '*Principal Activities Plan*' (Plan) is compiled.

This plan sets out the Shire's future activities and budgets. This Plan is approved at a Council meeting which customers may attend. The meeting is advertised in the local newspaper;

- At present the Shire has only four customers which utilises its non-potable water supply services; and
- The Shire did not consult the ERA in respect of the type and extent of customer consultation to be undertaken.

7/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> ▪ The Shire states in paragraph 1.6 of its Service Charter: <i>"All non Shire end users will be required to sign a end user agreement setting out the terms and conditions embodied in this charter."</i>; ▪ At present the Shire has only four customers which utilises its non-potable water supply services. These four customers are: <ul style="list-style-type: none"> – Newman Turf Club Inc.; – St John Ambulance Australia (WA); – Newman Lion's Club; and – Newman Senior High School. ▪ With the exception of the Newman Senior High School, '<i>Agreements to Supply Non Potable Water</i>' was entered into with all other customers. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> ▪ The Shire enters into an '<i>Agreement to Supply Non Potable Water</i>' with the Newman Senior High School at the earliest opportunity. 	31/05/2012	No further action required
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B. Resolved during current Audit period

8/2012	<p>The previous audit noted the following:</p> <ul style="list-style-type: none"> As per the 'Water Compliance Manual Datasheets' for the respective years: <ul style="list-style-type: none"> 100% of customer complaints were resolved within 15 business days during the 2010 – 2011 reporting year; 100% of customer complaints were resolved within 15 business days during the 2009 – 2010 reporting period; and 100% of customer complaints were resolved within 15 business days during the 2008 – 2009 reporting year. The Shire confirmed, in actual fact, no complaints were recorded during the audit period. 	<p>The previous audit recommended the following:</p> <ul style="list-style-type: none"> The Shire should rather disclose no complaints were received during the audit period (nil return) than converting the absence of complaints to a 100% success rate. 	24/07/2012	No further action required
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C. Unresolved at end of current Audit period

Reference (no./year)	(Compliance rating/ Legislative obligation / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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3.2 Previous review ineffective components and recommendations

Details of the actions completed by the Shire of East Pilbara against each of the previous asset management system review recommendations are presented in Table 3-2 below.

Table 3-2 Previous review ineffective components and recommendations

A. Resolved before end of previous Review period				
Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
A1/2012	Asset Planning The previous review noted the following:	The previous review recommended the following:	17/03/2013	No further action required
	<ul style="list-style-type: none">Operation, maintenance, regulatory requirements etc of the WWTP and Effluent Reticulation/ Distribution System respectively be contained in two separate documents or as distinct sections of a single AMP document.That all material be appropriately titled and included in a logical sequence within the brochure and all areas appropriately cross referenced.	<ul style="list-style-type: none">Requires minor editing and rearrangement as discussed with Consultant.Requires minor re-arrangement as discussed with Consultant.		
A2/2012	Asset Planning The previous review noted the following:	The previous review recommended the following:	17/03/2013	No further action required
	<ul style="list-style-type: none">That a general arrangement plan of the plant which identifies major items of equipment should be included in the AMB. Similarly, an organisation diagram showing lines of responsibility and general duties should be provided.	<ul style="list-style-type: none">Plan provided but not organization diagram.		
A3/2012	Environmental Analysis The previous review noted the following:	The previous review recommended the following:	17/03/2013	No further action required
	<ul style="list-style-type: none">Whilst identifying licence changes as possible impacts on the regulatory environment, only plant inflow variations are identified as factors impacting the physical environment of the plant. Other factors such as power or equipment failure,	<ul style="list-style-type: none">The process to identify the physical factors associated with the operating environment of the plant should be broadened to coincide with the factors dealt with in the risk analysis / management and contingency plans.		

A. Resolved before end of previous Review period

	fire, etc are mentioned in the later risk analysis, but not at the operating environment analysis stage.	The action was the responsibility of MC Rowe.		
	Asset Management Information System The previous review noted the following: <ul style="list-style-type: none"> It is noted that copies of various correspondence, reports, completed check lists and test results etc related to the treatment plant are held by various persons and at different locations. 	The previous review recommended the following: <ul style="list-style-type: none"> That Council gives consideration to scanning all relevant information (held at various locations by different treatment plant related staff) and filing within the Synergy system to enable all relevant operations and other information to be accessed at a single source, and distributed to others and Authorities as appropriate. 		
A4/2012	However, there is no single source where all this information is available. Reviewer's opinion is that electronic copies of all information should be placed on the Synergy system software so that a complete picture of all available information is promptly available from a single central source.	This recommendation is not intended to remove hard copy information from those who currently produce or require it.	17/03/2013	No further action required

B. Resolved during current Review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Date resolved	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
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C. Unresolved at end of current Review period

Reference (no./year)	(Asset management effectiveness rating / Asset Management System Component & Criteria / details of the issue)	Auditor's recommendation or action undertaken	Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable
A5/2012	<p>Contingency Planning</p> <p>The previous review noted the following:</p> <p>There are no written procedures associated with the occurrence of most of the events listed in the Risk Register.</p> <p>For example: what action and/or reporting, should be followed by the operator in the event of a power or equipment failure, fire, cyclonic threat etc. What are the procedures for by-pass to the storage or the temporary disposal area?</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> The contingency plans for each identified risk should be detailed as requested in the 2008 review. 	<p>Yes – Contingency plans (Section 6 & 8 of the Operations Manual) does not include contingency plans for each identified risk</p> <p>(refer to recommendation R8-2015)</p>
A6/2012	<p>Review of Asset Management System</p> <p>The previous review noted the following:</p> <p>It is accepted that the assets are well managed and that few (if any) changes occur between independent reviews – prior to which the asset management plan is often revised and re-issued; and</p> <p>However this practice, while probably adequate, does not comply with the Licence requirement for regular reviews to be undertaken. An appropriate review by an individual familiar with the overall operations of the plant should not require more than an hour or so to conduct.</p>	<p>The previous review recommended the following:</p> <ul style="list-style-type: none"> It is recommended that Council's consultant undertake an appropriate review annually and sign off with a note to file verifying that the system is up to date and noting any amendments made. 	<p>Yes – (AMP 2014) / Asset Manual to include an appropriately detailed sign off and document control sheet at front of document</p> <p>(refer to recommendation R10-2015)</p>

4 Performance summary

The performance audit is summarised in a table with adequacy of control and compliance rating. The table includes all applicable compliance reporting items and are numbered according to the ERA's Water Compliance Reporting Manual, April 2014. Description of the rating scale and outcomes of the performance audit is provided in the following sections.

4.1 Assessment rating scales

In accordance with the Audit Guidelines, an assessment of the performance of the Shire of East Pilbara was completed using the rating scale in Table 4-1 and asset management system effectiveness using the rating scales in Table 4-2 and Table 4-3.

Table 4-1 Audit compliance and controls rating scales

Adequacy of Controls Rating		Compliance Rating	
Rating	Description	Rating	Description
A	Adequate controls – no improvement needed	1	Compliant
B	Generally adequate controls – improvement needed	2	Non-compliant – minor impact on customers or third parties
C	Inadequate controls – significant improvement required	3	Non-compliant – moderate impact on customers or third parties
D	No controls evident	4	Non-compliant – major impact on customers or third parties

Table 4-2 Asset management process and policy definition adequacy rating

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

Rating	Description	Criteria
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system(s) is not fit for purpose (taking into consideration the assets that are being managed).

Table 4-3 Asset management performance ratings

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

4.2 Operational audit compliance summary

Table 4-4 provides a summary of the Shire of East Pilbara's compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant.

Na = Not applicable - Determined during the audit that the compliance obligation does not apply to the licensee's business operations

Nr = Not rated - No relevant activity took place during the audit period, therefore it is not possible to assess compliance.

Table 4-4 Audit obligation ratings

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
Water Services Licensing Act 1995													
2012/7	Clause 20.1	2		✓				✓					
2012/9	Clause 6.1	4					✓	✓					
2012/11	Schedule 3 Clause 3.8	4					✓	✓					
2012/13	Schedule 3 Clause 3.9(b)(b)	5					✓	✓					

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	N r	
2012/14	Schedule 3 Clause 3.2 (d)	4					NA						✓	
2012/16	Schedule 3 Clause 3.10	4					✓	✓						
2012/17	Schedule 3 Clause 3.6	4					✓							✓
2012/18	Schedule 3 Clause 3.7	4					✓							✓
2012/19	Clause 7.1	4					✓	✓						
2012/20	Schedule 3 Clause 2.5	4					✓	✓						
2012/21	Schedule 3 Clause 2.6 or 2.7	5					✓	✓						
2012/22	Schedule 3 Clause 2.7 or 2.8	4					✓	✓						
2012/23	Clause 8	4					✓	✓						
2012/24	Schedule 3 Clause 4.1	4					NA						✓	
2012/25	Schedule 3 Clause 4.2	4					✓	✓						
2012/26	Schedule 3 Clause 4.3	4					✓							✓
2012/28	Schedule 3 Clause 4.5 Sewerage licensee	N/a					✓							✓
2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	4					✓	✓						
2012/32	Schedule 3 Clause 6	4					✓							✓
2012-	Schedule 6 Clause 2.1	4					✓	✓						
2012-	Schedule 6 Clause 2.2	4					✓	✓						
2012-	Schedule 6 Clause 2.3	4					✓							✓
Fees (Clause 4)														
155	Clause 4	5					✓							✓
Compliance (Clause 5)														
156	Clause 5.1	4		✓					✓					
Water Services Act 2012														
10	Clause 5.2	4					NA						✓	
11	Clause 5.3	4					NA						✓	
159	Clause 5.4	4					✓							✓
13	Section 36	4					✓							✓

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
		A	B	C	D	NP	1	2	3	4	Na	N r		
16	Section 77(3)	4					✓	✓						
17	Sections 82(4) & (5)	4					✓	✓						
18	Section 84(2)	4					✓						✓	
19	Section 87(2)	4					✓						✓	
20	Section 90(7)	5					✓						✓	
21	Section 95(3)	2					NA					✓		
22	Section 96(1)	4					NA					✓		
23	Section 96(5)	5					NA					✓		
24	Section 98(3)	4					✓						✓	
25	Section 106(2)	4					NA					✓		
28	Section 119(2)	4					✓						✓	
29	Section 122(2)	4					✓						✓	
30	Section 125(2)	4					NA					✓		
31	Section 128(4)	4					✓						✓	
32	Section 129(5)	4					✓	✓						
33	Section 139(3)	4					✓						✓	
34	Section 141(1)	4					NA					✓		
35	Sections 142	4					✓						✓	
36	Sections 143 (2)	4					✓						✓	
37	Sections 143 (3)	5					✓						✓	
38	Sections 144(3)	4					✓						✓	
39	Section 145(2)	5					✓						✓	
40	Section 147(3)	4					✓						✓	
41	Section 147(4)	4					✓						✓	
42	Section 151(1)	4					✓	✓						
43	Section 151(2)	4					✓						✓	
44	Section 152(3)	4					✓						✓	
45	Section 153(3)	4					✓						✓	
46	Section 166(5)	4					✓						✓	
47	Section 166(6)	4					✓						✓	
48	Section 170	4					✓						✓	

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating					
			A	B	C	D	NP	1	2	3	4	Na	Nr
49	Section 173(4)	4					✓	✓					
50	Section 174(1)	4					✓	✓					
51	Section 174(3)	4					✓	✓					
52	Section 175(2)	4					✓						✓
53	Section 175(5)	4					✓						✓
54	Section 176(1)	4					✓						✓
55	Section 176(3)	4					✓						✓
56	Section 176(4)	4					✓						✓
57	Section 181	5					✓						✓
58	Section 186	4					✓						✓
59	Section 187(1) – (3)	4					✓						✓
60	Section 190(4)	4					✓						✓
61	Section 190(5)	4					✓						✓
62	Section 210(5)	4					✓						✓
63	Section 218(2)	5					✓						✓
64	Section 218(3)	4					✓						✓
	Water Services Regulations 2013												
74	Regulation 60(2)	4					✓						✓
75	Regulation 63	4					✓						✓
89	Regulation 85	4					✓						✓
157	Clause 5.2	4					NA					✓	
158	Clause 5.3	4					NA					✓	
	Water Services Act 2012												
	Accounting Records (Clause 12)												
160	Section 12	5					✓	✓					
	Individual Performance Standards (Clause 13)												
161	Section 12	4					NA					✓	
	Operational Audit (Clause 14)												

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
9	Section 25	4					✓	✓						
162	Section 12	4					✓	✓						
	Reporting a Change in Circumstance (Clause 15)													
163	Section 12	4					✓							✓
164	Section 12	4					✓							✓
	Provision of Information (Clause 16)													
165	Section 12	5		✓					✓					
166	Section 12	5		✓					✓					
167	Section 12	5					✓	✓						
	Publishing Information (Clause 17)													
168	Section 12	4					✓							✓
	Notices (Clause 18)													
169	Section 12	4					✓	✓						
	Asset Management System (Clause 20)													
170	Section 12	4					NA						✓	
171	Section 12	4					✓							✓
172	Section 12	4					✓	✓						
6	Sections 24(1)(a) & 24(2)	5					✓	✓						
7	Section 24(1)(b)	4					NA						✓	
8	Section 24(1)(c)	4					✓	✓						
	Water Services Ombudsman Scheme (Clause 21)													
173	Section 12	4					✓	✓						
15	Section 66	4					✓	✓						
	Standard Terms & Conditions of Service (Clause 22)													
174	Section 12	4					NA						✓	

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
	Customer Contract (Clause 23)													
175	Section 12	5					✓							✓
176	Section 12	5					✓							✓
177	Section 12	5					✓							✓
178	Section 12	5					✓							✓
	Non Standard Terms & Conditions of Service (Clause 24)													
179	Section 12	5					✓	✓						
180	Section 12	5					✓	✓						
	Supplier of Last Resort (Clause 25)													
181	Section 12	4					NA						✓	
14	Section 60	4					NA						✓	
	Duties of the licensee (Clause 26)													
12	Section 29	4		✓						✓				
	Provision of Water Services (Clause 27)													
1	Section 21(1)(a)	4					NA						✓	
2	Section 21(1)(b)	4					✓	✓						
3	Section 21(1)(c)	4					✓	✓						
	Provision of Water Services Outside Operating Area (Clause 28)													
182	Section 12	4		✓						✓				
4	Section 22	4		✓						✓				
	Works Holding Arrangements (Clause 29)													
5	Section 23	4		✓						✓				
	Hardship Policy (Clause 30)													
183	Section 12	4					NA						✓	

Compliance Obligation Ref No. (2014 Water Compliance Reporting Manual unless noted otherwise)	Licence Reference	Audit Priority applied (rated 1 (Highest) to 5 (Lowest))	Adequacy of Controls Rating					Compliance Rating						
			A	B	C	D	NP	1	2	3	4	Na	Nr	
Memorandum of Understanding (Clause 31)														
184	Section 12	N/A					NA							✓
185	Section 12	N/A					NA							✓
186	Section 12	N/A					NA							✓
Performance Standards (Schedule 3)														
190	Section 9	N/A					NA							✓

4.3 Asset management review effectiveness summary

The asset management system review assessed the effectiveness of the asset management system in delivering the services as required under the operating licence.

The review was conducted utilising the asset management adequacy and performance ratings as outlined in the Audit Guidelines. A summary of the outcomes of the review is provided in Table 4-5.

Table 4-5 Asset management review effectiveness summary

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
Asset planning	B	2
▪ Asset management plan covers key requirements	B	2
▪ Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning	B	2
▪ Service levels are defined	B	2
▪ Non-asset options (e.g. demand management) are considered	B	2
▪ Lifecycle costs of owning and operating assets are assessed	B	2
▪ Funding options are evaluated	B	2
▪ Costs are justified and cost drivers identified	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> Likelihood and consequences of asset failure are predicted 	B	2
<ul style="list-style-type: none"> Plans are regularly reviewed and updated 	B	2
Asset creation/acquisition	A	2
<ul style="list-style-type: none"> Full project evaluations are undertaken for new assets 	A	2
<ul style="list-style-type: none"> Evaluations include all life-cycle costs 	A	2
<ul style="list-style-type: none"> Projects reflect sound engineering and business decisions 	A	1
<ul style="list-style-type: none"> Commissioning tests are documented and completed 	B	2
<ul style="list-style-type: none"> Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood 	B	2
Asset disposal	A	1
<ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process 	A	2
<ul style="list-style-type: none"> The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken 	A	1
<ul style="list-style-type: none"> Disposal alternatives are evaluated 	A	2
<ul style="list-style-type: none"> There is a replacement strategy for assets 	B	2
Environmental analysis	B	2
<ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed 	B	2
<ul style="list-style-type: none"> Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved 	B	2
<ul style="list-style-type: none"> Compliance with statutory and regulatory requirements 	B	2
<ul style="list-style-type: none"> Achievement of customer service levels 	B	2
Asset operations	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required 	B	1
<ul style="list-style-type: none"> Risk management is applied to prioritise operations tasks 	B	2
<ul style="list-style-type: none"> Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data 	B	2
<ul style="list-style-type: none"> Operational costs are measured and monitored 	B	2
<ul style="list-style-type: none"> Staff resources are adequate and staff receive training commensurate with their responsibilities 	A	1
Asset maintenance	B	2
<ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required 	B	2
<ul style="list-style-type: none"> Regular inspections are undertaken of asset performance and condition 	B	2
<ul style="list-style-type: none"> Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule 	A	2
<ul style="list-style-type: none"> Failures are analysed and operational / maintenance plans adjusted where necessary 	B	2
<ul style="list-style-type: none"> Risk management is applied to prioritise maintenance tasks 	B	2
<ul style="list-style-type: none"> Maintenance costs are measured and monitored 	B	1
Asset management information system	A	2
<ul style="list-style-type: none"> Adequate system documentation for users and IT operators 	B	2
<ul style="list-style-type: none"> Input controls include appropriate verification and validation of data entered into the system 	A	2
<ul style="list-style-type: none"> Logical security access controls appear adequate, such as passwords 	A	1

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> Physical security access controls appear adequate 	A	2
<ul style="list-style-type: none"> Data backup procedures appear adequate and backups are tested 	A	2
<ul style="list-style-type: none"> Key computations related to licensee performance reporting are materially accurate 	B	2
<ul style="list-style-type: none"> Management reports appear adequate for the licensee to monitor licence obligations 	B	1
Risk management	B	2
<ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system 	B	2
<ul style="list-style-type: none"> Risks are documented in a risk register and treatment plans are actioned and monitored 	B	2
<ul style="list-style-type: none"> The probability and consequence of risk failure are regularly assessed 	B	2
Contingency planning	B	2
<ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks 	B	2
Financial planning	B	2
<ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives 	B	2
<ul style="list-style-type: none"> The financial plan identifies the source of funds for capital expenditure and recurrent costs 	B	2
<ul style="list-style-type: none"> The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) 	B	2
<ul style="list-style-type: none"> The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period 	B	2

Asset Management System Component	Asset management process and policy definition adequacy rating	Asset management performance rating
<ul style="list-style-type: none"> The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services 	B	2
<ul style="list-style-type: none"> Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary 	B	2
Capital expenditure planning	B	2
<ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates 	B	2
<ul style="list-style-type: none"> The plan provides reasons for capital expenditure and timing of expenditure 	A	2
<ul style="list-style-type: none"> The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan 	B	2
<ul style="list-style-type: none"> There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned 	B	2
Review of AMS	B	2
<ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current 	B	2
<ul style="list-style-type: none"> Independent reviews (e.g., internal audit) are performed of the asset management system 	B	2

5 Observations

5.1 Performance audit observations

Table 5-1 Performance audit observations

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Water Services Licensing Act 1995						
<i>Note: These obligations have been superseded on 18 November 2013, when the current licence came in force.</i>						
<p>The licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p>Sch 4, CI 1.1 Telephone Answering – Emergency Response</p> <p>The licensee shall provide an emergency telephone advice system such that customers need make only one telephone call to report an emergency and that the customer shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Target:</p> <p>90% of customers within 1 hour of reporting an emergency shall be advised of the nature and timing of the action to be undertaken by the licensee.</p> <p>Sch 4, CI 1.2 Customer Complaints</p>	2012/7	Clause 20.1	2	<ul style="list-style-type: none"> The Shire gathers performance information on a daily basis. The weekly recording is sent for validation to licensee's Environmental consultant (Rowcon Pty Ltd) for review. Data is recorded on the Synergy Soft. This information is accumulated into annual reports which are presented to the Department of Environment and Conservation. This information also forms the basis for the provision of the performance information presented in terms of the Water Services Operating Licence. The data is also loaded onto the spreadsheet and issued to the DEC as part of that licence. Duplicate copies are stored on the system <p><u>Emergency response</u></p> <ul style="list-style-type: none"> The licensee defines emergency response for events raised by a customer regarding the WwTP and bursts to the non-potable water pipelines and associated works. The Shire has a 24-hour telephone service. 	<ul style="list-style-type: none"> Interviews with licensee staff Complaints Management System - Equiniti ICS Sewerage and Retic Complaint folder Customer complaint email correspondence dated 25 August 2012 regarding watering at Capi oval Performance reports (2012, 2013, 2014) 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p>Target:</p> <p>90% of customer complaints resolved within 15 business days.</p> <p>Sch 4, CI 3.1 Sewerage Service Standards</p> <p>Not applicable</p>				<ul style="list-style-type: none"> The front counter receives all calls during the business hours and these are re-directed to the appropriate department to address. Customer enquiries and complaints are recorded onto the Equiniti ICS (ICS) complaints management system module within the licensee's corporate system. Calls received afterhours can be logged into the system via email from a ranger or works officer to the Technical Services Administration Officer responsible for recording into ICS. After hour messages are transcribed into ICS. An automated afterhours message service provides redirection options to the emergency services, rangers or offers a message recording service. The afterhours Ranger service would assess the emergency and escalate the issue, if required, to the works team to address. Rangers perform regular patrols of the township, emergencies identified would then be directed to the works team to address if required. Emergency contact details are also provided on the website and on the licensee's Customer Service Charter. The licensee has reported no emergency calls related to the licensee's water services works. At audit we interrogated the ICS system for calls received related to the licensee's water services and confirmed that no requests for emergency services were raised. No emergency calls related to the water services were received in the audit period 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<u>Customer complaints</u> <ul style="list-style-type: none"> The Shire's policies and processes for managing customer complaints are addressed in other sections of this audit including obligations under the Water Services Code of Conduct (Customer Service Standards) 2012. At Audit, we interrogated the customer complaints registered in the licensee's customer Complaint Management Software, Equiniti ICS (ICS), as well as the Sewerage and Retic Complaint folder and identified that between 1 December 2011 and 30 November 2014, the Shire had received 1 complaint in August 2012 related to the operation of the non-potable water service at the school oval. This was not reported in the 2012-13 Compliance Report. It is noted that this complaint was resolved within 15 days, and as such is not considered a non-compliance because the performance target is about resolving a complaint within a timeframe and reporting to the ERA on time rather than incorrect reporting. 		
				<u>Continuity and overflows</u> <ul style="list-style-type: none"> The licensee does not have connected properties. Therefore, this obligation is not applicable. 		
The licensee must establish a customer complaints process as set out in Schedule 3.	2012/9	Clause 6.1	4	<ul style="list-style-type: none"> The licensee has an established customer complaints system using Equiniti ICS (ICS) complaints management system module within the corporate SynergySoft system. Complaints are logged in the Shire's complaint management system. Hard copy complaints regarding water services are 	<ul style="list-style-type: none"> Interviews with licensee staff Complaints Management System Records Lodging Customer Requests/ Complaints (PMB22) 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				stored in the Sewerage and Retic Complaint folder. <ul style="list-style-type: none"> A dedicated Technical Services Administration Officer is responsible for managing the complaints management system. The Officer is appropriately trained in complaints management through WALGA approved training. After hours Customer complaints relating to the licenced services provided by the Shire are managed under the licensee's Complaints Procedure set out in the Customer Service Charter. The Authority has exempt the licensee from the need to develop and maintain a Financial Hardship Policy. The 'Complaint Registration' forms are transcribed into ICS with sufficient detail to help provide an audit trail in respect of complaints received. The Shire has an afterhours telephone message and forwarding service. Complaints received through this service are emailed to Officer by email to enter into ICS system. Section 2.8 of the licensee's Customer Service Charter details the complaints procedure. 	<ul style="list-style-type: none"> Sewerage and Retic Complaint Forms Procedure (PMB22) Sewerage and Retic Complaint Forms Customer Service Charter Department of Water's disputes with your water service provider brochure Licensee's website Correspondence between ERA and licensee regarding Financial Hardship Policy. 	
The licensee must resolve customer complaints within 15 business days of the receipt of complaint or for matters to be considered by a Local Government Council within 5 business days after the first ordinary Council meeting following the 15 business day period.	2012/11	Schedule 3 Clause 3.8	4	<ul style="list-style-type: none"> The licensee has reported no complaints to the Authority. At audit, the licensee advised that a complaint was received 23 August 2012. On inspection of the internal email correspondence regarding the complaint, that a member of the public had raised concerns to the school regarding the 	<ul style="list-style-type: none"> Performance reports (2012, 2013, 2014) Complaints Management System Records Lodging Customer Requests/ Complaints (PMB22) 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				watering the oval with reuse water adjacent to the school near where children were playing. The school then contacted the Shire to make a complaint. <ul style="list-style-type: none"> From reviewing the correspondence regarding this complaint, the Auditor considers that actions undertaken by the Shire's staff was appropriate for resolving the incident within 15 days of receiving the complaint. Although the complaint was resolved within the specified timeframes, we were unable to identify if this was communicated back to the school. However, this requirement is not set out under schedule 3 of the Shire's licence. 	<ul style="list-style-type: none"> Sewerage and Retic Complaint Forms Procedure (PMB22) Sewerage and Retic Complaint Forms Customer Service Charter Sewerage and Retic Complaint records folder Email correspondence, notably SEP ERA Lic 17 Complaint 23rd August 2012.doc 	
The licensee must provide one trained staff who is authorised or has access to another officer who is authorised to make necessary decisions to respond to complaints.	2012/13	Schedule 3 Clause 3.9 (b)	5	<ul style="list-style-type: none"> A Technical Services Administration Officer is responsible for managing the complaints management system. The Officer is appropriately trained in complaints management through WALGA approved training course. Complaints relating to the sewerage service are forwarded in the first instance to the Director Technical Services. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
The licensee must provide an appropriate system to monitor and record the number, nature of and outcomes to complaints.	2012/14	Schedule 3 Clause 3.2 (d)	4	<ul style="list-style-type: none"> This obligation is not applicable as Clause 3.2 is not included in the licensee's previous licence. The Shire does however operate a complaints management system to monitor and record the number, nature of and outcomes to complaints. 	<ul style="list-style-type: none"> Complaints management system - Equiniti ICS Complaints Management System Records Lodging Customer Requests/ Complaints (PMB22) Sewerage and Retic Complaint Forms Procedure (PMB22) 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
					<ul style="list-style-type: none"> Sewerage and Retic Complaint Forms Sewerage and Retic Complaint records folder Customer Service Charter Interview with licensee staff 	
The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the complaint is a matter that relates to section 3.22 of the Local Government Act 1995.	2012/16	Schedule 3 Clause 3.10	4	<ul style="list-style-type: none"> Section 2.8 of the licensee's Customer Service Charter details the option to refer a disputed complaint to the Department of Water. Full contact details for the Department are provided in the Charter. Only one complaint was received in the audit period, this complaint was resolved in 15 days. Therefore, under schedule 3 clause 3.10, the licensee did not need to inform the customer of the option of referring their complaint to the Department of Water. 	<ul style="list-style-type: none"> Customer Service Charter 	1
The licensee must co-operate with the Department of Water's request for information concerning a disputed complaint.	2012/17	Schedule 3 Clause 3.6	4	<ul style="list-style-type: none"> The Shire did not receive any requests from the Department of Water to provide supplementary information or requests to consider alternative solutions to a complaint in the period being audited. There have been no disputed complaints referred to the Department of Water during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Sewerage and Retic Complaint records folder Review of complaints management system records 	NR
The licensee must, on request, provide complaints details to the Department of Water.	2012/18	Schedule 3 Clause 3.7	4	<ul style="list-style-type: none"> The Shire did not receive any requests from the Department of Water to provide supplementary information or requests to consider alternative solutions to a complaint in the period being audited. There have been no disputed complaints referred to the Department of Water during 	<ul style="list-style-type: none"> Interviews with licensee staff Review of complaints management system records 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				the audit period. Therefore, this obligation is not able to be rated.	<ul style="list-style-type: none"> Sewerage and Retic Complaint records folder 	
The licensee must establish a Customer Service Charter as set out in Schedule 3.	2012/19	Clause 7.1	4	<ul style="list-style-type: none"> A Customer Service Charter has been established in accordance with the ERA's guidelines and Schedule 3 of licence number 17, OL2 and was approved by the Authority on 15 May 2009 and subsequently on 21 May 2010. The current version of the Customer Service Charter was approved by the ERA on 21 May 2010. The ERA advised that they issued a letter that provided an extension of 12 months (until 2014) for the Customer Service Charter that was due to be reviewed on 21 May 2013. Eventually, the review was not required due to the introduction of the new Water Services Act 2012, which came into force on 18 November 2013 Correspondence from the Authority dated 22 April 2014 sets out that the licensee is no longer obliged to implement the actions identified in the updated post-implementation audit plan related to customer charter and customer consultation. The Customer Service Charter has been reviewed and amended December 2014. The licensee advised that it will retain a Customer Service Charter as it forms a component of customer agreements and it will be used to continue to inform its customers and aid in demonstrating achievement of its requirements under the Water Services Code of Conduct (Customer Service Standards) 2013. 	<ul style="list-style-type: none"> ERA Approval notice dated 21 May 2012 Customer Service Charter , 2009 and Draft 2014 Approval correspondence from the Authority dated 21 May 2010 Correspondence from the Authority dated 22 April 2014 – Updated Post-Audit Implementation plan 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<p>The licensee must make the Customer Service Charter available to its customers in the three ways detailed in their licence.</p> <p>(a) By prominently displaying it in those parts of the licensee's offices to which customers regularly have access</p> <p>(b) By providing a copy, upon request, and at no charge, to the customer; and</p> <p>(c) By sending a current copy, or a summary document approved by the Authority, to all customers at least once in every three year period or as agreed with the Authority.</p>	2012/20	Schedule 3 Clause 2.5	4	<ul style="list-style-type: none"> Customer Service Charter is available on the internet, at the administration office and can be requested at no charge. The Customer Service Charter was not displayed in the Shire's reception at the time of the audit. However, this obligation was only in effect until November 2013. The Customer Service Charter is appended to the Shire's agreements to provide non-potable water services. The licensee advised that a copy of this agreement is sent to the relevant customers every two to three years. Customer Service Charter brochure is distributed to customers every two years with the rates notice. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Customer Service Charter brochure attached to Rates bills. 	1
<p>The licensee must review its Customer Service Charter at least once in every three year period.</p>	2012/21	Schedule 3 Clause 2.6 or 2.7	5	<ul style="list-style-type: none"> The latest review of the Customer Service Charter was approved by the Authority 21 May 2010. The Customer Service Charter was due to be reviewed and submitted by 21 May 2013 as identified in approval correspondence from the Authority dated 21 May 2012. This review was not completed as specified by the Authority within timeframes identified. The ERA advised that they issued a letter that provided an extension of 12 months (until 2014) for the charter that was due to be reviewed on 21 May 2013. Eventually, the review was not required due to the introduction of the new Water Services Act 2012, which came into force on 18 November 2013 	<ul style="list-style-type: none"> Approval correspondence from the Authority dated 21 May 2010 Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> Many of the matters covered by the Customer Service Charter are now contained in the Water Services Code of Conduct (Customer Service Standards) 2013 and the licensee has opted to retain the current (2014) version of the Customer Service Charter. 		
The licensee must provide its services consistent with its Customer Service Charter.	2012/22	Schedule 3 Clause 2.7 or 2.8	4	<ul style="list-style-type: none"> The Customer Service Charter reflects the relevant conditions outlined in the licence version OL2. The licensee operates with the intention to provide services as outlined in the licence and in the Customer Service Charter. Processes are in place to guide the operation of the licensee's waster services to meet the requirements outlined in the Customer Service Charter and licence. We have seen no instances of where the licensee has provided its services inconsistent with the Customer Service Charter. The licensee advised that it will retain a Customer Service Charter as it forms a component of customer agreements and it will be used to continue to inform its customers 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	1
The licensee must establish customer consultation processes as set out in Schedule 3.	2012/23	Clause 8	4	<ul style="list-style-type: none"> The licensee publishes a simple brochure attached to every relevant rates bill providing basic information about the operations of wastewater services. The licensee holds an annual electors meeting to review the previous 12 months of operations. This annual meeting provides a forum for customer consultation and feedback. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter Wastewater service information brochure 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee conducts council meetings monthly that can be attended by the general public. Public questions can be taken at the general meetings. Agendas and minutes are downloadable from the licensee's website and public question time is a fixed agenda item. We consider that the above two items meet the requirements of Clause 4.1(b)(ii) and (iii) of Schedule 3 of the Licence (Version 3). Due to the change in legislation 18 November 2013 (the Water Services Act 2012) and the licence according to the 2012 Act the licensee is no longer obliged to implement the actions identified in the updated post-implementation audit plan related to customer charter and customer consultation. This was also reflected in correspondence from the Authority dated 22 April 2014. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community. 		
The licensee may either establish a Customer Council or institute at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	2012/24	Schedule 3 Clause 4.1	4	<ul style="list-style-type: none"> The licensee conducts council meetings monthly that can be attended by the general public. Public questions can be taken at the general meetings. Agendas and minutes are downloadable from the Shire's website. However, in order for the Council meetings to qualify as a forum for consultation, the agenda needs to include a regular item to discuss the sewerage and non-potable water services. The Shire states in paragraph 2.2 of its Customer Service Charter: 	<ul style="list-style-type: none"> Review of Customer Service Charter Review of sample of Council meeting agendas and minutes 2013-14 Interviews with licensee staff Correspondence from the Authority dated 22 April 2014 – Updated Post-Audit Implementation plan 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> “In addition, Council meeting agendas always include an item for discussion/comment on the wastewater services. The dates of Council meetings are advertised in local newspapers and are generally open to members of the public who may ask questions at set times during meetings.” The Shire stated no meetings with customers take place on a regular basis On an annual basis, a ‘Principal Activities Plan’ (Plan) is compiled. This plan sets out the Shire’s future activities and budgets therefore. This Plan is approved at a Council meeting which customers may attend. The meeting is advertised in the local newspaper The licensee advised that no member of the public has raised an issue during the public question time of Council Meetings. At audit we reviewed a sample of Minutes of Council Meetings held during a calendar year and identified no records of public questions or comments were raised. Due to the change in legislation 18 November 2013 (the Water Services Act 2012) and the licence according to the 2012 Act the licensee is no longer obliged to implement the actions identified in the updated post-implementation audit plan related to customer charter and customer consultation. This was also reflected in correspondence from the Authority dated 22 April 2014. We note however that this obligation is no longer in effect and also that the licensee has a close working relationship with its community. 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
The licence must consult the Authority on the type and extent of consultation to be adopted by the licensee.	2012/25	Schedule 3 Clause 4.2	4	<ul style="list-style-type: none"> There has been no change to the type and extent of the customer consultation undertaken by the licensee from those detailed within the Customer Service Charter that was approved by the Authority in May 2010. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	1
The licensee must, if at the request of the Authority, establish other forums for consultations, to enable community involvement in issues relevant to licence obligations.	2012/26	Schedule 3 Clause 4.3	4	<ul style="list-style-type: none"> The Shire was not requested by the ERA to establish a forum for consultation during the audit period. We reviewed the available correspondence between the Shire and the Authority over the audit period and confirmed that no request was made. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of available correspondence from the licensee at time of audit 	NR
The licensee must prior to making a major change to the operation of a water service hold a public meeting and seek written submissions.	2012/28	Schedule 3 Clause 4.5 Sewerage licensee	N/a	<ul style="list-style-type: none"> The licensee has not made a major change to the operation of its water service during the audit period. Therefore, this obligation cannot be rated It was noted that the licensee is currently implementing works to improve treatment capacity with the construction of a new clarifier (currently being constructed). These works are not considered to be a significant expansion to the water services it provides. This project is part of the Newman Wastewater Treatment Plant Upgrade and Expansion project. A detailed expansion strategy was prepared and approved through Council in April 2013 outlining the required infrastructure to accommodate proposed town population growth scenarios. A detailed business case for the required upgrade and expansion was approved by Council in January 2014. For these documents to be approved by Council they 	<ul style="list-style-type: none"> Interviews with licensee staff SEP Newman Sewerage Treatment Plant Capacity Report, April 2013 Business case proposal for Newman Wastewater treatment Plant Upgrade and Expansion. 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				must have gone through Council Meetings and be open to public comment. <ul style="list-style-type: none"> The licensee has advised the Authority of the current works undertaken under the upgrade and expansion project on 2 January 2015. 		
The licensee must allow customers to raise matters of concern regarding Council public question time in accordance with the Local Government Act 1995.	2012/29	Schedule 3 Clause 4.6 LGA sewerage providers	4	<ul style="list-style-type: none"> The licensee makes allowance for public question time during all monthly Council meetings. It was advised that no matters of concerns regarding the licensee's water services have been raised at questions time. At audit we reviewed a sample of Council meeting minutes and confirmed that no matters relating to the licensee's water services had been raised. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of a sample of Council minutes 	1
The licensee must conduct a customer survey if directed to by the Authority.	2012/32	Schedule 3 Clause 6	4	<ul style="list-style-type: none"> The Shire advises that they have not received direction from the ERA to conduct a customer survey. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must set out in writing its conditions for connection and make it available to people enquiring or applying for connection.	-	Schedule 6 Clause 2.1	4	<ul style="list-style-type: none"> The licensee does not have sewer connections as it does not provide a sewerage collection service. Water Corporation provides sewerage collection services to the Newman Township under water services operating licence WL 32. The only connection to the licensee's sewerage treatment and disposal service is from the Water Corporation owned and operated rising main and headworks. An asset transfer agreement between the licensee and Water Corporation was signed on 11 August 1997 which sets out obligations on both parties. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> ▪ The licensee provides a non-potable water service to a small number of users in the township without charge. ▪ The non-potable reticulation system is owned by BHP. ▪ Section 2.5 of the licensee's Customer Service Charter outlines the conditions for connection to the non-potable water system. ▪ Conditions for connection to the non-potable service are addressed during the building application process on a case-by-case basis. ▪ The licensee advised that in general, the Shire does not provide connection for residential properties to the non-potable water supply service. Land owners are not entitled to the non-potable water supply service as they do not pay a water service charge for it. ▪ Applications for connection to the non-potable water supply reticulation network are primarily received from land developers for the irrigation of road verges, gardens and public open spaces. ▪ The Shire receives a very small number of applications. Applications are managed on a case-by-case basis and in accordance with Department of Health requirements. ▪ The Shire advised that at the time of initial enquiry the applicant is directed to Customer Service Charter which sets out the Shires conditions. The charter forms part of the agreement. ▪ Expansion of the non-potable water supply service to accommodate new connections requires application by the Shire to the 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Department of Health on behalf of a new end user. <ul style="list-style-type: none"> All users of the non-potable water supply services are required to enter into an Agreement to Supply Non Potable Water. The Customer Service Charter is attached to this agreement as a condition of agreement. 		
The licensee must ensure that its services are available for connection on any land in the Operating Area subject to compliance with the Shire's conditions.	-	Schedule 6 Clause 2.2	4	<ul style="list-style-type: none"> The licensee's Operating Area as defined by plan reference OWR-OA-201(A) as the parcel of Crown Reserve 45776 Windell, Location 144 surrounding the sewage treatment plant. The licensee makes services available for connection on any land in the Operating Area in accordance with the conditions set out in the Customer Service Charter. Section 2.5 of the licensee's Customer Service Charter restricts new connections to its non-potable water reticulation system on a case-by-case basis and in alignment with the requirements of the DoH application for approval of a recycled water scheme. The licensee complies with this obligation although it is noted that non-potable water supply services are provided outside of the current Operating Area. 	<ul style="list-style-type: none"> Review of operating area appended to water licence 17, version OL2 	1
The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.	-	Schedule 6 Clause 2.3	4	<ul style="list-style-type: none"> The licensee advised that it has not discontinued a service on the basis of commercially viability. Therefore, this obligation cannot be rated. Section 2.6 of the licensee's Customer Service Charter sets out the terms of disconnection of a user from the non-potable water service which are also reflected in 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				individual agreements to supply non-potable water to the user. <ul style="list-style-type: none"> The licensee advises that it disconnected the Racecourse under its agreement for provision of services due to concerns over the user's ability to comply with public health or environmental health requirements for the supply of non-potable water services. 		
Fees (Clause 4)						
The licensee must pay the applicable fees in accordance with the Regulations.	155	Clause 4	5	<ul style="list-style-type: none"> The licensee has not been required to pay any applicable fees (as per Schedule 4 of the Water Service Regulations 2013) during the audit period. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Compliance (Clause 5)						
Subject to any modifications or exemptions granted pursuant to the Act, the licensee must comply with any applicable legislation.	156	Clause 5.1	4	<ul style="list-style-type: none"> The licensee lists legislation and regulations applicable to the operation of their organisation and provision of the services in licensee's Asset Management Plan and Operations Manual. A revised and updated list of relevant legislation is appended to the AMP. Section 3 of the licensee's Wastewater Scheme Operations Manual details regulation and legislative requirements associated with the WWTP and acknowledges the conditions pertaining to the water services operating licence. The licensee's CEO is ultimately responsible for the organisation's asset management activities and any revisions or exemptions as well as keeping staff informed of these changes. The licensee's Environmental 	<ul style="list-style-type: none"> Interviews with licensee staff Review of compliance reports for the audit period Review of AMP and Operations Manual Review of available correspondence between the Authority and licensee 	2

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>Consultant assists the CEO in facilitating this function.</p> <ul style="list-style-type: none"> The licensee advised that they have received notifications from the Authority regarding breaches to its licence obligations and its associated legislative requirements. The following were identified: <ul style="list-style-type: none"> Late submission of annual compliance report 2011-12 Late submission of annual compliance report 2012-13 Licensee had not consulted with the Authority in respect to type and extent of customer consultation to be undertaken whilst this obligation was in force, until 18 November 2013. We have identified a number of non-compliances with applicable legislation as follows: <p>Water services operating licence number 17, Version OL2. This licence with its conditions became redundant on 18 Nov 2013.</p> <ul style="list-style-type: none"> Clause 20.1 - Compliance with the service and performance standards as set out in Schedule 4 (Obligation 7 of the 2012 Compliance Manual) Schedule 3 Clause 4.1 Customer consultation process (Obligation 24 of the 2012 Compliance Manual) <p>Water services operating licence number 17, Version 3</p> <ul style="list-style-type: none"> Section 12, Clause 28 - Provision of Water Services Outside Operating Area (Obligation 182, 4) 		

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> Section 23, Clause 29 - Works Holding Arrangements (Obligation 5) With the exception of the above, the Auditor has no reason to believe that the Shire have not complied with legislative requirements. We consider the above breeches of the licence conditions to be a breach of the Act. 		
Water Services Act 2012						
Requirements for Licences						
The licensee must comply with each code of practice made by the Minister to the extent to which it applies to the licensee.	10	Clause 5.2	4	<ul style="list-style-type: none"> No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Requirements for Licences						
The licensee must comply with the code of conduct that may be made by the Authority to the extent to which it applies to the licensee and is not inconsistent with the licence.	11	Clause 5.3	4	<ul style="list-style-type: none"> Not applicable to the Shire's operations 	<ul style="list-style-type: none"> Interviews with licensee staff Refer to evidence provided for observations 92-153 in this table. 	NA
The licensee must comply with a direction from the Authority in relation to a breach of applicable legislation.	159	Clause 5.4	4	<ul style="list-style-type: none"> The ERA advised that its records do not appear to contain any correspondence advising the Shire of breaches of legislation. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of available correspondence between licensee and Authority at time of Audit. Affect 	NR
Provision of a water service ceasing — duty to leave system in safe condition						
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	13	Section 36	4	<ul style="list-style-type: none"> The Shire advised that they have not ceased to provide a water service during the audit period under water licence 17 version 3. Therefore, this obligation cannot be rated The licensee has ceased to provide non-potable water services to one customer (the Racecourse) for public health reasons. The racecourse's system was assessed as non- 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
except with the approval of the Minister.				<p>compliant with DER requirements with an increase in risk classification for water use. A padlock has been installed on the valve. The licensee advised that the system needed to be upgraded, and the racecourse representatives deemed the upgrade was cost prohibitive.</p> <ul style="list-style-type: none"> This is not considered to be the licensee ceasing to provide a water service only a disconnection to a water service. The licensee advised that the disconnection occurred prior to 18 November 2013. 		
Interruption of water services The licensee must take reasonable steps to minimise the extent or duration of any interruption of water services it is responsible for.	16	Section 77(3)	4	<ul style="list-style-type: none"> The licensee advised that it has not had any interruption of its non-potable water supply services with maintenance and repair works undertaken during non-operating hours. Water use is restricted to specific times from late evening to early morning. If unplanned leaks occur, the system is shut down or isolated, a malfunction report is made under Section 71 under Environmental Protection Act 1986 which instigates the inspectorate of the Department of Health. The Shire carries an inventory of spares as identified in the AMP. Agreements held with local services providers to undertake agreed works. The licensee has Contingency plans defined within the AMP The Plant operator undertakes daily inspection of the non-potable network for leaks in the network and then would instigate the maintenance. Individual non-potable water supply customers enter an agreement with the 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP and Operations Manual Review of schematics of the scheme Review of Customer Service Charter Review of complaints 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>licensee for the provision of non-potable water services which includes conditions set out in the Customer Service Charter (Section 3.2) which specifically address service interruptions.</p> <ul style="list-style-type: none"> The Auditor considers the above sufficient to demonstrate the licensee takes reasonable steps to minimise the extent or duration of any interruption of water services. 		
<p>Notification of and requirements as to building work</p> <p>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.</p>	17	Sections 82(4) & (5)	4	<ul style="list-style-type: none"> As a local government, the licensee is responsible for the control of land use and the design and siting of all buildings proposed to be constructed within its boundaries, notably through managing development approvals. Notice of any building work is provided to the licensee through an Application for Planning Approval. The licensee advised that, in general, the licensee does not provide connection to residential properties. Applications are primarily received from land developers for the reticulation of non-potable water to road verges, gardens and public open spaces. When an Application is lodged, the licensee's Planner will assess the information provided by the applicant in consultation with the Director of Technical Services on a case-by-case basis and decide whether it requires public notification (advertising), for which a 21-day period is given for submissions to be received. Applications are determined at an Ordinary Meeting of Council. The licensee may request further information and details on proposed non-potable 	<ul style="list-style-type: none"> Interviews with licensee staff Review of licensee's website Customer Service Charter Building application procedure Review of the Building Act 2011 Review of the form of agreement for supply of non-potable water services Review of Department of Health, Application for Approval of a recycled Water Scheme. 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>network connections and associated infrastructure. The licensee will assess impacts to existing infrastructure and available capacity.</p> <ul style="list-style-type: none"> Once approved the licensee makes application to the DoH for approval of a recycled water scheme on behalf of the applicant. Once approved the licensee will enter into an agreement with the applicant for provision of non-potable water services. Building Permit Application may take up to 25 days for an uncertified building plan or 10 days for a certified building plan application to be processed. The Shire may specify up to 21 calendar days for further information to be supplied. Once the information is supplied, the clock is restarted from the beginning. The Building Act 2011 govern building works within the Shire. The timeframe for returning plans in the Act is more strict than that in the Building Code of Australia. At audit, there was insufficient evidence to indicate that the licensee is not meeting these timeframes. It is noted that very few instances of this occur given the nature of the water service being provided. 		
Ensuring water service works are done 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	18	Section 84(2)	4	<ul style="list-style-type: none"> The licensee has not issued a notice under section 83(3)(a) of the Act to any proponent, applicant or owner of the land during the audit period. Therefore, this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of available correspondence 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
give the person 21 days notice of its intention to commence the works.						
Review of certain decisions under or relating to Development and building control, and infrastructure contributions 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.	19	Section 87(2)	4	<ul style="list-style-type: none"> The licensee advises that no applications have been made by persons within its operating area with the State Administrative Tribunal for a review of a decision made by the Shire on a building application. Therefore, this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of State Administrative Tribunal website and Decision Bulletin database 	NR
Construction etc. over or in vicinity of water service works of licensee 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.	20	Section 90(7)	5	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act during the audit period. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of available correspondence 	NR
Disconnection or reduction in rate of flow etc. The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.	21	Section 95(3)	2	<ul style="list-style-type: none"> The licensee does not provide a water supply services to occupied dwellings. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Fire hydrants						
If the licensee provides water supply reticulation works, or enters into an agreement for the provision of water supply reticulation works, the licensee must install fire hydrants attached to those works in accordance with the requirements of FESA, or the relevant local government as to the location and type of hydrant.	22	Section 96(1)	4	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire hydrants. . Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Corporate Business Plan 	NA
Fire hydrants						
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.	23	Section 96(5)	5	<ul style="list-style-type: none"> The licensee does not provide water supply reticulation works to fire hydrants. . Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Minister may require connection to sewerage works						
If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.	24	Section 98(3)	4	<ul style="list-style-type: none"> The licensee advises that it did not receive any requests from the Minister to connect a wastewater inlet to the Shire's network in the period being audited. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Annual Report 2012 - 2013 	NR
Tradewaste Compliance Notice						
The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.	25	Section 106(2)	4	<ul style="list-style-type: none"> The licensee does not provide sewerage connections or a sewerage collection services, as such it does not have trade waste customers. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Compliance Notices						
The licensee must include the information specified in a compliance notice given in relation to the matters set out in section 119(1).	28	Section 119(2)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Review of decision relating to giving compliance notices 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.	29	Section 122(2)	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices under the Act and therefore there have been no applications to the Tribunal. Therefore, this obligation is not able to be rated for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Supplying groups of dwellings 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 Strata Titles Act 1985.	30	Section 125(2)	4	<ul style="list-style-type: none"> The licensee's fees are developed in accordance with the Local Government Act 1995 based on rateable land value and therefore do not apportion fees where two properties share a single property connection. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Prohibition on dealings in land 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.	31	Section 128(4)	4	<ul style="list-style-type: none"> The licensee advised that it has not made any lodgements to the Registrar of Titles or Registrar of Deeds and Transfers, therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Reading meters etc. and routine inspection and maintenance 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.	32	Section 129(5)	4	<ul style="list-style-type: none"> The licensee advises that the non-potable reticulation network is primarily located within the licensee's owned property and, as such, it does not access the properties for meter reads or maintenance purposes. The licensee has signed agreements in place for the provision of non-potable water services with all its customers. The 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Customer Service Charter forms part of this agreement which addresses the licensee's powers in relation to entering customer's property. By entering into this agreement the customer agrees to the licensee's provision for notice of interruptions set at a minimum of 24 hours.		
Ancillary works powers 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.	33	Section 139(3)	4	<ul style="list-style-type: none"> The licensee advises that it has not undertaken works of this nature during the audit period. Therefore, this obligation could not be rated. The licensee advises that the non-potable reticulation network is primarily located within Shire owned property and, as such, it does not need to access properties requiring the removal or erection of fences to undertake works. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Special provisions applicable to road works 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.	34	Section 141(1)	4	<ul style="list-style-type: none"> Shire is the public authority managing the road, and holds delegated rights to undertake works on main roads within the operating area. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Prerequisites to provision of major works 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.	35	Sections 142	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. A review of AMP and the financial records works verifies this. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
<i>Licensee to prepare plans and publish and give notice of major works</i> 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.	36	Sections 143 (2)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR
<i>Licensee to prepare plans and publish and give notice of major works</i> 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.	37	Sections 143 (3)	5	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR
<i>Objections and submissions</i> The licensee must have regard to an objection or submission lodged within the relevant period.	38	Sections 144(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR
<i>Licensee may amend proposal</i> 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.	39	Section 145(2)	5	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR
<i>Powers of Minister in respect of proposal</i> The licensee must comply with a direction given by a Minister in respect	40	Section 147(3)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit 	<ul style="list-style-type: none"> Interviews with licensee staff Review of AMP 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
of a proposal to provide water service works that are major works under section 143(3).				period. Therefore, this obligation is not able to be rated.		
Powers of Minister in respect of proposal 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.	41	Section 147(4)	4	<ul style="list-style-type: none"> The licensee has not planned for or constructed any major works (as defined by Section 133 of the Act) during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Licensee to prepare plans and give notice of general works 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.	42	Section 151(1)	4	<ul style="list-style-type: none"> Under Section 134(g) of the Act, the licensee has planned and is currently undertaking General Works related to installation and construction of a second sedimentation clarifier as part of the Newman WWTP upgrade and expansion project. The licensee has undertaken extensive planning and project justification for the proposed upgrade and expansion project to accommodate projected population growth. Including: Expansion Strategy for Town Population growth up to 18,000. This document includes analysis of infrastructure requirements to accommodate target population growth scenarios. This document provides detailed staged costing for the required works including market quotes on preferred solutions. Details on the project were included in the 2013 AMP developed as part of the Integrated Planning and Reporting Framework (IPRF). Documents developed under the IPRF were made publically available for comments and feedback. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Expansion Strategy for Town Population growth up to 18,000, 2011 Review of AMP 2013 Review of Business Case to the Department of Regional Development and Lands 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> A detailed business case was developed and submitted to the Department of Regional Development and Lands for the WWTP upgrade and expansion. All of the above documents were approved by Council indicating that all were made publically available for inspection, review and comment. The licensee has advised the authority of the works associated with the first phase of the expansion project on 2 January 2015. 		
Licensee to prepare plans and give notice of general works The licensee must give a notice setting out the matters referred to in section 151(3) to the persons and agencies specified.	43	Section 151(2)	4	<ul style="list-style-type: none"> The general works currently being undertaken are on land owned by the licensee. No persons under Section 151(2)(a)(i) or (ii) of the Act are impacted due to the site's remote location. Under Section 151(2)(b) of the Act the licensee is the local authority. Under Section 151(2)(c) of the Act the area affected is not covered by a regional planning scheme as such the licensee is not required to provide notice to the Western Australian Planning Commission. As such under Section 151(2) of the Act, the licensee's General Works project does not require provision of notice to the above persons and agencies. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of the Act, Section 151(2) 	NR
Objections and submissions The licensee must have regard to an objection or submission lodged by the	44	Section 152(3)	4	<ul style="list-style-type: none"> As noted above, the licensee under section 151(2) has not issued a notice, therefore would not receive any objections or submissions. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of the Act, Section 151(2) 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
date specified in the notice given under section 151(2).						
Licensee may amend proposal 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.	45	Section 153(3)	4	<ul style="list-style-type: none"> As noted above, the licensee has not issued a notice, therefore would not receive any objections or submissions requiring amendment to proposal. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Taking of interest in land for purposes of licensee 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.	46	Section 166(5)	4	<ul style="list-style-type: none"> The Shire has not been required to take an interest in land under the Act. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Any costs incurred in taking an interest in land are to be paid by the licensee.	47	Section 166(6)	4	<ul style="list-style-type: none"> The Shire has not been required to take an interest in land under the Act. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Sale of land 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 Planning and Development Act 2005, unless the Minister permits the licensee to do so.	48	Section 170	4	<ul style="list-style-type: none"> The Shire is bound by Local Government requirements for asset sale including land. The Shire has not sold an interest in land under the Act. Therefore, this clause is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Entry with consent or under notice or warrant 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,	49	Section 173(4)	4	<ul style="list-style-type: none"> The licensee does not have connections to residential properties as it does not provide reticulated sewerage collection services therefore does not need to enter a place or dwelling for the purposes of doing works. The licensee's non-potable customers have entered into agreement with the licensee 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
unless the occupier or owner agrees otherwise.				with conditions set out in the Customer Service Charter for entry to their property.		
Notice of entry 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.	50	Section 174(1)	4	<ul style="list-style-type: none"> As noted above, the licensee's non-potable customers have entered into agreement with the licensee with conditions set out in the Customer Service Charter for notice of entry addressing this obligation. The licensee advised that it has not had to issue a notice of entry during the audit period. Further, the licensee has entry powers under other legislation that it may use if necessary. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of Customer Service Charter 	NR
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.	51	Section 174(3)	4	<ul style="list-style-type: none"> Under Section 171. (1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However, the licensee advised that no unconsented entries were made the Shire's water services during the licence period under WL17 Version 3. 	<ul style="list-style-type: none"> Customer Service Charter Interviews with licensee staff 	NR
Rights of occupier of dwelling If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.	52	Section 175(2)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries associated with water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Customer Service Charter Interviews with licensee staff 	NR
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.	53	Section 175(5)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no unconsented entries associated with water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
When authorised person must leave etc. 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.	54	Section 176(1)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no entries associated with water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
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.	55	Section 176(3)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no entries associated with water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
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.	56	Section 176(4)	4	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However no entries associated with water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Actions of authorised persons and others 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.	57	Section 181	5	<ul style="list-style-type: none"> Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property. However, no entries associated with licensee's water services were made during the audit period. Therefore, this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Contents of application If the licensee applies for a warrant, the application must contain the prescribed information.	58	Section 186	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
How application to be made 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.	59	Section 187(1) – (3)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Execution of warrant 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.	60	Section 190(4)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
On completing the execution of a warrant the licensee must record the prescribed information on that warrant.	61	Section 190(5)	4	<ul style="list-style-type: none"> The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Designation of inspectors and compliance officers 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.	62	Section 210(5)	4	<ul style="list-style-type: none"> The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Liability of certain persons for damage caused in exercise of powers 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.	63	Section 218(2)	5	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this act during the audit period. Therefore this obligation is not able to be rated. The licensee has a strong customer focus and strong connection with its customers which provides assurance that it would comply with this obligation if tested. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> No complaints regarding the licensee's actions to deliver the water service have been received during the audit period. 		
<p>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.</p>	64	Section 218(3)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power of power of entry under this Act during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Water Services Regulations 2013					<ul style="list-style-type: none"> 	
<p>Altering position of service infrastructure in roads</p> <p>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.</p>	74	Regulation 60(2)	4	<ul style="list-style-type: none"> The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
<p>Roads broken up to be reinstated</p> <p>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.</p>	75	Regulation 63	4	<ul style="list-style-type: none"> The licensee, as a local authority, is also the roads owner and manager. The exception of relevance is for the small section of State controlled road that coincides with the non-potable water supply network. The licensee advised that no works were undertaken to the water service works that required roads to be broken and reinstated since this obligation came into effect. Therefore, this obligation is unable to be rated for the audit period. The licensee advises that it has a good working relationship with the relevant 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Department and undertakes works on roads in accordance with industry standards. This includes its obligations to make good roads following works.		
Compliance Notices						
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.	89	Regulation 85	4	<ul style="list-style-type: none"> The licensee has not issued any compliance notices during the audit period. Therefore, this obligation is not able to be rated. 	Interviews with licensee staff	NR
The licensee must comply with any code of practice made by the Minister to the extent it applies to the licensee.	157	Clause 5.2	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Reference 10. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
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.	158	Clause 5.3	4	<ul style="list-style-type: none"> Refer to observations detailed in Compliance Manual Reference 11. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Water Services Act 2012						
Accounting Records (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.	160	Section 12	5	<ul style="list-style-type: none"> Accounting records are prepared in accordance with AASB standards. Financial records are included in the licensee's annual reports and are published on the internet. The financial statement includes a sign-off from the independent auditor and the licensee's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the Local 	<ul style="list-style-type: none"> Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				Government Act 1995 and the regulations under that Act related to Financial Management. <ul style="list-style-type: none"> The Shire uses Synergy Soft accounting software to maintain its accounting records 		
Individual Performance Standards (Clause 13)						
The licensee must comply with any individual performance standards prescribed by the Authority.	161	Section 12	4	<ul style="list-style-type: none"> There are no individual performance standards specified in Schedule 3 of the licensee's licence. Therefore, this obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
Operational Audit (Clause 14)						
The licensee, must, unless otherwise notified in writing by the Authority, provide the Authority with an operational audit within 24 months after the commencement date, and every 24 months thereafter.	9	Section 25	4	<ul style="list-style-type: none"> The last operational audit was undertaken in 2011 by Paxton Group (report prepared in May 2012) which covered the period from 1 December 2008 to 30 November 2011. The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of 2011 Audit report 	1
The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.	162	Section 12	4	<ul style="list-style-type: none"> The Auditor considers the licensee and its staff to be cooperate and helpful. 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
Reporting a Change in Circumstance (Clause 15)						
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	163	Section 12	4	<ul style="list-style-type: none"> The licensee is not under external administration and there has been no material change of circumstances. Therefore, this clause is not able to be rated 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
may affect a licensee's ability to meet its obligations.						
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.	164	Section 12	4	<ul style="list-style-type: none"> As noted, the licensee has not undertaken any major works but has undertaken general works during the audit period. The general works as detailed under obligation 42 are currently being undertaken. The licensee informed the ERA of the first phase of works being undertaken at the time of audit on 2 January 2015. The contract for the works was approved by Council under resolution 201415/44 on the 22 August 2014 for RFT 08-2013/2014 for the Design, Supply and Installation of Clarifier Tank and Associated Works at Newman Sewage Treatment Plant. The licensee advised that it was unaware of this obligation and as soon as requested by the ERA it provided reported information to the ERA. We note that for the Shire to be compliant with this obligation it should issue notification to the ERA within 10 days of the new asset being commissioned into an operationalised state. As the licensee has not had instance to report to the Authority within 10 business days of providing or undertaking water service works that are major works or general works this obligation is unable to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Provision of Information (Clause 16)						
The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the	165	Section 12	5	<ul style="list-style-type: none"> The licensee has generally provided the required information to the Authority. From review of available correspondence, the Auditor noted that the licensee has 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
time, manner and form specified by the Authority.				responded to correspondence from the ERA although not always within specified timeframes.	<ul style="list-style-type: none"> Review of available correspondence 	
The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water Compliance Reporting Manual that apply to the licensee.	166	Section 12	5	<ul style="list-style-type: none"> The licensee did not submit compliance reports within specified timeframes to the Authority for 2011/12 and the 2013/14 reporting. We consider this to be a minor non-compliance. 	<ul style="list-style-type: none"> Interviews with licensee staff 2013/14 Compliance Report 	2
The licensee must provide the Authority with the data required for performance reporting purposes that is specified in Water Compliance Reporting Manual, and the National Performance Framework that apply to the licensee.	167	Section 12	5	<ul style="list-style-type: none"> The licensee has provided the Authority with performance reporting data 	<ul style="list-style-type: none"> Interviews with licensee staff Performance reporting data for 11/12, 12/13, 13/14 	1
Publishing Information (Clause 17)						
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.	168	Section 12	4	<ul style="list-style-type: none"> The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Notices (Clause 18)						
Unless otherwise specified, all notices must be in writing.	169	Section 12	4	<ul style="list-style-type: none"> This includes correspondence with the ERA, which has been in writing. Definition: "a written notice, agreement, consent, direction, representation, advice, statement or other communication required or given pursuant to, or in connection with, this licence" 	<ul style="list-style-type: none"> Interviews with licensee staff Written correspondence between licensee and ERAWA. 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> The licensee advised that it issues notices defined under Clause 18 of their water licence in writing. 		
Asset Management System (Clause 20)						
The licensee must provide for, and notify the Authority of, an asset management system within the specified time unless otherwise notified by the Authority.	170	Section 12	4	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA
The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.	171	Section 12	4	<ul style="list-style-type: none"> The licensee advised that no material change has been made to the Asset Management System during the audit period. Therefore the obligation cannot be rated. The licensee is currently constructing a new clarifier tank at the WWTP which is considered a material change to the scheme's assets, and should be reflected in the asset management documents. However, as sighted at Audit, the clarifier tank is not yet constructed and commissioned, as such is not yet a material change to the system. It is considered appropriate that this asset be accounted for in the system during the commissioning phase of the project once the asset is operational. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must cooperate with the independent expert and comply with the Authority's standard guidelines dealing with the asset management system review.	172	Section 12	4	<ul style="list-style-type: none"> The current asset management system review follows the ERA Audit Guidelines – Electricity, Gas and Water Licenses (August 2010) and subsequent superseding 2014 Review and Audit Guideline for water licences. 	<ul style="list-style-type: none"> Audit and review plan Audit and review guidelines Interviews with licensee staff 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<ul style="list-style-type: none"> An audit plan consistent with these guidelines has been prepared prior to this audit. The licensee has been consulted with respect to the audit plan and the audit plan has been approved by the Authority. The Auditor notes that the licensee was cooperative, helpful and forthcoming with information throughout the Review. The outcomes of the asset management system review are in a later section of this report. 		
The licensee must have an asset management system that provides for the operation and maintenance of the water service works.	6	Sections 24(1)(a) & 24(2)	5	<ul style="list-style-type: none"> The licensee has in place an asset management system for the operation and maintenance of its water service works. A review of this asset management system has been completed at the same time as this operational audit and the outcomes are presented in a later section of this report. 	<ul style="list-style-type: none"> Asset Management System Review 2015 	1
The licensee must give details of the asset management system and any changes to it to the Authority.	7	Section 24(1)(b)	4	<ul style="list-style-type: none"> The licensee provided details of the asset management system at the time of its licence application. This obligation is not applicable for the audit period. The licensee is currently constructing a new clarifier tank at the WWTP which is considered a material change to the scheme's assets, and should be reflected in the asset management documents. However, as sighted at Audit, the clarifier tank is not yet constructed and commissioned, as such is not yet a material change to the system. It is considered appropriate that this asset be accounted for in the system during the commissioning phase of the project once the asset is operational. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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.	8	Section 24(1)(c)	4	<ul style="list-style-type: none"> An asset management system review was conducted by Paxton Group May 2013 (report prepared 4th May 2012), which covered the period from 1 December 2008 to 30 November 2011. The next asset management system review (this review) covers the period from 1 December 2011 to 30 November 2014. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of 2013 Review 	1
Water Services Ombudsman Scheme (Clause 21)						
The licensee must not supply water services to customers unless the licensee is a member of and bound by the water services ombudsman scheme.	173	Section 12	4	<ul style="list-style-type: none"> The licensee is a member of the scheme. In becoming a member the licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman. 	<ul style="list-style-type: none"> Interviews with licensee staff Ombudsman website 	1
Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision of direction of the water services ombudsman under the scheme.	15	Section 66	4	<ul style="list-style-type: none"> No complaints concerning the licensee have been referred to the Ombudsman during the audit period. 	<ul style="list-style-type: none"> Interviews with licensee staff Complaints register 	1
Standard Terms & Conditions of Service (Clause 22)						
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).	174	Section 12	4	<ul style="list-style-type: none"> There are no Standard Terms and Conditions of Service that apply to the licensee. This obligation is not applicable. 	Interviews with licensee staff	NA
Customer Contract (Clause 23)						

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
If directed by the Authority, the licensee must submit a draft customer contract for approval.	175	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with any Customer Contract Guidelines that apply to the licensee.	176	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee may only amend the customer contract with the Authority's approval.	177	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
The licensee must comply with any direction by the Authority to amend the customer contract.	178	Section 12	5	<ul style="list-style-type: none"> The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not able to be rated. 	<ul style="list-style-type: none"> Interviews with licensee staff 	NR
Non Standard Terms & Conditions of Service (Clause 24)						
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 Customer Services Code without the prior approval of the Authority.	179	Section 12	5	<ul style="list-style-type: none"> The Shire has entered into an agreement to supply non-potable water to six end users, including Newman Racecourse, Ambulance Station, High School, Lions Animal Park, Red Sands Tavern, Newman Turf Club. Each of these users enter into agreement in consultation with the Shire. The agreements include a standard form of agreement consistent in structure with industry standards and a series of annexures. The annexures contain correspondence specifically related to the formation of agreement (such as flow volumes etc.), treated water schedule, the Shire's customer charter, Department of Health Western Australia's Guidelines for the 	<ul style="list-style-type: none"> Interviews with licensee staff Review of agreements in place 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				use of recycled water and the Shire's end user guidelines manual. <ul style="list-style-type: none"> The annexures do not differentiate from what the Shire is required to do under its licence agreement. Although the Shire's customer service charter states that <i>"At its sole discretion, the Shire may allow ongoing current supply and/or additional connections to its reticulation system or withdraw supply at any time and under such conditions as is determined by the Shire in consultation with the Department of Health."</i> The Code of Conduct is not applicable to the Shire's operations, and the Shire's agreements to provide non-potable water do not intend to act to exclude, modify or restrict the terms and conditions of the licence. It is noted that the majority of the agreements were in place and conditions were in force before the Water Services Act 2012 amendment date with the exception of the Agreement to Supply Non potable Water to Newman Stage 1, 2, 3 dated August 2014. 		
If the licensee enters into an agreement that excludes, modifies or restricts the terms and conditions of the licence or the requirements of the Customer Services Code, the licensee must publish an annual report containing the information specified.	180	Section 12	5	<ul style="list-style-type: none"> The licensee has not published a report of this nature. It is recommended that the licensee consult with the ERA on this matter. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of agreements in place 	1
Supplier of Last Resort (Clause 25)						
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,	181	Section 12	4	<ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Recommendation Report – Review of Water 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
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.				<ul style="list-style-type: none"> The Act does not provide for the establishment of a supplier of last resort scheme. 	Services Licences, March 2008.	
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.	14	Section 60	4	<ul style="list-style-type: none"> The licensee has not been appointed as a supplier of last resort. This obligation is not applicable. The Act does not provide for the establishment of a supplier of last resort scheme. 	<ul style="list-style-type: none"> Interviews with licensee staff Recommendation Report – Review of Water Services Licences, March 2008. 	NA
Duties of the Licensee (Clause 26)						
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.	12	Section 29	4	<ul style="list-style-type: none"> The licensee seeks to comply with its duty to provide sewerage and non-potable water services within its operating area. The licensee has received only one complaint regarding its water services in the audit period. The duties of the licensee are set out in Division 3 of the Act. The compliance of the licensee with these obligations has already been tested in this audit. A summary of the licensee's compliance with its duties under the Act is as follows: <ul style="list-style-type: none"> Section 21: Must provide service – the licensee provides the water service required. See obligations 1, 2 and 3 Section 22: Provision of service outside of operating areas – the licensee does not comply as services for non-potable water supply are provided outside of the current operating area. See obligation 4. Section 23: Works holding – the licensee does not hold or have a holding 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				<p>arrangemen all of the non-potable water supply works and therefore does not complies with this duty. See obligation Section 24: Asset Management System – the license has in place an effective asset management system. See obligations 6 – 8</p> <ul style="list-style-type: none"> – Section 25: Operational audit – the licensee has conducted operational audits as required. See obligation 9 – Section 26: Compliance with code of practice: No code(s) of practice have been made and therefore this obligation cannot be rated. See obligation 10 		
Provision of Water Services (Clause 27)						
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.	1	Section 21(1)(a)	4	<ul style="list-style-type: none"> ▪ There are no entitled customers for non-potable water service under the legislation (cl 73 in the Water Services Act). ▪ The licensee is authorised to provide non-potable water supply services and Sewerage services to persons within the operating area as set out in plan number OWR-OA-201(B). ▪ The Operating Area is defined as the parcel of Crown Land at Crown Reserve 45776 Windell, Location 144. ▪ At Audit, it was identified that non-potable water supply services are provided outside of the current operating area. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Customer Service Charter ▪ Review of operating area map ▪ Inspection of assets 	NA
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	2	Section 21(1)(b)	4	<ul style="list-style-type: none"> ▪ The licensee's Customer Service Charter provides the terms for provision of non-potable water supply services in a manner consistent with the requirements of this obligation. 	<ul style="list-style-type: none"> ▪ Interviews with licensee staff ▪ Review of Wastewater Customer Service Charter 	1

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
operating area who are not entitled to the service under the Act.					and Sewerage Connection Policy	
The licensee must provide, operate and maintain the water service works specified by the Authority in the licence.	3	Section 21(1)(c)	4	<ul style="list-style-type: none"> The licensee has in place an effective asset management system for the operation and maintenance of its water service works. We have undertaken an asset management review at the same time as this operational audit and the findings of this review are presented later in this report. We inspected the licensee's assets at the time of audit 	<ul style="list-style-type: none"> Interviews with licensee staff 	1
Provision of Water Services Outside Operating Area (Clause 28)						
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.	182	Section 12	4	<ul style="list-style-type: none"> At audit it was identified that the licensee is providing non-potable water services outside of the operating area. The operating area needs to be amended. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the licensee.	4	Section 22	4	<ul style="list-style-type: none"> At audit it was identified that the licensee is providing non-potable water services outside of the operating area. The operating area needs to be amended. 	<ul style="list-style-type: none"> Interviews with licensee staff 	2
Works Holding Arrangements (Clause 29)						
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.	5	Section 23	4	<ul style="list-style-type: none"> The licensee owns all water service works used for the provision of sewerage services although it is noted that the non-potable reticulation network is primarily legally owned by BHP. There is no obligation for the licensee to own and operate the network, as long as they are operated and maintained by a third 	<ul style="list-style-type: none"> Interviews with licensee staff 	2

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
				party/contractor to the standard expected by the licence (of which the Shire is responsible of ensuring). <ul style="list-style-type: none"> At the time of audit, a works holding arrangement was not in place for the non-potable water service asset base not owned by the Shire. 		
Hardship Policy (Clause 30)						
The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.	183	Section 12	4	<ul style="list-style-type: none"> This obligation is not applicable because non-potable water services are excluded from the requirement to have a hardship policy (refer to cl 4)2) of the Customer Service Code) 	<ul style="list-style-type: none"> Interviews with licensee staff Review of correspondence dated 21 February 2014 between ERA and licensee 	NA
Memorandum of Understanding (Clause 31)						
The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.	184	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of asset management plan Inspection of assets 	NA
The Memorandum of Understanding must comply with the specified requirements in relation to legal standing of the document and compliance audits by the Department of Health.	185	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of asset management plan Inspection of assets 	NA
The licensee must comply with the terms of the Memorandum of Understanding.	186	Section 12	N/A	<ul style="list-style-type: none"> The licensee does not provide potable water. This obligation is not applicable. 	<ul style="list-style-type: none"> Interviews with licensee staff Review of asset management plan Inspection of assets 	NA

Performance Areas	Compliance Manual Ref (2014 unless noted otherwise)	Licence/ Code Clause/Section	Priority	Observations	Evidence	Compliance Rating
Performance Standards (Schedule 3)						
The licensee must comply with the service and performance standards as set out in Schedule 3.	190	Section 9	N/A	▪ Schedule 3 is blank, this is not applicable	Review of Water Licence Number 17 Version 3	NA

5.2 Asset management system review observations

The following table provides detailed commentary based on the findings observed during the audit process.

Table 5-1 Asset management system review observations

Description/ (Effectiveness rating)	Observations	Evidence
Asset planning <ul style="list-style-type: none"> Asset management plan covers key requirements (B2) Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning (B2) Service levels are defined (B2) Non-asset options (e.g. demand management) are considered (B2) Lifecycle costs of owning and operating assets are assessed (B2) Funding options are evaluated (B2) Costs are justified and cost drivers identified (B2) Likelihood and consequences of asset failure are predicted (B2) 	Asset Management Plans <ul style="list-style-type: none"> Revision C of the licensee's asset management plan dated 2014 (AMP 2014) provides an introductory overview of licensee's scheme and its management and the key documents supporting asset management of the plant. This document would be more appropriately named Asset Manual or Asset Plan). The introductory section then sets out the licensee's approach to each of the asset management system key processes of the Authority's audit and review guidelines, including: <ul style="list-style-type: none"> Asset planning Asset creation and acquisition Asset disposals Environmental analysis Asset operations Asset maintenance Contingency planning Financial planning Capital expenditure Review of asset management system Appendix A - Asset register 	<ul style="list-style-type: none"> Financial asset register - 1314 Asset Register by Group - Detailed SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final NEWMAN STP - FLOW DIAGRAM REV B SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx

Description/ (Effectiveness rating)	Observations	Evidence
<ul style="list-style-type: none"> Plans are regularly reviewed and updated (B2) 	<ul style="list-style-type: none"> Appendix B - SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy which identifies future infrastructure requirements for the sewerage service to meet growth in the Newman township Appendix C Asset Management Plan for Newman Sewage Treatment Plant 2013 <ul style="list-style-type: none"> Description of the asset base Defines levels of service Demand management Current asset performance Asset planning Operating and maintenance planning Risk management Data and information systems Funding considerations Roles and responsibilities AM improvement strategy Asset performance review and plan evaluation Appendix D SEP WWTP Newman Business Case for Expansion 1 10 2014 Final Appendix E NEWMAN STP - FLOW DIAGRAM REV B Appendix F SEP Sewage Treatment Plant Spares Inventory Control 2014 Appendix G SEP Sewage Plant Asset Tasks and Frequency Schedule 2014 Appendix H -2-SEP Asset Register Detailed SPARES LIST December 2014 Appendix I Newman Sewage Treatment Operations 2015 Addendum Revision D – Regulatory and legislative requirement review The introductory section of the AMP 2014 does not directly address the licensee's asset management information system and risk management although further details are provided in the licensee's Operations Manual (Septic and sewage treatment plant operating manual Rev G 2014), which includes information on: <ul style="list-style-type: none"> Asset Planning Regulatory Environment Operating & Maintenance Procedures for Sewage & Reticulation Operations Surveillance of Retic System Contingency Plans Risk Analysis Chlorination System Regulatory Reporting Requirements: DER, ERA, Dept Minerals & Energy (Dangerous Goods) and Dept Health. 	<ul style="list-style-type: none"> SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information Addendum Revision D – Regulatory and legislative requirement review Compliance reports 1011/12, 12/13, 134/14 Performance reports 1011/12, 12/13, 134/14 Policy Manual 2014 Risk Management Strategy 2014 Septic and sewage treatment plant operating manual Rev G 2014 SoEP_Annual_Budget_14-15 2012 Asset Management System Review of Water Corporation – Water Corporation and SEP Sewage Agreement 1997 Interviews with licensee's staff Site visit Shire of East Pilbara Town Planning Scheme No. 4 (TPS4)

Description/ (Effectiveness rating)	Observations	Evidence
	<ul style="list-style-type: none"> DER Licence Operational Risk Assessment <i>There may be benefit for the AMP 2014 document is retitled such as to Asset Manual or Asset Plan (or similar) and include a variation control sheet at the front to track revisions of this document.</i> The AMP and AMS have been developed by environmental engineering consultants, Rowcon Pty Ltd (Rowcon) in collaboration with the Shire's staff. The asset management plan covers the key requirements expected of a document of this nature for the size and scale of the local authority and water service works, although a number of improvement opportunities have been identified and detailed below. Although the AMP and Operations Manual sufficiently covers the licensee's sewerage wastewater treatment plant (WWTP), <i>we recommend that either additional sections be added to the document to relate to the non-potable water assets and associated operations and maintenance requirements or a separate AMP is developed for the recycled water scheme. We also recommend that the description of the non-potable asset system be included in the AMP to show more information related to the assets, e.g. pipe length by condition, age, diameter etc to provide a fuller picture of the licensee's asset base. We would also suggest that schematics of the network be included.</i> <i>We recommend that a section in the AMP be included to address training requirements for the licensee's provision of water services.</i> 	
	Asset Management Planning <ul style="list-style-type: none"> The licensee's Planning department is responsible for overall planning and development in the Shire in accordance with the Shire of East Pilbara Town Planning Scheme No. 4 (TPS4) document. The licensee has a corporate budgeting process to review and approve any new works that have been identified. A detailed capital works program is identified in Appendix C is based on accommodating forecast demand identified in the 2013 Newman Sewage Plant Upgrade and Expansion Strategy for Town Population Growth up to 18,000. The licensee has developed a detailed business plan to the Department of Regional Development and Lands that is informed by the 2013 Newman Sewage Plant Upgrade and Expansion Strategy for Town Population Growth up to 18,000. The business plan sets out justification for funding requirements for the phased expansion of the capacity of the Sewage Treatment Plant to accommodate forecast demand from population growth in the Newman Township. Expansion of the non-potable water service works is primarily undertaken by property/ land developers as part of residential developments. The Shire imposes conditions set out through planning and building application process including commissioning and operating for a defined period. Asset transfer occurs following commissioning through establishment of a contractual agreement for supply of non-potable water supply services. 	

Description/ (Effectiveness rating)	Observations	Evidence
	<ul style="list-style-type: none"> Currently no planned asset works have been identified for the non-potable reticulation system. <i>There may be benefit for the Shire to develop a description of asset planning specific to the non-potable water service infrastructure be included in the AMP. Growth in this asset base is primarily driven by population growth from residential developments and it would be beneficial to undertake a high-level analysis of the non-potable water supply service's capacity and network wide infrastructure impacts from the current, planned and potential future scenarios of growth.</i> It was noted, that the licensee's unwritten policy is not to provide connection to non-potable water services to the general public, rather to organisations providing a public service or to support provision of irrigated public open spaces. As the Shire does not have statutory charges for the non-potable water supply service (as per sections 71 and 73 of the Act), land owners are not entitled to the services. The licensee's operations manual sets out the objectives for the operation of the wastewater treatment plant and reticulation system driving asset planning activities. Key stakeholders are identified (Table 2.1) of the Operations Manual. Service levels are defined in Section 3 of Appendix C (Asset Management Plan for Newman Sewage Treatment Plant 2013) and operations and maintenance key performance indicators are detailed in Section 3 of the Operations Manual. The Shire undertakes sampling and data collection to inform regulatory related levels of service. It is noted, that options for non-asset solutions to meet changing demand for sewerage services are constrained by to the unique ownership and operation arrangements between sewerage collection services provided by Water Corporation and the Shire's treatment and disposal services. It is also noted that current capacity in the WWTP and non-potable water scheme is sufficient across both licensee's water services to meet current demand. <i>However, we recommend that a section in the AMP be included that identifies non-asset strategies for managing changing demand such as imposed non-potable water service restrictions, changes to operation processes to optimise available network non-potable water storage capacity etc.</i> A risk assessment has been undertaken and documented in Appendix to the Asset Management Plan for Newman Sewage Treatment Plant 2013. The assessment assesses potential risks of key asset failures associated with the WWTP although does not identify risks associated with the non-potable reticulation system. The 5 year capital works program identifies upgrade and refurbishment activities for the WWTP assets. Although the non-potable reticulation pipeline is not owned by the licensee, it is responsible for its operation and upkeep. Given the age of the pipeline, it would be prudent to investigate and quantify potential renewal/ refurbishment works required to keep the pipeline serviceable. <i>We recommend that an appropriately detailed condition assessment of the non-potable water pipeline in-line with industry standards be undertaken and renewal model developed to prioritise works required to minimise and mitigate risks from pipeline bursts and leaks.</i> Monthly meetings are held with all the internal stakeholders and these provide the stimulus for asset creation and maintenance expenditures. The minutes from these meetings are distributed to the Shire Executive and elected representatives. 	

Description/ (Effectiveness rating)	Observations	Evidence
Asset creation/acquisition <ul style="list-style-type: none"> Full project evaluations are undertaken for new assets (A2) Evaluations include all life-cycle costs (A2) Projects reflect sound engineering and business decisions (A1) Commissioning tests are documented and completed (A2) Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood (A2) 	<ul style="list-style-type: none"> The licensee asset creation/acquisition process is outlined in the AMP. As previously noted the licensee has undertaken a demand study and strategy for anticipated township population growth. It has developed an AMP reflecting this information and prepared a detailed business case for State funding. These documents combined provide for a robust evaluation and justification for the creation and acquisition of new assets associated with the WWTP. During the audit period a new sedimentation clarifier was being constructed on the WWTP site. Procurement of this asset was in line with the aforementioned strategy and business case. Council approved the works on 22 August 2014 and made resolution 201415/44 to award tender RFT 08-2013/2014 for the Design, Supply and Installation of Clarifier Tank and Associated Works at Newman Sewage Treatment Plant. Commissioning requirements are set out as a contractual requirement in the RFT. Licensee procurement activities are required to be in accordance with the requirements of the Local Government Act regarding purchase/acquisition of goods and services and consistent with the Shire's Purchasing and Tender Procedures (File Number TCH 1-7). New non-potable assets developed by third parties are subject to conditions imposed by the licensee including conditions for commissioning through an asset transfer process. The new non-potable water supply works developed as part of recent development activities have been phased over a number of years to align with development activities and materials warranty timeframes. Asset transfer conditions include financial provision to be made to the Shire by the developer for the ongoing upkeep of the services. This is agreed on a case-by-case basis. Legal, environmental and safety obligations are documented in the AMP and in the Operations Manual. The Operations Manual also outlines specific operational procedures in detail. Checklist procedures for specific operations at the WWTP are located at site. Legal, environmental and safety obligations related to the recycled water scheme are documented in Operations Manual. The licensee is required to meet industry standard health and safety requirements as well as the obligations under its Environmental Protection Act 1986 licence L7994/2003/03. The licensee advised that it undertakes procurement activities in accordance with Purchasing and Tender Procedures (file no. TCH 1-7) and compliance with the Local Government Act 1995 and the Local Government (Functions and General) Regulations 1996 (as amended). All capital purchase orders will be signed by the Chief Executive Officer, Deputy Chief Executive Officer or the Director Technical & Development Services in alignment with delegated levels of authority. Policy file no. TCH 1-7 states: "No item of a capital nature may be purchased unless included in the adopted budget, or if unbudgeted, has been approved by "absolute majority" of Council prior to the purchase of the item. (Council has no retrospective right of approval of purchase of non-budgeted items of capital)." The licensee actively manages spares inventory through the AMP and SynergySoft. As previously noted, monthly meetings are held with all the internal stakeholders and these provide the stimulus for asset creation and maintenance expenditures. The minutes from these meetings are distributed to the Shire Executive and elected representatives. 	<ul style="list-style-type: none"> Interviews with licensee's staff Site visit Policy Manual licence L7994/2003/03. Purchasing and Tender Procedures (file no. TCH 1-7) Local Government (Functions and General) Regulations 1996 (as amended) Review of Synergy Soft system SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information Addendum Revision D – Regulatory and legislative requirement review

Description/ (Effectiveness rating)	Observations	Evidence
		<ul style="list-style-type: none"> Compliance reports 1011/12, 12/13, 134/14 Performance reports 1011/12, 12/13, 134/14 Policy Manual 2014 Risk Management Strategy 2014 Septic and sewage treatment plant operating manual Rev G 2014
Asset disposal <ul style="list-style-type: none"> Under-utilised and under-performing assets are identified as part of a regular systematic review process (A2) The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken (A1) Disposal alternatives are evaluated (A2) There is a replacement strategy for assets (A2) 	<ul style="list-style-type: none"> The licensee undertakes inspections of its assets on a daily basis, in combination with scheduled planned inspection and maintenance activities. Asset deficiencies, poor performance and utilisation issues are recorded on inspection forms and entered into a reporting spreadsheet for review by the Environmental Engineer and Principal Works Officer. The licensee is bound by Local Government and Australian Accounting Standards requirements for asset disposal. Disposal of sewerage assets is undertaken in accordance with Section 3.58 of the Local Government Act 1995. The licensee has a well-defined capital investment program to replace and renew WWTP assets. The Shire maintains robust inventory control on critical and major plant assets to ensure continuity in operations through the straight replacement of a failed asset. DER Licences and associated reports are completed to analyse flow data and water quality parameters to identify potential issues, improve system efficiency and meet DER reporting requirements. A daily checklist and serviceability inspection is completed for critical components of the WWTP and is used for assessing under-utilised or under-performing assets. Monthly meetings are held with all the internal stakeholders to discuss results from ongoing monitoring activities and provide the stimulus for asset disposal decisions. The minutes from these meetings are distributed to the Shire Executive and elected representatives. As noted in the previous review, the disposal (if necessary) of such assets would normally involve removal to landfill or similar due to negligible resale value and the relative isolation of the plant site from any market. 	<ul style="list-style-type: none"> Interviews with licensee's staff Site visit SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information Compliance reports 1011/12, 12/13, 134/14 Performance reports 1011/12, 12/13, 134/14

Description/ (Effectiveness rating)	Observations	Evidence
		<ul style="list-style-type: none"> Policy Manual 2014 Risk Management Strategy 2014 Septic and sewage treatment plant operating manual Rev G 2014
Environmental analysis <ul style="list-style-type: none"> Opportunities and threats in the system environment are assessed (B2) Performance standards (availability of service, capacity, continuity, emergency response, etc) are measured and achieved (B2) Compliance with statutory and regulatory requirements (B2) Achievement of customer service levels (B2) 	<ul style="list-style-type: none"> The licensee has identified statutory and regulatory requirements in its AMP and Operations Manual. An appended revision of legal and regulatory requirements was recently undertaken to reflect changes to the regulatory framework. The Operations Manual sets out detailed requirements for the performance requirements under the licensee's DER licence L6870/1993/12, ERAWA water services operating licence No.17, Version 3, Department of Health WA Water reuse conditions and Department of Mines Dangerous Goods Licence SO 16829. The Technical Services Group comprising the Plant Operator and Depot Supervisor and other relevant personnel including the Waste Consultant meets regularly to review plant operations, performance, standards, maintenance and risk factors. Minutes are produced and circulated across the Shire organisation. Performance standards associated with compliance reporting is undertaken by the licensee's Environmental Engineer. <i>An improvement opportunity for the Shire would be to append the monthly tracking of compliance parameters to the monthly meetings minutes to help further guide performance monitoring throughout the year.</i> 	<ul style="list-style-type: none"> DER licence L6870/1993/12, ERAWA water services operating licence No.17, Version 3, Department of Health WA Water reuse guidelines Department of Mines Dangerous Goods Licence SO 16829 Technical Services Group meeting minutes SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information

Description/ (Effectiveness rating)	Observations	Evidence
		<ul style="list-style-type: none"> Addendum Revision D – Regulatory and legislative requirement review Policy Manual 2014 Risk Management Strategy 2014 Septic and sewage treatment plant operating manual Rev G 2014
Asset operations <ul style="list-style-type: none"> Operational policies and procedures are documented and linked to service levels required (B1) Risk management is applied to prioritise operations tasks (B2) Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data (B2) Operational costs are measured and monitored (B2) Staff resources are adequate and staff receive training commensurate with their responsibilities (A1) 	<ul style="list-style-type: none"> The licensee has an overarching Asset Management Policy (file number 17-1) which provides a very high-level overview of the asset management at the Shire including operations and maintenance. The AMP describes the operational objectives from each major asset type which is supported by an Operations Manual attached in Appendix F and contains operational procedures, maintenance procedures and contingency plans. As previously noted, the licensee's Operations Manual includes information on: <ul style="list-style-type: none"> Asset Planning Regulatory Environment Operating & Maintenance Procedures for Sewage & Reticulation Operations Surveillance of Retic System Contingency Plans Risk Analysis Chlorination System Regulatory Reporting Requirements: DER, ERA, Dept Minerals & Energy (Dangerous Goods) and Dept Health. DER Licence Operational Risk Assessment Operations activities are controlled through the Operations Manual and supported by: <ul style="list-style-type: none"> Appendix G, SEP Sewage Plant Asset Tasks and Frequency Schedule 2014 that details the operational tasks, inspections, equipment checks, water sampling, and sludge wasting and associated controls and compliance. Appendix E Newman STP – Flow Diagram Rev B Appendix F SEP Sewage Treatment Plant Spares Inventory Control 2014 Appendix H -2-SEP Asset Register Detailed SPARES LIST December 2014 Operational checks and measurements and recordings are undertaken by an appropriately trained and competent operator, on a daily basis or as required by Appendix G. 	<ul style="list-style-type: none"> Interviews with licensee staff Site visit Asset Management Policy (file number 17-1) Asset Management Plan 2014 SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information

Description/ (Effectiveness rating)	Observations	Evidence
	<ul style="list-style-type: none"> Data is automatically logged for sampling of a range of water quality parameters and running data for mechanical equipment and incoming flow rate. Data is recorded into compliance reporting spreadsheet. These are reviewed on a regular basis by the monthly Technical Service Group Meeting. The responsibilities for both up and down line reporting are well understood and discharged and service levels are consistently achieved although not always reported within specified timeframes. A hard copy diary of daily events, deliveries and activities is recorded by the plant operator and retained at the WWTP site and raised for discussion at monthly meetings. The system's operator demonstrated a good level of understanding of the system, its assets and associated operating procedures. Additional staff are appropriately trained in the system's management, operation and maintenance. Key WWTP assets are documented in an asset register and include asset attributes such as asset type, component, make, manufacturer, model, quantity and material. The Shire also maintains a detailed spares/ inventory register. The asset register does not provide detail on assets such as non-potable water supply assets, 1ML non-potable water storage tank at the WWTP, holding ponds, chlorine building, control building, fencing, and lighting towers. The asset registers does not detail known age or physical/structural condition of the assets or any accounting data. <i>We recommend that the existing asset register be refined into a format and content consistent with industry standard such as set out in the International Infrastructure Management Manual. Asset numbering to be aligned with the financial asset register.</i> The financial asset register has the Newman Sewerage Treatment Plant as a one line item, asset code 4052. No formal asset condition assessments are carried out for the WWTP. However, daily checks of the WWTP are undertaken and recorded on the Daily Checklist and Serviceability Inspection Report. Periodic (every 2-3 years) assessments of the condition of the structural concrete elements of the plant are carried out. Monthly monitoring of perimeter groundwater monitoring bores is also carried out, the results of which would indicate if a leak from any of the concrete structures was occurring. Maintenance work on the non-potable water service works is predominantly reactive at the present time. The licensee maintains detailed drawings of the WWTP and basic schematics of the non-potable reticulation network. <i>An improvement opportunity for the Shire would be to transfer the schematics for the non-potable network assets onto the Shire's GIS system, including key asset attribute data.</i> Operating and maintenance procedures have been developed for the WWTP. A list of inspection and maintenance activities have been listed in the Operations Manual. <i>There may be benefit for the list of operations and maintenance activities in Section 5.6 of the Operations</i> 	<ul style="list-style-type: none"> Addendum Revision D – Regulatory and legislative requirement review Compliance reports 1011/12, 12/13, 134/14 Performance reports 1011/12, 12/13, 134/14 Policy Manual 2014 Risk Management Strategy 2014 Septic and sewage treatment plant operating manual Rev G 2014

Description/ (Effectiveness rating)	Observations	Evidence
	<p><i>Manual be expanded with further detail and include maintenance activities such as reservoir inspection and cleaning.</i></p> <ul style="list-style-type: none"> The Department of Health has stated that the Shire will need to move to having a RWQMP in place by 2016 for Newman Reuse Scheme. As an improvement opportunity to the Operations Manual, <i>an improvement opportunity may be for an addendum or appendix be included in the Operations Manual that includes information such as schematics of the licensee owned and operated irrigation infrastructure including associated operations and maintenance requirements.</i> Site induction requirements are detailed in Section 7 of the Operations Manual and were noted on site. Records of inductees and the induction dates are held on site for review. Operational costs are monitored in the AMS and discussed in monthly meetings. Invoices from maintenance contractors are tracked against work in the AMS. Utility bills and other invoices go through the licensee's corporate system and are forwarded to the Director of Technical Services for sign-off. Operations and maintenance costs are recorded against dedicated cost center for the WWTP for ongoing annual operations budget monitoring and development. A long-term financial plan was developed under the Integrated Planning and Reporting Framework. Operations and maintenance costs are based on historical costs adjusted where required. Capital expenditure is informed by the licensee's demand strategy for the WWTP. The operational budget is developed by the Director of Technical Services with input from other members of the department and Environmental Engineer. The previous year's budget is the starting point, with any new expenditure needing to be approved by the CEO. As previously noted, <i>we recommend that a section in the AMP be included to address training requirements for the licensee's provision of water services.</i> 	
Asset maintenance <ul style="list-style-type: none"> Maintenance policies and procedures are documented and linked to service levels required (B2) Regular inspections are undertaken of asset performance and condition (B2) Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule (A2) Failures are analysed and operational / maintenance plans adjusted where necessary (B2) 	<ul style="list-style-type: none"> Refer to previous section for details of policies and procedures associated with the licensee's operations and maintenance activities. Performance measures are directly linked to levels of service which align to compliance and performance reporting requirements of the Authority and the Department of Health. Operating and maintenance procedures have been developed for the WWTP. Inspection and maintenance activities have been detailed in the Operations Manual. As previously noted, no formal asset condition assessments are carried out for the WWTP. However, daily checks of the WWTP which are reported on the Daily Checklist and Serviceability Inspection Report and periodic (every 2-3 years) assessments of the condition of the structural concrete elements of the plant are carried out. Monthly monitoring of perimeter groundwater monitoring bores is also carried out, the results of which would indicate if a leak from any of the concrete structures was occurring. <i>We recommend that a formal condition assessment program for the licensee's sewerage and non-potable water service assets be developed and included in the AMP. Details from the condition assessments to be integrated into the asset register and performance against the condition assessment program be monitored in monthly meetings.</i> 	<ul style="list-style-type: none"> Financial asset register - 1314 Asset Register by Group - Detailed SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final NEWMAN STP - FLOW DIAGRAM REV B

Description/ (Effectiveness rating)	Observations	Evidence
<ul style="list-style-type: none"> ▪ Risk management is applied to prioritise maintenance tasks (B2) ▪ Maintenance costs are measured and monitored (B1) 	<ul style="list-style-type: none"> ▪ Maintenance work on the non-potable water supply works is predominantly reactive at the present time and the licensee advised that it is currently developing a more planned approach. ▪ Maintenance activities and recordings are undertaken by an appropriately trained and competent operator, on a daily basis or as required by Appendix G of the AMP. Data is entered into a compliance reporting spreadsheet and aligned with reported service levels by the Environmental Engineer. Maintenance activities have been developed to mitigate two key risks identified in the risk assessment. ▪ The licensee has service agreements with Council approved suppliers for critical spares, chemical supplies, plant and equipment hire and general maintenance outside the licensee's capacity. ▪ The Technical Services Group comprising the Plant Operator and Depot Supervisor and other relevant personnel including the Environmental Consultant meet to inform the revision process of the AMP and financial forecasts. Maintenance records can be interrogated to identify maintenance trends on the asset base. ▪ At present, the maintenance budget for the WWTP and non-potable water service is based on the previous year's expenditure, adjusted where required. ▪ Actual O&M expenditure vs budget is regularly reviewed. A monthly report is produced from the finance system and is reviewed by the Manager of Works Services. The report also includes the actual capital spend against the proposed budget. A quarterly report is also produced by the finance system for review. 	<ul style="list-style-type: none"> ▪ SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx ▪ SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx ▪ SEP Asset Register Detailed SPARES LIST December 2014 ▪ Newman Sewage Treatment Operations.xlsx – financial information ▪ Addendum Revision D – Regulatory and legislative requirement review ▪ Compliance reports 1011/12, 12/13, 13/14 ▪ Performance reports 1011/12, 12/13, 13/14 ▪ Policy Manual 2014 ▪ Risk Management Strategy 2014 ▪ Septic and sewage treatment plant operating manual Rev G 2014 ▪ SoEP_Annual_Budget_14-15 ▪ 2012 Asset Management System Review of Water Corporation – ▪ Water Corporation and SEP Sewage Agreement 1997 ▪ Interviews with licensee's staff ▪ Site visit ▪ Shire of East Pilbara Town Planning Scheme No. 4 (TPS4)

Description/ (Effectiveness rating)	Observations	Evidence
Asset management information system <ul style="list-style-type: none"> Adequate system documentation for users and IT operators (B2) Input controls include appropriate verification and validation of data entered into the system (A2) Logical security access controls appear adequate, such as passwords (A1) Physical security access controls appear adequate (A2) Data backup procedures appear adequate and backups are tested (A2) Key computations related to licensee performance reporting are materially accurate (B2) Management reports appear adequate for the licensee to monitor licence obligations (B1) 	<ul style="list-style-type: none"> The licensee utilises the following asset information systems consisting of the documents listed in the observations to Asset Planning, combined with financial management software SynergySoft. The licensee also maintains a GIS platform that is currently not used for its water services. As previously noted, <i>an improvement opportunity for the Shire would be to transfer the schematics for the non-potable network assets onto the Shire's GIS system, including key asset attribute data.</i> The licensee utilises "Synergy" to enter bills and payments and to build up an ongoing income/expenditure record against budgeted amounts for each department against dedicated cost codes for the WWTP. Details include wages and overheads and accounts rendered/paid. The finance department enters all financial data, prepares budgets etc. Budget reviews are conducted at approximately three monthly intervals. A complaints management module (ICS) is integrated into the Synergy Soft system and used to record incoming and outgoing correspondence. Incoming mail is scanned or emailed and entered by a Technical Services Administration Officer (TSAO), and issued to Shire Officers with an interest or input to the subject matter for further details to be provided and entered into the system. The TSAO coordinates the ordering of spares and the filing of minutes of Technical Services Group meetings. Completed weekly check lists and malfunction reports are filed at the depot and copies forwarded to the licensee's Environmental Consultant (Rowcon). Access to the system is governed by standard IT access protocols and data back-up is undertaken regularly. All systems require a password to log on. Access to the AMS folders on the server is restricted to a small number of staff. The Technical Services Group comprising the Plant Operator and Depot Supervisor and other relevant personnel including the Waste Consultant meets regularly to review plant operations, performance, standards, maintenance and risk factors. Minutes are produced and circulated across the Shire organisation. Compliance and performance standards are reported to the ERA annually by the Environmental Consultant. 	<ul style="list-style-type: none"> Interview with licensee's staff Asset Management Plan 2014 Review of Synergy Soft Review of complaints management module (ICS) Financial asset register - 1314 Asset Register by Group - Detailed SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final NEWMAN STP - FLOW DIAGRAM REV B SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Newman Sewage Treatment Operations.xlsx – financial information Septic and sewage treatment plant operating manual Rev G 2014

Description/ (Effectiveness rating)	Observations	Evidence
Risk management <ul style="list-style-type: none"> Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system (B2) Risks are documented in a risk register and treatment plans are actioned and monitored (B2) The probability and consequence of risk failure are regularly assessed (B2) 	<ul style="list-style-type: none"> A risk assessment has been undertaken and documented in Appendix to the Asset Management Plan for Newman Sewage Treatment Plant 2013. The assessment assesses potential risks of key asset failures associated with the WWTP although does not identify risks associated with the non-potable reticulation system. <i>We recommend the risk assessment be revised in a manner consistent with the Shire's corporate risk management framework and expanded to include risks associated with the non-potable water supply service and infrastructure.</i> Risk assessment is undertaken within the AMS. The risk assessment for the assets considers the consequences for risks to the environment related to each type of asset within the WWTP, although does not address the key assets within the non-potable water supply system. As previously noted, <i>we recommend the risk assessment be expanded to include risks associated with the non-potable water supply service and infrastructure.</i> Potential risks to the system are subject to a Risk Analysis in accordance with Schedule 1 of AS/NZS 4360:2004 and detailed in a Risk Assessment Register in Appendix C Plant Operational Manual Revision G. The AS/NZS 4360:2004 standard has been superseded by AS/NZS ISO 31000. The licensee's Risk Management Policy (File Number LEG 2-1) and Risk Management Strategy 2014 reflects the changed standard. <i>We recommend that the risk analysis be updated to reflect the new standard and Shire's Risk Management Strategy 2014. Changes to be amended in the AMP and Operations Manual. As previously mentioned, we recommend the risk assessment be expanded to include risks associated with the non-potable water supply service and infrastructure.</i> 	<ul style="list-style-type: none"> Asset Management Plan 2014 Risk Management Policy (File Number LEG 2-1) Risk Management Strategy 2014 Interview with licensee's staff Septic and sewage treatment plant operating manual Rev G 2014
Contingency planning <ul style="list-style-type: none"> Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks (B2) 	<ul style="list-style-type: none"> Emergency and contingency plans are included in the Operations Manual for Chlorine alarm activations, power failure, cylinder change over. <i>We recommend that contingency plans be developed and included in the Operations Manual to address events such as pipe burst and leaks (including afterhours events), bushfire, extreme rainfall events/ water overflows from ponds and other potential faults and emergencies.</i> <i>We recommend that the licensee undertake 'Activation' exercises as a desktop scenario basis semi-annually as part of monthly meetings. Records of the exercise to be appended to the monthly meeting minutes and training records where appropriate.</i> In the event of spills to the general environment from the WWTP and non-potable water supply system, the events are immediately reported to the Health Department. Spills to creek are reported to the Department of Environment and Conservation. The licensee is permitted to dispose of treated effluent to the adjoining wetlands. The WWTP has emergency storage capacity and is located in a remote location some distance from the Township and occupied dwellings. 	<ul style="list-style-type: none"> Interview with licensee's staff SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy Asset Management Plan for Newman Sewage Treatment Plant 2013 SEP WWTP Newman Business Case for Expansion 1 10 2014 Final NEWMAN STP - FLOW DIAGRAM REV B SEP Sewage Treatment Plant Spares Inventory Control 2014.xlsx

Description/ (Effectiveness rating)	Observations	Evidence
		<ul style="list-style-type: none"> SEP Sewage Plant Asset Tasks and Frequency Schedule 2014.xlsx SEP Asset Register Detailed SPARES LIST December 2014 Policy Manual 2014 Risk Management Strategy 2014 Site inspection
Financial planning <ul style="list-style-type: none"> The financial plan states the financial objectives and strategies and actions to achieve the objectives (B2) The financial plan identifies the source of funds for capital expenditure and recurrent costs (B2) The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets) (B2) The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period (B2) The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services (B2) Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary (B2) 	<ul style="list-style-type: none"> Financial planning is carried out in accordance with the requirements of the Local Government Act, applicable Australian Accounting standards The licensee undertakes its financial planning for its sewerage service in accordance with the licensee's Integrated Planning and Reporting Framework used to develop a ten year Corporate Business Plan and financial plan. Requirements are included in the Accounting Policies (file number LEG 2-1) included in the licensee's Policy Manual. The overall responsibility for financial planning lies with the Shire's Corporate Services department and the deputy CEO. An overview to financial planning for the sewerage service is outlined in Sections 6 and 7 of the AMP including predictions on income. The licensee's Long-term Financial Plan identifies predictions on income for the next five years and reasonable indicative predictions beyond this period The capital expenditure program for the WWTP is included in the Shire's annual budget / estimates. Operating and capital expenditure detailed in the Annual Budget aligns with the financial forecasts developed in the AMS. The Annual Budget identifies the balance and anticipated movement in reserve funds, as well as any borrowing required. The capital expenditure component of the budget is based on the 5 year capital works forecast developed in the AMS as part of the AMP developed under the Integrated Planning and Reporting Framework. This is informed by Appendix B - SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy. Ongoing general operations and maintenance budgets are based on the previous year's expenditure and inflated for CPI, and refined where required. Funding options are included in Section 10 of the AMP and detailed further in Appendix D SEP WWTP Newman Business Case for Expansion 1/10/2014 Final. . The options available to the licensee to fund its sewerage service are income from rates, an annually adjusted sum from Water Corporation under the 1997 Asset Transfer Agreement, reserves, Government grants and loans. 	<ul style="list-style-type: none"> Policy Manual 2014 Accounting Policies (file number LEG 2-1) Adopted Budget 2014/15 Annual Report 2012/13 SEP WWTP Newman Business Case for Expansion 1/10/2014 Final. WWTP Asset Transfer Agreement, 1997 Interview with licensee's staff Asset Management Plan 2014 Septic and sewage treatment plant operating manual Rev G 2014 Corporate Business Plan

Description/ (Effectiveness rating)	Observations	Evidence
	<ul style="list-style-type: none"> Variances in expenditure are identified and tracked typically monthly for operating expenditure and as needed for capital expenditure. We also confirmed that the sewerage service budgets and expenditure are included in the overall financial planning carried out by Corporate Services. 	
Capital expenditure planning <ul style="list-style-type: none"> There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates (B2) The plan provides reasons for capital expenditure and timing of expenditure(A2) The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan (B2) There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned (B2) 	<ul style="list-style-type: none"> The responsibility for developing the capital expenditure budget lies with the Director of Technical Services and is developed by Environmental Engineer - Rowcon. Operating and capital expenditure detailed in the Annual Budget aligns with the financial forecasts developed in the AMS and documented in the AMP. This has been informed by Appendix B - SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy. Appendix B and Appendix D provide reasons for capital expenditure and timing of expenditure to reflect the investment required to meet forecast demand. Combined these two documents outline the reasons for new capital expenditure and the triggers for its timing, as well as the breakdown of the expenditure into the different asset types. The licensee has not undertaken renewal modelling on the non-potable water supply asset base. Given the age of the asset base it is likely that renewal expenditure will be required over the next 10 years. <i>We recommend that appropriate asset register and renewal model be developed for the non-potable water supply works and included in the AMS financial planning process and reported in the next revision of the AMP.</i> The budget is advertised each financial year in May and goes for Council approval in July. The capital works program submitted to Council annually forms part of the organisation's budgeting process. We confirmed that high level budgets for capital works are included in the whole-of-Council budget. Capex over the next 5 years reflects the demand forecast arising from projected population growth set out in SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy. The phased nature of the capital works proposed enables Council flexibility to scale back expenditure if the population is not realised. Alternatively the proposed solution is scalable to enable increased capacity if demand forecasts exceed expectations. 	<ul style="list-style-type: none"> SOEP 2013 Newman Sewage Plant Upgrade and Expansion Strategy. Adopted Budget 2014/15 Annual Report 2012/13 Interview with licensee's staff Policy Manual 2014 Adopted Budget 2014/15 Annual Report 2012/13 Asset Management Plan 2014 Septic and sewage treatment plant operating manual Rev G 2014 Corporate Business Plan
AMS Review <ul style="list-style-type: none"> A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current (B2) Independent reviews (e.g. internal audit) are performed of the asset management system (B2) 	<ul style="list-style-type: none"> Section 12 of the AMP sets out a 5 year action plan to improve asset management. <i>An improvement opportunity for the Shire may be for progress against the actions identified in Section 12 of the 2013 AMP be documented annually in the relevant monthly meeting and signed off by the Director of Technical Services.</i> External review of the AMS is undertaken as part of Clause 20 of the Shire's licence under the Act. The last Review was undertaken in January 2012. The AMIS is considered fit-for-purpose and suitable for the organisation. Regular meetings of the Technical Services Sewage and Reticulation group which provides a forum to review and up-date the AMS and considers addition to the installation or replacement of equipment. Minutes of these quarterly meetings are provided to Senior Council Officers. 	<ul style="list-style-type: none"> Interview with licensee's staff Asset Management Plan 2014 Policy Manual 2014 Septic and sewage treatment plant operating manual Rev G 2014 SoEP_Annual_Budget_14-15

Description/ (Effectiveness rating)	Observations	Evidence
	<ul style="list-style-type: none"> The team involved in governing and delivering water services from the WWTP and non-potable reticulation asset base through the application of the AMS demonstrated a high standard of awareness, commitment and dedication to the management of the scheme. 	<ul style="list-style-type: none"> Water Corporation and SEP Sewage Agreement 1997 Interviews with licensee's staff Site visit

6 Recommendations

6.1 Performance Audit

6.1.1 Current audit non-compliances and recommendations

Table 6-1 Table of current audit non-compliances and recommendations

A. Resolved during current audit period			
Manual Ref.	Non-Compliance/Controls Improvement	Date Resolved (& management action taken)	Auditor's Comments
	(Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)		

B. Unresolved at end of current Audit period			
Reference (no./year)	Non-Compliance/Controls Improvement	Auditor's recommendation	Management action taken by end of Audit Period
	(Rating / Legislative Obligation / Details of Non-Compliance or inadequacy of controls)		

Non-compliant - 2

Water Services Licensing Act 1995, Schedule 3 Clause 4.1

A1-2015	The licensee had not established a Customer Council or instituted at least 2 of the following: establish a regular meeting; publish a newsletter or run other public forums, concerning the licensed activities.	No further action required as this obligation is no longer in effect.	
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Non-compliant - 2

Water Services Act 2012, Clause 5.1

A2-2015	<i>The Shire did not meet all the requirements of its licence and as such has not complied with the Act.</i>	Refer to recommendation and A3-2015 to A8-2015	
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B. Unresolved at end of current Audit period

A3-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 12, Clause 16 –</i> <i>Provision of information</i> <i>(Obligation 165)</i></p> <p>From review of available correspondence, the Auditor noted that the licensee has responded to correspondence from the ERA although not always within specified timeframes.</p>	<p>We recommend that the licensee prepare a compliance register and reporting procedure based on the Authority's Compliance Report Manual to assist in keeping track of its statutory and regulatory obligations. The observations detailed in table 5-1 in this audit report may be used as the basis for this. Note: the reporting procedure should detail aspects such as how the data is collected, validated, reviewed/analysed and reported to the ERA.</p>
A4-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 12, Clause 16 –</i> <i>Provision of information</i> <i>(Obligation 166)</i></p> <p>The licensee did not submit compliance reports within specified timeframes to the Authority for 2011/12 and the 2013/14 reporting.</p>	Refer to recommendation A3-2015
A5-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 12, Clause 26 - Duties</i> <i>of the Licensee</i></p> <p>The Shire has not met all the requirements of the duties imposed on it by the Act as it provides non-potable water supply services outside of the current operating area, does not have a works holding arrangement for non-potable water supply works it does own, and does not fully comply with all the requirements of the Code.</p>	Refer to recommendations A6-2015 to A8-2015
A6-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 12, Clause 28 -</i> <i>Provision of Water Services</i> <i>Outside Operating Area</i></p> <p>Non-potable water supply services are provided outside of current operating area.</p>	<p>Seek approval from ERA to have operating area amended to include the area that non-potable water services are provided. Noting that any changes to the operating area plan should clearly articulate area associated with non-potable water services only as Water Corporation is responsible for the sewerage collection services under Water Licence No. 32 Version 13.</p>

B. Unresolved at end of current Audit period

A7-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 22, Clause 28 -</i> <i>Provision of Water Services</i> <i>Outside Operating Area</i></p>	Refer to recommendation A8-2015
	<p>Licensee has not notified the ERA of services provided outside of operating area</p>	
A8-2015	<p><i>Non-compliant – 2</i> <i>Water Services Act 2012,</i> <i>Section 23, Clause 29 - Works</i> <i>Holding Arrangements</i></p> <p>The licensee does not own a significant proportion of the non-potable water supply works.</p>	<p>For the components of the non-potable water supply works not owned by the Shire, the Shire to enter into a works holding arrangement with that owner/party (i.e. BHP) under which, the Shire would formally be responsible to operate and maintain the works to the extent necessary for the Shire to comply with the Shire's obligations under its licence and the Act.</p>

6.1.2 Current Review asset management system deficiencies and recommendations

Table 6-2 Table of current Review asset management system deficiencies and recommendations

A. Resolved during current audit period			
Ref.	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Date Resolved (& management action taken)	Auditor's Comments
B. Unresolved at end of current Audit period			
Reference (no./year)	Asset System Deficiency (Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)	Auditor's recommendation	Management action taken by end of Audit Period
R1-2015	<p>B2 <i>Asset planning - Asset management plan covers key requirements</i></p> <p><i>The AMP does not provide sufficiently detail information regarding the non-potable water supply works.</i></p>	<p>We recommend that either additional section(s) be added to the AMP document to relate to the non-potable water assets and associated operations and maintenance requirements for the recycled water scheme. This would also include a detailed description of the non-potable asset system including aspects such as pipe length by condition, age, diameter etc. to provide a fuller picture of the licensee's asset base. We would also suggest that schematics of the network be included.</p>	
R2-2015	<p>B2 <i>Asset planning - Asset management plan covers key requirements</i></p> <p><i>AMP does not detail training requirements</i></p>	<p>We recommend that a section in the AMP be included to address training requirements for the licensee's provision of water services.</p>	
R3-2015	<p>B2 <i>Asset planning - Asset management plan covers key requirements</i></p> <p><i>AMP does not address non-asset strategies for managing demand associated with the non-potable water supply.</i></p>	<p>We recommend that a section in the AMP be included that identifies non-asset strategies for managing changing demand such as imposed non-potable water service restrictions, changes to operation processes to optimise available network storage capacity etc.</p>	

B. Unresolved at end of current Audit period

R4-2015	<p><i>B2</i> <i>Asset operations - Assets are documented in an Asset Register including asset type, location, material, plans of components, an assessment of assets' physical/structural condition and accounting data</i></p> <p><i>Asset register would benefit from being restructured and expanded to include non-potable water supply assets.</i></p>	<p>We recommend that the existing asset register be refined into a format and content consistent with industry standard such as set out in the International Infrastructure Management Manual. Asset numbering to be aligned with the financial asset register. This new asset register should also include assets from the non-potable water supply system. This recommendation should be undertaken along with improvement actions 2.1-2.3, Section 12 of the Shire's 2013 AMP.</p>
R5-2015	<p><i>B2</i> <i>Asset maintenance - Regular inspections are undertaken of asset performance and condition</i></p> <p><i>A program for assessing asset performance and condition of the non-potable water supply works is not in place.</i></p>	<p>We recommend that a condition assessment program for the licensee's sewerage and non-potable water service assets be developed and implemented with details included in the AMP. Details from the condition assessments to be integrated into the asset register and performance against the program to be monitored as part of existing monthly meetings.</p>
R6-2015	<p><i>B2</i> <i>Risk management - Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</i></p> <p><i>Risk management within the AMS does not reflect the Shire's corporate risk management policy and strategy.</i></p>	<p>We recommend that the risk analysis be updated to be consistent with the Shire's risk management policy and strategy. The risk assessment to be expanded to include risks associated with the non-potable water supply service and infrastructure. Changes to be amended in the AMP and Operations Manual.</p>
R7-2015	<p><i>B2</i> <i>Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i></p> <p><i>Contingency plans are not currently tested regularly to confirm their operability, coverage and suitability.</i></p>	<p>We recommend that the licensee undertake 'Activation' exercises as a desktop scenario basis semi-annually as part of monthly meetings. Records of the exercise to be appended to the monthly meeting minutes.</p>

B. Unresolved at end of current Audit period

R8-2015	<p>B2</p> <p><i>Contingency planning - Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</i></p>	<p>We recommend that contingency plans be developed and included in the Operations Manual to address events such as pipe burst and leaks (including afterhours events), bushfire, extreme rainfall events/ water overflows from ponds and other potential faults and emergencies. Plans to align with events identified in the revised risk assessment (Refer to recommendation R6-2015)</p>
	<p><i>Contingency plans do not adequately reflect the potential events identified in the risk assessment nor the non-potable water supply service.</i></p>	

R9-2015	<p>B2</p> <p><i>Capital expenditure planning - The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</i></p>	<p>We recommend that appropriate asset register and renewal model be developed for the non-potable water supply works and included in the AMS financial planning process and reported in the next revision of the AMP.</p>
	<p><i>Capital expenditure planning currently does not sufficiently address non-potable water supply works.</i></p>	

R10-2015	<p>B2</p> <p><i>Asset planning - Asset management plan covers key requirements</i></p>	<p>AMP 2014 (Asset Manual Document) to include an appropriately detailed sign off and document control sheet at front of document.</p>
	<p>The AMP does not include an appropriately detailed sign off and document control sheet at front of document.</p>	

7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of East Pilbara on 12th and 15th January 2015 and recorded in this report is an accurate presentation of our findings and opinions.



John MacDonald
Cardno (QLD) Pty Ltd
515 St Paul's Terrace
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29 April 2015

Operational Audit & Asset Management System Review

APPENDIX A RISK MANAGEMENT FRAMEWORK



Types of Compliance Risk

Type of Risk	Examples
Supply quality and reliability	Delays in new connections, excessive supply interruptions, supply quality standards not met.
Consumer protection	Customer service levels not met, incorrect bills, disconnection and reconnection standards not met, customers unable to access financial hardship assistance.
Legislation/licence	Breach of industry Acts, regulations and codes, contravention of licence conditions.

Risk Assessment Rating Scales

The consequence, likelihood, inherent risk and adequacy of internal controls are assessed using a 3-point rating scale as described below. The rating scale is as per the Economic Regulation Authority's Audit and Review Guidelines: Water Licences, July 2014.

Consequence Rating

The consequence rating scale is outlined below.

Rating	Supply Quality and Reliability	Consumer Protection	Breaches of Legislation or Other Licence Conditions
1 Minor	Breaches of supply quality or reliability standards – affecting small number of customers. Delays in providing a small proportion of new connections.	Customer complaints procedures not followed in a few instances. Small percentage of disconnections or reconnections not completed on time. Small percentage of bills not issued on time.	Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties. Compliance framework generally fit for purpose and operating effectively.
2 Moderate	Supply quality breach events that significantly impact customers; large number of customers affected and/or extended duration and/or damage to customer equipment. Supply interruptions affecting significant proportion of customers on the network for up to one day. Significant number of customers experiencing excessive number of interruptions per annum. Significant percentage of new connections not provided on time/ some customers experiencing extended delays.	Significant percentage of complaints not being correctly handled. Customers not receiving correct advice regarding financial hardship. Significant percentage of bills not issued on time. Ongoing instances of disconnections and reconnections not completed on time, remedial actions not being taken or proving ineffective. Instances of wrongful disconnection.	More widespread breaches of legislative obligations or licence conditions over time. Compliance framework requires improvement to meet minimum standards.
3 Major	Supply interruptions affecting significant proportion of customers on the network for more than one day. Majority of new connections not completed on time/ large number of customers experiencing extended delays.	Significant failure of one or more customer protection processes leading to ongoing breaches of standards. Ongoing instances of wrongful disconnection.	Wilful breach of legislative obligation or licence condition. Widespread and/or ongoing breaches of legislative obligations or licence conditions. Compliance framework not fit for purpose, requires significant improvement.

Likelihood Ratings

The likelihood rating scale is described below.

Level	Description
A Likely	Non-compliance is expected to occur at least once or twice a year
B Probable	Non-compliance is expected to occur once every three years
C Unlikely	Non-compliance is expected to occur once every 10 years or longer

Inherent Risk Assessment Rating and Description

The inherent risk rating is based on the combined consequence and likelihood rating. The inherent risk assessment rating scale and descriptions are outlined below.

Likelihood	Consequence		
	Minor	Moderate	Major
Likely	Medium	High	High
Probable	Low	Medium	High
Unlikely	Low	Medium	High

Level	Description
High	Likely to cause major damage, disruption or breach of licence obligations
Medium	Unlikely to cause major damage but may threaten the efficiency and effectiveness of service
Low	Unlikely to occur and consequences are relatively minor

Adequacy Ratings for Existing Controls

The adequacy of existing internal controls is also assessed based on a 3-point scale as indicated below.

Level	Description
Strong	Controls that mitigate the identified risks to an appropriate level
Moderate	Controls that only cover significant risks; improvement required
Weak	Controls are weak or non-existent and have minimal impact on the risks

Assessment of Audit Priority

The assessment of audit priority is used to determine the audit objectives, the nature of audit testing and the extent of audit testing required. It combines the inherent risk and risk control adequacy rating to determine the priority level.

Inherent Risk	Adequacy of Existing Controls		
	Weak	Medium	Strong
High	Audit Priority 1	Audit Priority 2	
Medium	Audit Priority 3		Audit Priority 4
Low	Audit Priority 5		

Operational Audit & Asset Management System Review

APPENDIX B

ASSET MANAGEMENT PERFORMANCE RATING DEFINITIONS



Compliance Assessment Rating Scale

In accordance with the Economic Regulation Authority's Audit and Review Guidelines: Water Licences, July 2014, a combination of audit compliance and controls ratings have been adopted to assess the licensee's compliance against each licence condition. The rating scale and description of compliance is outlined below. These are based on the Economic Regulation Authority's Audit and Review Guidelines: Water Licences, July 2014.

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

Asset Management Review Rating Scales

The asset management review utilises a combination of asset management adequacy ratings and asset management performance ratings, which are outlined below. These are based on the Economic Regulation Authority's Audit and Review Guidelines: Water Licences, July 2014.

Asset Management Adequacy Ratings

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

Rating	Description	Criteria
D	Inadequate	<ul style="list-style-type: none"> Processes and policies are not documented. The asset management information system is not fit for purpose (taking into consideration the assets that are being managed).

Asset Management Performance Ratings

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