

# Operational Audit and Asset Management System Review

Shire of Goomalling

3604-70

Prepared for  
Economic Regulation Authority

12 May 2015



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# Executive Summary

## General

The Shire of Goomalling holds a water services operating licence (WL18) which permits it to provide sewerage services and non-potable water supply services and undertake, maintain and operate any water service works to the Shire of Goomalling. The operating licence was granted by the Economic Regulation Authority (ERA) on 29 April 1996 and subsequently amended on 18 November 2013.

The Shire provides Sewerage services through a 10.7km gravity reticulation system, one short 215m and longer 891.8m of pressure main (two pump stations and rising main) and a treatment plant serving 194 residential and 23 non-residential properties. The Shire also provides non-potable water through an effluent reuse scheme although this service does not supply the properties and is only used by the Shire. The sewerage scheme collects and treats approximately 32,000kL of residential liquid wastes and a similar amount less evaporation is reused on spray irrigation of the town's ovals. The primary and secondary treatment ponds have a storage capacity of 2,244m<sup>3</sup> and the irrigation dam has a capacity of more than 5,000m<sup>3</sup> as this pond caters for storm water run-off. If this pond threatens to overflow, the storm water is diverted via a sluice gate to another dam close by. The reuse main that connects the storage ponds to the sports ovals is approximately 1km in length and constructed from 100mm galvanised steel.

There have been no significant changes to the assets since the last audit. The Authority issued a new licence (WL18, Version 3) on 13 November 2013 consistent with the Water Services Act 2012.

## Audit and Review Objectives

Cardno was commissioned by the ERA to undertake an operational audit and asset management system review of the Shire of Goomalling 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 its operating licence.

The operational audit has been conducted in order to assess the Shire of Goomalling's level of compliance with the conditions of its operating licence.

The asset management system review has been conducted in order to assess the effectiveness of the Shire of Goomalling's asset management system.

This report outlines the findings of the audit and review of the Shire of Goomalling to fulfil the above objectives, conducted on 4 and 5 February 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 from the Previous Operational Audit*

The previous audit did not identify any non-compliances. However, it identified a number of outstanding and partially completed issues from the January 2009 audit report:

1. Due to the 12 months extension to the deadline for the Shire's Customer Service Charter review provided by the Authority, the Emergency Assistance section of the Charter had not been updated for the requirement to provide a response within one hour of receiving an emergency call. The Shire's Customer Service Charter provided two hour response time to emergency calls for messages left on the answering machine which was not in compliance with the Water Licence requirement to provide a response within one hour of receiving an emergency call.

*This obligation is no longer applicable*

2. The Shire had developed and implemented a Compliance Schedule, however the Schedule did not include the required timeframes for the notification of the asset management system changes to the Authority.

*Unresolved in the Compliance Schedule. However, there have been no changes to the asset management system during the audit period and no need to submit changes to the ERA.*

3. The Monitoring and Review Procedures section of the Asset Management Plan had not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.

*Partially resolved during audit period*

### **Findings from the Current Operational Audit**

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

#### **Water Services Act 2012**

1. A1/2015 – The licensee has not complied with all applicable legislation.
2. A2/2015 – The licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013.
3. A3/2015 - The licensee does not provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification. As there is no evidence from the audit period that the licensee has not met the notification timeframe, this does not constitute a non-compliance but reflects is a controls issue.
4. A4/2015 - The requirement for the licensee to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise is currently not communicated to customers. As there is no evidence from the audit period that the licensee has not provided the necessary notice, this does not constitute a non-compliance but is a controls issue.

#### **Water Services Code of Conduct (Customer Service Standards) 2013**

5. A5/2015 – The licensee did not have all of the written information for customers about the specified matters under Section 21, Section 21(2)(c) or (3)(c) and Section 73 of the Act.
6. A6/2015 to A8/2015 – The licensee does not have a formal written procedure for the review of a bill on the customer's request. Therefore, it does not meet the obligation to include the specified information and be publically available.
7. A9/2015 - Although the licensee offers direct debits in the Hardship Policy, there is currently no process in place related to the consent for direct debits (Clause 22). Therefore, although advertised, we consider that the direct debit payment method is currently not available in practice to customers (Clause 21(1)).
8. A10/2015 – The Licensee does not have a complaints procedure that meets the requirements of AS ISO 10002.
9. A11/2015 – The licensee's complaints procedure does not fully address the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.
10. A12/2015 – The licensee does not have a complaints procedure that sets out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.
11. A13/2015 - The licensee's does not have a complaints procedure that is publicly available.
12. A14/2015 - The licensee does not reference large print services being available if required by its customers.
13. A15/2015 - The licensee does not make all of the prescribed (Clause 37(1) of the Code) information publicly available.

**Water Services Act 2012 (Licence Conditions)**

14. A16/2015 - The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements.

**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 Goomalling 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 Goomalling with its licence is summarised in Section 4.2 of this report. 16 items were rated as non-compliant. All other items were assessed as compliant, not applicable or not able to be rated.

**Asset Management System Review****Findings of the Previous Asset Management System Review**

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

The previous asset management system review identified the following recommendations:

15. Asset Disposal: The licensee should implement a program for the inspection of all assets.  
*Resolved during audit period*
16. Environmental Analysis: The licensee should update the Asset Management Plan for details of the current Department of Environment Licence/Registration.  
*Resolved during audit period*
17. Environmental Analysis: The licensee should update the Asset Management Plan to reflect the issue of the new licence to the Shire of Goomalling on 15th May 2009 for any new requirements in the licence.  
*Resolved during audit period*
18. Asset Operations: The licensee should update the assessment of assets' physical/structural condition for all assets recorded in the Asset Register.  
*Resolved during audit period*
19. Asset Maintenance: The licensee should instigate a monitoring program for the fine weeping cracks in the Imhoff tank.  
*Resolved during audit period*
20. Review of Asset Management System: The licensee should ensure that the Document Status and Implementation Program tables of the AMP are kept up to date.

*Unresolved during audit period. Document status and implementation program tables in AMP unchanged since previous audit*

### Findings of the Current Asset Management System Review

The review of the Shire of Goomalling asset management system identified that all but one of the asset management processes were rated B2 or better. The only asset management process that has been rated less than B2 is for the component of *Environmental Analysis – Compliance with statutory and regulatory requirements*. This has been rated as C3 due to an assessment completed by the Department of Health in November 2013 that found the licensee to be non-compliant in a number of matters related to its non-potable water service.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide. Generally the gradings that we have assigned to the licensee's asset management system components reflect that there is room for improvement to achieve what would be considered 'best practice'.

Process improvement opportunities have been included in the review, Table 0. The following recommendations and process improvement opportunities were identified during the current review:

| Reference (no./year) | Asset Management System Component  | Issue  | Auditor's recommendation   |
|----------------------|--|--|--|
| R1/2015              | B2<br><i>Asset Creation - Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</i>                                  | Legal, environmental and safety obligations are documented in Section 2.3 of the Asset Management Plan. However, as the AMP has not been updated since 2012, a number of the references are out of date and will need to be revised in the next update of the document.                                    | We recommend that the legal, environmental and safety obligations included in the Asset Management Plan are reviewed and revised in the next update of the document. |
| R2/2015              | B2<br><i>Asset Creation - Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</i>                                  | Although the AMP includes information on the recycled water scheme assets, the legal, environmental and safety obligations related to the reuse scheme are not specified in the AMP (e.g. the Health Act 1911, the Metropolitan Water Supply and Sewerage Act 1909 and Environmental Protection Act 1986). | We recommend that the legislative requirements associated with the licensee's reuse scheme are included in the next update of the AMP.                               |
| R3/2015              | B2<br><i>Environmental Analysis – Compliance with statutory and regulatory requirements</i>  | The licensee has identified statutory and regulatory requirements in its Section 2.3 of the AMP. However, it makes reference to the Water Services Licensing Act 1995 which has been superseded by the Water Services Act 2012.  | We recommend that the asset management plan be updated to reflect the new legislative framework.   |
| R4/2015              | B2<br><i>Environmental Analysis – performance standards (availability of service, capacity, continuity, emergency response etc.) are measured and achieved /</i> | Outside of the compliance reporting requirements there does not appear to be further historical analysis of the licensee's performance against these measures.   | We recommend that past records on the performance measures be documented in the AMP with any significant deviation from the standard justified.                      |

| Reference (no./year) | Asset Management System Component  | Issue   | Auditor's recommendation   |
|----------------------|--|---|--|
|                      | <i>achievement of customer service levels.</i>   |   |  |
| R5/2015              | C3<br><i>Environmental Analysis – Compliance with statutory and regulatory requirements</i>                              | The licensee's recycled scheme was assessed by a representative from the Department of Health in November 2013. The resulting assessment report identified a number of areas where the licensee was not compliant with the requirements of the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i> . | <p>The licensee has completed some of the actions required by the Department of Health but we note that it is contesting some of the other recommendations.</p> <p>We recommend that the licensee continue to communicate with the Department of Health until a resolution on these matters can be reached.</p> <p>The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016.</p>   |
| R6/2015              | B2<br><i>Asset Operations – Operational policies and procedures are documented and linked to service levels required</i> | The licensee does not have any specific operational or maintenance procedures for operating or maintaining the sewerage and reuse schemes.  | <p>Although the sewerage and reuse schemes are relatively simple, we would recommend that the licensee develops some simple step-by-step operational procedures and maintenance instructions for the key activities to be included in the appendices of the Asset Management Plan. We would recommend that the licensee develops operations and maintenance procedures for the following:</p> <ul style="list-style-type: none"> <li>▪ Switchboard Maintenance</li> <li>▪ Sewer Blockages, Overflows and Spills</li> <li>▪ Maintenance of Wet Wells</li> <li>▪ Submersible Sewage Pump – Routine Maintenance</li> <li>▪ Imhoff Tank Maintenance</li> <li>▪ Water Quality Sampling</li> <li>▪ Operation of the Recycled Water Scheme</li> </ul> |
| R7/2015              | B2<br><i>Asset Maintenance – maintenance costs are measured and monitored</i>  | The Planned Maintenance Plan is included in Section 4.4 of the AMP but needs to be updated as the timelines for the due dates are out of date.  | Update the Planned Maintenance Plan in the AMS.  |
| R8/2015              | B2<br><i>Asset Maintenance – maintenance costs are measured and monitored</i>  | By observation, there are some errors in the formulae in the maintenance budget included in the AMS.  | We recommend that maintenance budget spreadsheet in the AMS is reviewed and corrected by the time the next budget is prepared.   |
| R9/2015              | B2<br><i>Risk Management – Risks are documented in a risk register and treatment plans are actioned and monitored</i>    | The licensee's risk assessment does not include risk consequences associated with the water licence, financial impact, the environment and OHS.   | We recommend that the licensee's risk assessment be updated to include these risks.  |
| R10/2015             | B2<br><i>Contingency Planning – Contingency plans are documented, understood and tested to confirm their</i>             | The risk mitigation and management strategies included in the Asset Management Plan are for the key risk events of Earthquake, Imhoff Failure, Major Storm, Illegal Load,   | We recommend that the licensee looks to expand its existing Contingency Plan to include the strategies and activities for managing these incidents in addition to the events it has already documented.  |

| Reference (no./year) | Asset Management System Component  | Issue   | Auditor's recommendation   |
|----------------------|--|---|--|
|                      | <i>operability and to cover high risks</i>   | Unexpected Demand and Pipe/Manhole collapse.  |  |
| R11/2015             | B2<br><i>Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover high risks</i>                       | The Contingency Plan does not include any information related to incident management for the non-potable water supply.  | The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016. This will include a detailed Incident Management Plan in accordance with the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i> .  |
| R12/2015             | B2<br><i>Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover high risks</i>                       | The Contingency Plan does not include any contact information or details of equipment and spares that is available to be used in an event.  | We recommend that the Contingency Plan be expanded, with appendices added to include a Key Contacts list, a list of available equipment and spares and a list of suppliers and contact details of key external businesses that could assist with emergencies (e.g. contract electricians / plumbers / manufacturers etc.). |
| R13/2015             | B2<br><i>Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i> | A five year breakdown of the scheme operating expenditure is included in the AMP. However, this information provides the breakdown for the five years between 2007/08 and 2011/12   | Update the operating expenditure information included in the Asset Management Plan to provide details of forecasted costs.   |
| R14/2015             | B2<br><i>Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i> | The capital expenditure component of the Financial Summary included in the Asset Management Plan is based on the five year capital works forecast developed in the AMS. However, the AMP needs to be updated as the latest revision of the document shows the proposed capital expenditure between 2008/09 and 2012/13. | Update the operating expenditure information included in the Asset Management Plan to provide details of forecasted capital expenditure costs.   |
| R15/2015             | B2<br><i>Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.</i> | Section 4.2.4 of the Asset Management Plan includes the asset valuations for the sewer and reuse assets. However, the values included were established as at 30 June 2007 and will need to be re-valued and updated.  | We recommend that the licensee's asset valuations be updated as the AMS and Asset Management Plan currently reports them as they were valued at 30 June 2007.  |
| R16/2015             | B2<br><i>Capital Expenditure – There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</i>                | The AMS forecasts a capex program out to 50 years based on the asset lives assigned to each type of asset and this is also included in the AMP. This forecast currently runs out to 2058 and needs to be  | Update the capital expenditure forecast in the AMS   |

| Reference (no./year) | Asset Management System Component   | Issue  | Auditor's recommendation  |
|----------------------|---|--|---|
|                      |   | updated as 2008 is the starting year.  |   |
| R17/2015             | B2<br><i>Review of AMS – A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</i> | The current Improvement Plan is included in Section 7.2 of the AMP. However, we note that this needs to be updated as the latest action was due to be completed by May 2008.   | We recommend that the Asset Management Plan is updated with details of the improvement opportunities that have been identified through this review of the AMS.  |
| R18/2015             | B2<br><i>Review of AMS – A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current</i> | We observed during the review of the asset management system that a number of items included the Asset Management Plan were out of date which indicates that the reviews of the document that have taken place have not been as thorough as they should have been. | We recommend that the Asset Management Plan is reviewed and updated each year so that as a minimum the financial/expenditure, improvement plan and maintenance schedule dates can be updated.<br><br>Given the number of put-of-date items included in the latest version of the AMP, we recommend that the document is reviewed and updated by 30 June 2015. |

### **Assessment of the Effectiveness of the Asset Management System**

Based on the outcomes of the audit, 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 satisfactorily given the size and simplicity of the sewerage scheme and non-potable water service.

However, there were a number opportunities for improvement identified for the majority of the licensee's asset management processes and these have been presented in the previous table.

### **Asset Management System Review - Overall Effectiveness**

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

The only asset management component assigned a lower rating than B2 was the C3 assigned to the component of *Environmental Analysis – Compliance with statutory and regulatory requirements*. This has been rated as C3 due to an assessment completed by the Department of Health in November 2013 that found the licensee to be non-compliant in a number of matters related to its non-potable water service.

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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 fair, competitive and efficient environment for consumers and businesses, particularly where businesses operate as natural monopolies.

The Shire of Goomalling holds a water services operating licence (WL18) which permits it to provide sewerage services and non-potable water supply services and undertake, maintain and operate any water service works to the Shire of Goomalling. The operating licence was granted by the Economic Regulation Authority (ERA) on 29 April 1996 and last amended on 18 November 2013.

The Shire provides Sewerage services through a 10.7km gravity reticulation system, one short 215m and longer 891.8m of pressure main (two pump stations and rising main) and a treatment plant serving 194 residential and 23 non-residential properties. The Shire also provides non-potable water through an effluent reuse scheme although this service does not supply the properties and is only used by the Shire. The sewerage scheme collects and treats approximately 32,000kL of residential liquid wastes and a similar amount less evaporation is reused on spray irrigation of the town's ovals. The primary and secondary treatment ponds have a storage capacity of 2,244m<sup>3</sup> and the irrigation dam has a capacity of more than 5,000m<sup>3</sup> as this pond caters for storm water run-off. If this pond threatens to overflow, the storm water is diverted via a sluice gate to another dam close by. The reuse main that connects the storage ponds to the sports ovals is approximately 1km in length and constructed from 100mm galvanised steel.

## 1.2 Purpose of this Report

As a condition of its operating licence, the Shire of Goomalling is required to conduct a performance audit and asset management review that assesses its performance against its obligations under the licences.

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).

The purpose of the performance audit is 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:

- ▶ asset planning
- ▶ asset creation/acquisition
- ▶ asset disposal

- ▶ environmental analysis
- ▶ asset operations
- ▶ asset maintenance
- ▶ asset management information system
- ▶ risk management
- ▶ contingency planning
- ▶ financial planning
- ▶ capital expenditure planning
- ▶ review of the asset management system.

## 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 Goomalling'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 Goomalling's asset management system in relation to WL18
3. Provide recommendations to address non-compliances and asset management deficiencies, 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 Goomalling 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 WL18
  - Assess performance against each asset management process for WL18.
- ▶ Reviews of relevant documents, procedures and policy manuals
- ▶ Testing and assessment to determine whether the procedures and policies are followed and determine their effectiveness
- ▶ Preparation of an audit and review 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 or assessed as audit priorities 1, 2 or 3, as per the Audit Guidelines, in the Audit Plan.
- ▶ 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   |
|--|----------|---|---|---|
| <b>Licence Audit</b>                           |          |   |   |   |
| Clause 4<br>Fees                               | 5        | <ul style="list-style-type: none"> <li>Review invoices from Authority and receipts of payment</li> </ul>  |   | <ul style="list-style-type: none"> <li>Invoices and receipts</li> </ul>   |
| Clause 5<br>Compliance                         | Various  | <ul style="list-style-type: none"> <li>Review legislative requirements and confirm compliance</li> <li>Identify any corrective action applied to correct / prevent breaches of compliance</li> </ul>                  | <ul style="list-style-type: none"> <li>Work scheduling system</li> </ul>  | <ul style="list-style-type: none"> <li>Performance standards</li> <li>Compliance Summary Reports (record of breaches)</li> </ul>                        |
| Clause 12<br>Accounting Records                | 4        | <ul style="list-style-type: none"> <li>Check that 2011/12, 2012/13 and 2013/14 financial statements are signed off as being to appropriate standards</li> </ul>   |   | <ul style="list-style-type: none"> <li>2011/12 Financial statement</li> <li>2012/13 Financial Statement</li> <li>2013/14 Financial Statement</li> </ul> |
| Clause 13<br>Individual Performance Standards  | NA       | <ul style="list-style-type: none"> <li>Confirm that not applicable</li> </ul>   |   |   |
| Clause 14<br>Operational Audit                 | 4        | <ul style="list-style-type: none"> <li>Confirm Authority's requirement for an operational audit every 24 months</li> <li>Check if any requests have been submitted to the Authority to review requirements</li> </ul> | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul> | <ul style="list-style-type: none"> <li>Previous operational audit reports</li> <li>Correspondence with the ERA</li> </ul>                               |
| Clause 15<br>Reporting change in circumstances | 5        | <ul style="list-style-type: none"> <li>Review any correspondence with the Authority</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul> | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>   |
| Clause 16<br>Provision of Information          | 4        | <ul style="list-style-type: none"> <li>Confirm that the licensee has provided the Authority with data required for performance monitoring purposes as set out in the Compliance Reporting Manual.</li> </ul>          | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul> | <ul style="list-style-type: none"> <li>Annual compliance reports</li> <li>Annual performance reports</li> <li>Correspondence register</li> </ul>        |
| Clause 17<br>Publishing Information            | 4        | <ul style="list-style-type: none"> <li>Check if any requests have been issued by the Authority to publish any information relating to the performance of the Licensee and correlating response</li> </ul>             | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul> | <ul style="list-style-type: none"> <li>Letters of notification / requests from the Authority</li> <li>Response to the Authority</li> </ul>              |
| Clause 18<br>Notices                           | 4        | <ul style="list-style-type: none"> <li>Confirm all notices are issued in writing</li> </ul>   | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul> | <ul style="list-style-type: none"> <li>Issued notices</li> <li>Licensee communication/correspondence to the Authority</li> </ul>                        |
| Clause 19                                      | 4        | <ul style="list-style-type: none"> <li>Confirm if any requests of a reviewable decision has been issued to the Authority and correlating response</li> </ul>  |   | <ul style="list-style-type: none"> <li>Requests for review of decision (Correspondence)</li> </ul>  |

| Audit Area  | Priority | Approach  | Systems  | Key Documents  |
|---|----------|---|--|--|
| Review of the Authority's Decisions                     |          |   |  |  |
| Clause 20<br>Asset Management System                    | 4        | <ul style="list-style-type: none"> <li>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.</li> </ul>                         | <ul style="list-style-type: none"> <li>Enterprise Asset Management System</li> <li>Computerised Maintenance Management System</li> </ul> | <ul style="list-style-type: none"> <li>Asset Management Policies</li> <li>Asset Management Plans</li> <li>Asset Management Systems and Procedures Manual</li> <li>Asset Register</li> </ul>  |
| Clause 21<br>Water Services Ombudsman Scheme            | 4        | <ul style="list-style-type: none"> <li>Confirm whether the licensee is a member of a scheme and assess compliance</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Correspondence with Ombudsman</li> </ul>   |
| Clause 22<br>Standard Terms & Conditions                | NA       | <ul style="list-style-type: none"> <li>Confirm that not applicable</li> </ul>   |  |  |
| Clause 23<br>Customer Contract                          | 4        | <ul style="list-style-type: none"> <li>Check whether the Authority has asked for and approved a customer contract during the audit period.</li> <li>Confirm that the contracts comply with the Customer Contract Guidelines</li> <li>Check whether there have been any amendments to the customer contracts during the audit period.</li> </ul>   | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Examples of customer contracts</li> </ul>  |
| Clause 24<br>Non Standard Terms & Conditions of Service | 4        | <ul style="list-style-type: none"> <li>Assess whether the licensee has agreements with customers that include non-standard terms and conditions</li> <li>If applicable, confirm that the non-standard terms and conditions have been approved by the Authority</li> <li>If applicable, confirm annual reports of agreements containing non-standard terms and conditions have been published and comply with the operating licence requirements.</li> </ul> | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Examples of agreements with non-standard terms &amp; conditions (if applicable)</li> <li>Annual reports of non-standard terms &amp; conditions agreements</li> </ul> |
| Clause 25<br>Supplier of Last Resort                    | 4        | <ul style="list-style-type: none"> <li>Confirm whether the licensee is a supplier of last resort and, if applicable, assess compliance with the functions required under the operating licence.</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence register</li> </ul>  | <ul style="list-style-type: none"> <li>Correspondence with ERA/Minister</li> <li>Last Resort Supply Plan</li> </ul>  |
| Clause 26<br>Duties of the Licensee                     | 4        | <ul style="list-style-type: none"> <li>Assess compliance with the duties of the licensee under the Water Act</li> </ul>   |  | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> <li>Compliance Summary Reports (record of breaches)</li> </ul>   |

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

**Table 2-2 Asset Management Review Methodology**

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

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

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

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

## 2.4 Time Period Covered by the Audit/Review

The operational licence audit covers the period from 1 December 2011 to 30 November 2014. The asset management system review covers the period from 1 December 2011 to 30 November 2014.

The previous operational licence audit covered the period from 1 December 2008 to 30 November 2011 and was undertaken by Quantum Management Consulting and Assurance (Quantum Assurance). The previous asset management system review covered the period from 1 December 2008 to 30 November 2011 and was undertaken by Quantum Management Consulting and Assurance (Quantum Assurance).

## 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 Goomalling staff were carried out on 4 and 5 February 2015 at the Shire's office in Quinlan St, Goomalling, WA.

## 2.6 Details of the Licensee Representatives Participating in the Audit/Review

Details of representatives from the Shire of Goomalling 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   |
|---------------|---------------------|--|
| Clem Kerp     | Shire of Goomalling | Chief Executive Officer                          |
| Natalie Bird  | Shire of Goomalling | Finance Manager                                  |
| Linton Thomas | Shire of Goomalling | Environmental Health Officer / Building Surveyor |

## 2.7 Details of Key Documents and Other Information Sources

- ▶ Shire of Goomalling Water Services Operating Licence – WL18, Version 3, 18 November 2013
- ▶ Quantum Assurance, Shire of Goomalling Operational Audit and Asset Management System Review, Final Report, March 2012
- ▶ Shire of Goomalling Water Services Operating Licence – WL18, Version 2, 15 May 2009
- ▶ Shire of Goomalling Water Services Operating Licence – WL18, Version 3, 18 November 2013
- ▶ Quantum Assurance, Shire of Goomalling Operational Audit and Asset Management System Review, Final Report, March 2012
- ▶ Post Audit Implementation Plan Shire of Goomalling Water Licence Operational Audit and Asset Management Review dated March 2012, last saved 14 January 2013
- ▶ Shire of Goomalling Customer Charter Wastewater Services (reviewed June 2012)
- ▶ Sample of Shire of Goomalling Newsletters
- ▶ Sample of monthly Council meeting minutes
- ▶ Shire of Goomalling website ([www.Goomalling.wa.gov.au](http://www.Goomalling.wa.gov.au))
- ▶ Shire of Goomalling - Financial Hardship Policy for Water Services, 2014
- ▶ Shire of Goomalling Disability Access and Inclusion Plan
- ▶ Shire of Goomalling Annual Report 2011/12
- ▶ Shire of Goomalling Annual Report 2012/13

- ▶ Shire of Goomalling Waste Water Services – Sewerage System Compliance Schedule
- ▶ Shire of Goomalling Waste Water Services Information Log
- ▶ Shire of Goomalling Sewerage System Defect and Complaint Report template
- ▶ Shire of Goomalling Complaints and Investigation Procedures
- ▶ Performance Reports to the Authority for the year ended 30 June 2012, 2013 and 2014
- ▶ Compliance Reports to the Authority for the year ended 30 June 2012, 2013 and 2014
- ▶ Hard copy file of Correspondence between the Shire and the Authority
- ▶ As Constructed drawings of the Goomalling sewerage scheme and treatment plan
- ▶ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014
- ▶ Shire of Goomalling Waste Water Assets Management System – Asset Register Excel spreadsheet
- ▶ Shire of Goomalling Waste Water Assets Management System – Asset Condition and Performance Excel spreadsheet
- ▶ Shire of Goomalling Waste Water Assets Management System – Risk Assessment Excel spreadsheet
- ▶ Shire of Goomalling Waste Water Assets Management System – Financial Planning Excel spreadsheets
- ▶ Shire of Goomalling Waste Water Assets Management System – Maintenance Management Excel spreadsheets
- ▶ Shire of Goomalling Waste Water Assets Management System – Annual Operations and Maintenance Budget Excel spreadsheets
- ▶ Goomalling Re-use Water Sampling Results 2012, 2013 and 2014
- ▶ Department of Health Water Recycling Assessment Report, November 2013
- ▶ Correspondence between Shire of Goomalling and Department of Health
- ▶ Shire of Goomalling Local Planning Scheme No. 3, updated 20/03/2007
- ▶ Western Australia Tomorrow - Forecast Profile for the Goomalling (S) Local Government Area, Western Australian Planning Commission, February 2012
- ▶ Shire of Goomalling Fees and Charges 2014/15
- ▶ Shire of Goomalling Long Term Financial Plan 2014
- ▶ Shire of Goomalling Annual Budget for the year ended 30th June 2014
- ▶ Shire of Goomalling Annual Budget for the year ended 30th June 2015
- ▶ Shire of Goomalling Corporate Plan 2013 – 2015

## **2.8 Details of Auditors Participating in the Audit/Review and Hours Utilised**

The audit/review team comprised two 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 |
|----------------|--------------|----------|---|----------------|
| Justin Edwards | Cardno       | Auditor  | <ul style="list-style-type: none"><li>▪ Prepare audit plan</li><li>▪ Undertake audit</li><li>▪ Prepare audit report</li></ul> | 100            |
| Stephen Walker | Cardno       | Reviewer | <ul style="list-style-type: none"><li>▪ Review Audit Plan</li><li>▪ Review Audit Report</li></ul>                             | 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 Goomalling 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 |
| 1.1/2012  | <b>Performance Standards</b>                                       | The previous audit recommended the following: | July 2012     | No further action required as this obligation was made  |

## B. Resolved during current Audit period

The licensee must comply with the performance standards set out in Schedule 4.

The previous audit noted the following:

- The audit reviewed the Shire's Performance Reports for the year ended 30 June 2009, 2010 and 2011 and noticed that the Shire complied with all performance standards.

However, due to the 12 months extension to the deadline for the Shire's Customer Service Charter review provided by the Authority, the Emergency Assistance section of the Charter has not yet been updated for the requirement to provide a response within one hour of receiving an emergency call. The next review is due in July 2012.

The Shire's Customer Service Charter now provides two hour response time to emergency calls for messages left on the answering machine. This is not in compliance with the Water Licence requirement to provide a response within one hour of receiving an emergency call.

- At the next review of the Shire's Customer Service Charter, update the Emergency Assistance section of the Charter in line with the requirement of the water service licence to provide a response within one hour of receiving an emergency call.

redundant by the *Water Service Act 2012*

## 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 |
|----------------------|--|--|---------------|---|
| 1.2/2012             | <p><b>Notify Changes to Asset Management System</b></p> <p>The licensee must notify the Authority of any changes to its asset management system within 10 business days from the date of change.</p> | <p>The previous audit recommended the following:</p> <ol style="list-style-type: none"> <li>Update the Monitoring and Review Procedures section of the Asset Management Plan for the requirement to notify the Authority of any</li> </ol> |               | <p>Yes.</p> <p>The Monitoring and Review Procedures section of the most recent version of the</p>                     |

### C. Unresolved at end of current Audit period

The previous audit noted the following:

- The audit confirmed with the Shire's EHO that there were no material changes made to the asset management system that would require notification to the Authority.
- The Shire has developed and implemented the Compliance Schedule, however the Schedule does not include the required timeframes for the notification of the asset management system changes to the Authority.
- Also, the Monitoring and Review Procedures section of the Asset Management Plan has not yet been updated for the requirement to notify the Authority of any changes to the asset management system within the required timeframe.

changes to the asset management system within the required timeframe.

2. Note the required timeframes for the notification of the asset management system changes to the Authority in the Compliance Schedule to ensure regulatory timeframes are met in case of changes occurring in the asset management system.
3. Update the Asset Management Plan for any changes since the previous audit and from this audit.

AMP is unchanged since the previous audit.

The licensee should complete the required updates in the next review of the AMP.

The Compliance Schedule has not been updated to ensure regulatory timeframes are met in case of changes occurring in the asset management system. However, there were no changes to the system during the previous audit period and there have not been any during the current audit period. As a result, there has been no need for the licensee to inform the ERA of any changes.

### 3.2 Previous Review Ineffective Components and Recommendations

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

**Table 3-2 Previous Review Ineffective Components 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 |
| 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 |
| 2.1/2012   | <p><b>Asset Disposal</b></p> <p>Under-utilised and under-performing assets are identified as part of a regular systematic review process.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> <li>An Asset Register and Condition Performance Spreadsheet were sighted.</li> </ul> | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> <li>Implement a program for the inspection of all assets.</li> </ul> | 31/03/2013    | No further action required  |

**B. Resolved during current review period**

It is noted that pumps were inspected on 21 April 2011. Static items were last inspected on 1 May 2007.

The spreadsheet does not nominate a timeframe for future inspections.

|          |   |   |            |                            |
|----------|---|---|------------|----------------------------|
| 2.2/2012 | <p><b>Environmental Analysis</b></p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> <li>▪ The Asset Management Plan Section 2.3 Legislative Requirements has not yet been updated for details of the current Department of Environment Licence/Registration and in line with the requirements of the current operating licence.</li> </ul> <p>The Post Audit Action Plan from the 2008 audit noted that this item was being “followed up”. This item needs to be closed out.</p>  | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> <li>▪ Update the Asset Management Plan for details of the current Department of Environment Licence/Registration.</li> <li>▪ Update the Asset Management Plan to reflect the issue of the new licence to the Shire of Goomalling on 15<sup>th</sup> May 2009 for any new requirements in the licence.</li> </ul> | 30/06/2013 | No further action required |
| 2.3/2012 | <p><b>Asset Operations</b></p> <p>Assets are documented in an Asset Register including asset type, location, material, plans of components, and an assessment of assets’ physical/structural condition and accounting data.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> <li>▪ The Asset Register provides the assessment of assets condition only for the access chambers.</li> </ul> <p>The condition assessment for other assets is outlined in the separate Asset Condition and Performance Excel spreadsheet.</p> <p>However, this provides condition assessment only for access chambers, waste water pumping and effluent reuse pumping.</p> | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> <li>▪ Update the assessment of assets’ physical/structural condition for all assets recorded in the Asset Register.</li> </ul>   | 31/03/2013 | No further action required |
| 2.4/2012 | <p><b>Asset Maintenance</b></p>   | <p>The previous review recommended the following:</p>   | 31/03/2013 | No further action required |

**B. Resolved during current review period**

Regular inspections are undertaken of asset performance and condition.

- A monitoring program of the fine weeping cracks in the Imhoff tank walls should be instigated.

The previous review noted the following:

- It was noted at the inspection that there are minor weeps in the side of the concrete Imhoff tank. Given the tank is an integral part of the treatment plant, a monitoring program should be instigated.

**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 | Date resolved | Further action required (Yes/No/Not applicable) & details of further action required including current recommendation reference if applicable |
|----------------------|---|---|---------------|---|
|                      |   |   |               |   |

**C. Unresolved at end of current review period**

|          |  |   |            |     |
|----------|--|---|------------|-----|
| 2.5/2012 | <p><b>Review of Asset Management System</b></p> <p>A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current.</p> <p>The previous review noted the following:</p> <ul style="list-style-type: none"> <li>▪ The latest entry in Table 10 “Implementation Program” of the Asset Management Plan is 30/04/2008.</li> </ul> <p>The Post Audit Action Plan identifies actions to be undertaken resulting from the 2008 audit, and identified all those that have been actioned in 2009. Table 10 does not reflect those changes.</p> <p>The “Document Status” table has not been amended since 2007.</p> | <p>The previous review recommended the following:</p> <ul style="list-style-type: none"> <li>▪ Ensure that the Document Status and Implementation Program tables of the AMP are kept up to date.</li> </ul> | Unresolved | Yes |
|----------|--|---|------------|-----|

Complete the identified recommendations as per 1.2/2012 in the previous section

## 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 are 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 Goomalling 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    |
| NP                          | Not performed  |                   |   |

**Table 4-2 Asset Management Process and Policy Definition Adequacy Rating**

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

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

**Table 4-3 Asset Management Performance Ratings**

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

## 4.2 Operational Audit Compliance Summary

Table 4-4 provides a summary of the Shire of Goomalling's compliance rating against each licence obligation, and an adequacy of controls rating where the item has been found to be non-compliant or were assessed as audit priorities 1, 2 or 3, as per the Audit Guidelines, in the Audit Plan.

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.<br>(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 |
| <b>Water Services Licensing Act 1995</b>   |                           |  |                             |   |   |   |    |                   |   |   |   |    |
| 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) | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |
| 2012/14  | Schedule 3 Clause 3.2 (d) | 4  |                             |   |   |   |    | N/A               |   |   |   | ✓  |

| Compliance Obligation Ref No.<br>(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 |   |
| 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  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 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  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| <b>Water Services Act 2012</b>   |  |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| <b>Fees (Clause 4)</b>   |  |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 155  | Clause 4                                     | 5  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| <b>Compliance (Clause 5)</b>   |  |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 156  | Clause 5.1                                   | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 10   | Clause 5.2                                   | 4  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |
| 11   | Clause 5.3                                   | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 159  | Clause 5.4                                   | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 13   | Section 36                                   | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 16   | Section 77(3)                                | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 17   | Sections 82(4) & (5)                         | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 18   | Section 84(2)                                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 19   | Section 87(2)                                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |

| Compliance Obligation Ref No.<br>(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 |   |   |
| 20   | Section 90(7)     | 5  |                             |   |   |   | ✓  |                   |   |   |   |    |    |   | ✓ |
| 21   | Section 95(3)     | 2  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |   |
| 22   | Section 96(1)     | 4  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |   |
| 23   | Section 96(5)     | 5  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |   |
| 24   | Section 98(3)     | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 25   | Section 106(2)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 28   | Section 119(2)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 29   | Section 122(2)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 30   | Section 125(2)    | 4  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |   |
| 31   | Section 128(4)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 32   | Section 129(5)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 33   | Section 139(3)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 34   | Section 141(1)    | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 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  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |
| 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  |                             |   |   |   |    | ✓                 |   |   |   |    |    |   | ✓ |

| Compliance Obligation Ref No.<br>(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 |   |
| 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  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 157  | Clause 5.2           | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 158  | Clause 5.3           | 4  |                             | ✓ |   |   |     |                   |   | ✓ |   |    |    |   |
| <b>Water Services Regulations 2013</b>   |                      |  |                             |   |   |   |     |                   |   |   |   |    |    |   |
| 74   | Regulation 60(2)     | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 75   | Regulation 63        | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 89   | Regulation 85        | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| <b>Water Services Code of Conduct (Customer Service Standards) 2013</b>                          |                      |  |                             |   |   |   |     |                   |   |   |   |    |    |   |
| 92   | Clause 7             | 4  |                             | ✓ |   |   |     |                   |   | ✓ |   |    |    |   |
| 93   | Clause 8             | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 94   | Clause 9             | 4  |                             |   |   |   | ✓   |                   | ✓ |   |   |    |    |   |
| 95   | Clauses 10(2)        | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 96   | Clauses 10(3)        | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 97   | Clause 10(4)         | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 98   | Clause 10(5)         | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 99   | Clause 11            | 4  |                             |   |   |   | ✓   |                   | ✓ |   |   |    |    |   |
| 103  | Clause 13(1)         | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 104  | Clause 13(2)         | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 105  | Clause 14(1)         | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 106  | Clause 15            | 4  |                             |   |   |   | N/A |                   |   |   |   |    | ✓  |   |
| 107  | Clause 16(2)         | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 108  | Clause 16(3)         | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 109  | Clause 16(4)         | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |
| 110  | Clause 16(5)         | 4  |                             |   |   |   | ✓   |                   |   |   |   |    |    | ✓ |

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|--|---------------------|--|-----------------------------|---|---|---|----|-------------------|---|---|---|----|----|---|
|  |                     |  | A                           | B | C | D | NP | 1                 | 2 | 3 | 4 | Na | NR |   |
| 111  | Clause 17(1)        | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 112  | Clause 17(2)        | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 113  | Clause 18(1)        | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 114  | Clause 18(2)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 115  | Clauses 18(3) & (6) | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 116  | Clause 18(4)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 117  | Clause 18(5)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 118  | Clause 20           | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 119  | Clause 21(1)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 120  | Clause 21(2)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 121  | Clause 22           | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 122  | Clause 23(1)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 123  | Clause 24           | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    | ✓ |
| 124  | Clause 25           | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    | ✓ |
| 125  | Clauses 26(1) & (2) | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 126  | Clause 26(3)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 127  | Clause 26(4)        | 4  |                             |   |   |   |    | N/A               |   |   |   |    | ✓  |   |
| 128  | Clause 26(5)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 129  | Clauses 26(6)       | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    | ✓ |
| 130  | Clause 27(2)        | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    | ✓ |
| 131  | Clause 27(3)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 132  | Clause 28(1)        | 4  |                             |   |   |   |    | ✓                 |   |   |   |    |    | ✓ |
| 133  | Clauses 28(4) & (5) | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 134  | Clause 29           | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 139  | Clause 33           | 4  |                             |   |   |   |    | N/A               |   |   |   |    | ✓  |   |
| 142  | Clause 34(4)        | 4  |                             |   |   |   |    | N/A               |   |   |   |    | ✓  |   |
| 144  | Clause 34(6)        | 4  |                             |   |   |   |    | N/A               |   |   |   |    | ✓  |   |
| 145  | Clause 35(1)        | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |    |   |
| 146  | Clause 35(2)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 147  | Clause 35(3)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 148  | Clause 35(4)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 149  | Clause 35(6)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| 150  | Clause 36(1)        | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |

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|--|---------------------------|--|-----------------------------|---|---|---|----|-------------------|---|---|---|----|----|---|
|  |                           |  | A                           | B | C | D | NP | 1                 | 2 | 3 | 4 | Na | NR |   |
| 152  | Clause 36(2)              | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 153  | Clause 37(1)              | 4  |                             | ✓ |   |   |    |                   |   | ✓ |   |    |    |   |
| <b>Water Services Act 2012</b>   |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| <b>Accounting Records (Clause 12)</b>  |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 160  | Section 12                | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| <b>Individual Performance Standards (Clause 13)</b>  |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 161  | Section 12                | 4  |                             |   |   |   |    | N/A               |   |   |   |    | ✓  |   |
| <b>Operational Audit (Clause 14)</b>   |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 9  | Section 25                | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 162  | Section 12                | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| <b>Reporting a Change in Circumstance (Clause 15)</b>  |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 163  | Section 12                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 164  | Section 12                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| <b>Provision of Information (Clause 16)</b>  |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 165  | Section 12                | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 166  | Section 12                | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 167  | Section 12                | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| <b>Publishing Information (Clause 17)</b>  |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 168  | Section 12                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| <b>Notices (Clause 18)</b>   |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 169  | Section 12                | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| <b>Asset Management System (Clause 20)</b>   |                           |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 170  | Section 12                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 171  | Section 12                | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 172  | Section 12                | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 6  | Sections 24(1)(a) & 24(2) | 5  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
| 7  | Section 24(1)(b)          | 4  |                             |   |   |   | ✓  |                   |   |   |   |    |    | ✓ |
| 8  | Section 24(1)(c)          | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |

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|--|-------------------|--|-----------------------------|---|---|---|----|-------------------|---|---|---|----|
|  |                   |  | A                           | B | C | D | NP | 1                 | 2 | 3 | 4 | Na |
| <b>Water Services<br/>Ombudsman Scheme<br/>(Clause 21)</b>   |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 173  | Section 12        | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |
| 15   | Section 66        | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |
| <b>Standard Terms &amp;<br/>Conditions of Service<br/>(Clause 22)</b>  |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 174  | Section 12        | 4  |                             |   |   |   |    | N/A               |   |   |   | ✓  |
| <b>Customer Contract<br/>(Clause 23)</b>   |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 175  | Section 12        | 5  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| 176  | Section 12        | 5  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| 177  | Section 12        | 5  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| 178  | Section 12        | 5  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| <b>Non Standard Terms &amp;<br/>Conditions of Service<br/>(Clause 24)</b>  |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 179  | Section 12        | 5  |                             |   |   |   |    | N/A               |   |   |   | ✓  |
| 180  | Section 12        | 5  |                             |   |   |   |    | N/A               |   |   |   | ✓  |
| <b>Supplier of Last Resort<br/>(Clause 25)</b>   |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 181  | Section 12        | 4  |                             |   |   |   |    | N/A               |   |   |   | ✓  |
| 14   | Section 60        | 4  |                             |   |   |   |    | N/A               |   |   |   | ✓  |
| <b>Duties of the licensee<br/>(Clause 26)</b>  |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 12   | Section 29        | 4  |                             | ✓ |   |   |    |                   |   |   | ✓ |    |
| <b>Provision of Water<br/>Services (Clause 27)</b>   |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 1  | Section 21(1)(a)  | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |
| 2  | Section 21(1)(b)  | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |
| 3  | Section 21(1)(c)  | 4  |                             |   |   |   |    | ✓                 | ✓ |   |   |    |
| <b>Provision of Water<br/>Services Outside<br/>Operating Area<br/>(Clause 28)</b>                                  |                   |  |                             |   |   |   |    |                   |   |   |   |    |
| 182  | Section 12        | 4  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| 4  | Section 22        | 4  |                             |   |   |   |    | ✓                 |   |   |   | ✓  |
| <b>Works Holding<br/>Arrangements (Clause<br/>29)</b>  |                   |  |                             |   |   |   |    |                   |   |   |   |    |

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|--|--|--|-----------------------------|---|---|---|----|-------------------|---|---|---|----|----|---|
|  |  |  | A                           | B | C | D | NP | 1                 | 2 | 3 | 4 | Na | NR |   |
| 5  | Section 23                                     | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
|  | <b>Hardship Policy (Clause 30)</b>             |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 183  | Section 12                                     | 4  |                             |   |   |   | ✓  | ✓                 |   |   |   |    |    |   |
|  | <b>Memorandum of Understanding (Clause 31)</b> |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 184  | Section 12                                     | N/A  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |
| 185  | Section 12                                     | N/A  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |
| 186  | Section 12                                     | N/A  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |
|  | <b>Performance Standards (Schedule 3)</b>      |  |                             |   |   |   |    |                   |   |   |   |    |    |   |
| 190  | Section 9                                      | N/A  |                             |   |   |   |    | N/A               |   |   |   |    |    | ✓ |

### 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.

Based on our asset management system review observations and findings, we consider that the adequacy and performance of the licensee's system meets a level appropriate for the licensee, given the size, asset base and risks associated with the services that it is licenced to provide. Generally the gradings that we have assigned to the licensee's asset management system components reflect that there is room for improvement to achieve what would be considered 'best practice'.

**Table 4-5 Asset Management Review Effectiveness Summary**

| Asset Management System Component  | Asset management process and policy definition adequacy rating | Asset management performance rating |
|--|--|-------------------------------------|
| <b>Asset planning</b>  | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Asset management plan covers key requirements</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Planning process and objectives reflect the needs of all stakeholders and is integrated with business planning</li> </ul> | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Service levels are defined</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Non-asset options (e.g. demand management) are considered</li> </ul>  | B  | 2                                   |

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

| Asset Management System Component  | Asset management process and policy definition adequacy rating | Asset management performance rating |
|--|--|-------------------------------------|
| <ul style="list-style-type: none"> <li>Compliance with statutory and regulatory requirements</li> </ul>  | C  | 3                                   |
| <ul style="list-style-type: none"> <li>Achievement of customer service levels</li> </ul>   | B  | 2                                   |
| <b>Asset operations</b>  | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Operational policies and procedures are documented and linked to service levels required</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Risk management is applied to prioritise operations tasks</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>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</li> </ul> | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Operational costs are measured and monitored</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Staff resources are adequate and staff receive training commensurate with their responsibilities</li> </ul>   | B  | 2                                   |
| <b>Asset maintenance</b>   | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Maintenance policies and procedures are documented and linked to service levels required</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Regular inspections are undertaken of asset performance and condition</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Failures are analysed and operational / maintenance plans adjusted where necessary</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Risk management is applied to prioritise maintenance tasks</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Maintenance costs are measured and monitored</li> </ul>   | B  | 2                                   |
| <b>Asset management information system</b>   | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Adequate system documentation for users and IT operators</li> </ul>   | B  | 2                                   |

| Asset Management System Component   | Asset management process and policy definition adequacy rating | Asset management performance rating |
|---|--|-------------------------------------|
| <ul style="list-style-type: none"> <li>Input controls include appropriate verification and validation of data entered into the system</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Logical security access controls appear adequate, such as passwords</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Physical security access controls appear adequate</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Data backup procedures appear adequate and backups are tested</li> </ul>   | B  | 1                                   |
| <ul style="list-style-type: none"> <li>Key computations related to licensee performance reporting are materially accurate</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Management reports appear adequate for the licensee to monitor licence obligations</li> </ul>  | B  | 2                                   |
| <b>Risk management</b>  | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> </ul> | B  | 2                                   |
| <ul style="list-style-type: none"> <li>Risks are documented in a risk register and treatment plans are actioned and monitored</li> </ul>  | B  | 2                                   |
| <ul style="list-style-type: none"> <li>The probability and consequence of risk failure are regularly assessed</li> </ul>  | B  | 2                                   |
| <b>Contingency planning</b>   | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul>  | B  | 2                                   |
| <b>Financial planning</b>   | <b>B</b>   | <b>2</b>                            |
| <ul style="list-style-type: none"> <li>The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> </ul>   | B  | 2                                   |
| <ul style="list-style-type: none"> <li>The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> </ul>                  | B  | 2                                   |

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

## 5 Observations and Recommendations

### 5.1 Performance Audit

**Table 5-1 Performance Audit Observations**

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|---|--|-------------------|
| <b>Water Services Licensing Act 1995</b>  |   |                              |          |   |  |                   |
| <p><i>Note: Licence obligations under the Water Service Licencing Act 1995 have now been made redundant by the introduction of the Water Services Act 2012. The redundant obligations are included in this table with a reference to the 2012 version of the Compliance Manual in the second column).</i></p>   |   |                              |          |   |  |                   |
| <p>The Licensee must comply with the service and performance standards as set out in Schedule 4. These are:</p> <p><b>1.1 Emergency response</b></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><b>Target:</b></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><b>2.1 Customer complaints</b></p> <p>The licensee shall respond to customer complaints in accordance with the licence standard</p> <p><b>Target:</b></p> <p>90% of customer complaints resolved within 15 business days.</p> | 2012/7  | Clause 20.1                  | 2        | <p><u>Emergency response</u></p> <ul style="list-style-type: none"> <li>The licensee maintains a 24hr emergency contact service. The contact numbers are detailed in the Customer Service Charter. The contact numbers include the Works Supervisor's and Deputy CEO's mobile telephone numbers.</li> <li>Contact details for the licensee's office are located on the licensee's website. However, these are for office hours only and no emergency contacts are listed.</li> <li>The licensee does not maintain a register for tracking the details of emergency telephone calls (e.g. time received, nature of the issue, actions to be taken and time customer advised of actions) or other system for formally monitoring this performance standard. Therefore, it is unable to confirm that the response target has been met. The licensee considers that it attends all emergencies within one hour, and this is likely given the size of the scheme and the operating area, although there is no evidence to confirm or otherwise.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with license staff</li> <li>Customer Service Charter 2012</li> <li>Customer Charter 2014</li> <li>Annual Performance Reports (2012, 2013, 2014)</li> <li>Review of sewerage scheme complaints register</li> <li>Complaints and Investigation Procedure</li> <li>Sewerage System Defect and Complaint Report</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence | Compliance Rating |
|--|---|------------------------------|----------|---|----------|-------------------|
| <p><b>3.1 Continuity and overflows</b></p> <p>3.1(a) The number of sewer blockages per 100km of sewer mains.</p> <p><b>Target:</b></p> <p>In the preceding 12 months there were fewer than 40 blockages per 100km of sewer main</p> <p>3.1(b) Percentage of connected properties experiencing a wastewater overflow.</p> <p><b>Target:</b></p> <p>In the preceding 12 month period 90% of customers receive the standard for the licensee's schemes.</p> |   |                              |          | <ul style="list-style-type: none"> <li>▪ However, the licensee reports that it did not receive any emergency calls relating to its water service during the audit period. Therefore, it has complied with this standard by default.</li> <li>▪ In the last operational licence audit, it was observed that the licensee included a two hour response time to emergency calls in its Customer Service Charter. As a result, an action to revise this to one hour, to be in accordance with the operating licence requirement was included in the Post-Audit Implementation Plan. This was completed by the licensee and the change was accepted by the Authority in correspondence dated 03/07/2012.</li> </ul> <p><u>Customer complaints</u></p> <ul style="list-style-type: none"> <li>▪ Section 2.9 of the licensee's Customer Service Charter sets out the complaints process.</li> <li>▪ Complaints may be made in writing, by telephone, in person at the Shire service centre, by email and through the licensee's Facebook page. The licensee does not have a web form on its website.</li> <li>▪ The licensee maintains a hard copy register for tracking complaints related to its water services. This is kept at the Shire Office front counter and was observed during the audit.</li> <li>▪ The licensee uses a Sewerage System Defect and Complaint Report to record the details of each customer complaint. The form includes:                             <ul style="list-style-type: none"> <li>– Date &amp; Time of Report</li> </ul> </li> </ul> |          |                   |

| Performance Areas | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence | Compliance Rating |
|-------------------|---|------------------------------|----------|--|----------|-------------------|
|                   |   |                              |          | <ul style="list-style-type: none"> <li>- Name of Person Making Report</li> <li>- Contact details for reference</li> <li>- Staff member recording the Complaint or Defect</li> <li>- Location of Defect or Complaint</li> <li>- Description of Defect or Complaint</li> <li>- Repair Work Carried Out</li> <li>- Who the repairs were carried out by</li> <li>- Date &amp; Time Completed</li> <li>- Other Work Required</li> <li>- Date &amp; Time Register Completed</li> <li>- Sighted By</li> <li>- Sighted By CEO</li> <li>▪ The Sewerage System Defect and Complaint Report also includes the information requirements for reporting complaints to the Authority in the Annual Compliance Report and Department for Environment and Conservation (if applicable).</li> <li>▪ The licensee has an overall Complaints and Investigation Procedure to ensure that all complaints are investigated in a timely and transparent manner by a competent person and all decisions and outcomes are justified and documented.</li> <li>▪ No complaints have been received during the audit period. Therefore, the licensee has complied with this performance standard by default. We confirmed this via the licensee's complaints register. We also reviewed the licensee's Annual Reports for 2011/12, 2012/13 and 2013/14 submitted to the ERA and confirmed</li> </ul> |          |                   |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|---|--|-------------------|
|   |   |                              |          | <p>that it has reported no complaints as having been reported. No complaints have been received for the part of 2014/15 covering the audit period.</p> <p><u>Continuity and overflows</u></p> <ul style="list-style-type: none"> <li>We reviewed the licensee's performance reports for 2011/12, 2012/13 and 2013/14 and observed that the licensee recorded one sewer breaks or chokes in 2011/12, 3 in 2012/13 and 1 in 2013/14.</li> <li>The licensee has 10.7km of sewer mains and achieved a performance of 9.35 blockages per 100km of sewer mains in 2011/12 and 2013/14 and 28.04 blockages per 100km of sewer mains in 2012/13.</li> <li>Therefore, the licensee has complied with its performance standard for sewer blockages during each year in the audit period for which the target applies.</li> <li>There were three overflows to connected properties during the audit period, both connected with the three reported breaks and chokes experienced in 2012/13. The licensee has 175 connected customers, meaning that in 2012/13 98.23% of customers received the required standard related to sewer overflows. Therefore, the licensee has met the standard in each of the years of the audit period for which the target applies.</li> </ul> |  |                   |
| <b>Other Licence Conditions</b>   |   |                              |          |   |  |                   |
| 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"> <li>Refer to Customer Complaints section included in the previous obligation (2012/7)</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 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"> <li>Review of Customer Service Charter 2012</li> <li>Review of Customer Service Charter 2014</li> <li>Review of sewerage scheme complaints register</li> <li>Review of the Shire's website</li> <li>Complaints and Investigation Procedure</li> <li>Sewerage System Defect and Complaint Report</li> </ul> |                   |
| 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"> <li>No complaints have been recorded by the licensee within the audit period. Therefore, this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of sewerage scheme complaints register</li> </ul>   | NR                |
| 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"> <li>The Shire CEO is authorised to make decisions to respond to complaints</li> <li>General training on dealing with the public and complaint training is provided to staff via its OH&amp;S training</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Complaints and Investigation Procedure</li> <li>Sewerage System Defect and Complaint Report</li> </ul>   | 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"> <li>This obligation is not applicable as Clause 3.2 is not included in the licensee's previous licence.</li> </ul>   |   | NA                |
| The licensee must inform the customer of the option to refer a disputed complaint to the Department of Water unless the   | 2012/16   | Schedule 3 Clause 3.10       | 4        | <ul style="list-style-type: none"> <li>Section 2.9 of the Shire's Customer Service Charter informs customers that</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
| complaint is a matter that relates to section 3.22 of the Local Government Act 1995.                                 |   |                              |          | <ul style="list-style-type: none"> <li>a disputed complaint may be referred to the Department of Water</li> <li>As no complaints relating to the water service have been received in the audit period it is not possible to test other ways that the Shire may inform customers.</li> </ul>   | <ul style="list-style-type: none"> <li>Review of Customer Service Charter 2012</li> <li>Review of Customer Service Charter 2014</li> <li>Review of sewerage scheme complaints register</li> </ul>                   |                   |
| 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"> <li>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.</li> </ul>   |   | 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"> <li>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.</li> </ul>   |   | NR                |
| 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"> <li>A Customer Service Charter has been prepared in accordance with the ERA's guidelines.</li> <li>The current version of the Customer Service Charter was revised in April 2014. The version before this was revised in June 2012 although the approval from the ERA could not be found at audit. The previous version of the Charter was reviewed in July 2008 and approved by the Authority on 18 July 2008.</li> <li>However, the ERA granted an extension to licensees for the Charter review period in 2013 due to the introduction of the new regulatory framework in late 2013. The licensee is currently awaiting further instructions from the ERA prior to the 2013 version of the charter being submitted for review.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter 2012</li> <li>Review of Customer Service Charter 2014</li> <li>Correspondence with ERA</li> </ul> | 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"> <li>▪ The Customer Service Charter was not displayed in the Shire's reception at the time of the audit. However, this obligation ended on 18 November 2013. The previous operational audit of February 2012 noted that the Customer Service Charter was prominently displayed in the office at the audit. We cannot conclude that the licensee did not meet this obligation for the required duration in the current audit period.</li> <li>▪ The previous audit report noted that the Charter was not available on the Shire's website. This was included as a recommendation in the Post Audit Implementation Plan and was completed by the Shire, making the Charter readily available to customers. The Charter was removed from the website when the ERA issued its correspondence to the Shire regarding a 12 month extension to the review period and further correspondence specifying that there would no longer be a requirement for licensees to have customer service charters.</li> <li>▪ The licensee issues ratepayers with a newsletter every three months and the notice advising availability of the Customer Service Charter was included in the newsletter on an annual basis for the required period that this obligation was applicable. A notification reminder was previously included in the licensee's Compliance Schedule.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Access to Shire's website</li> <li>▪ Inspection of Shire's offices</li> <li>▪ Review of Customer Service Charter 2012</li> <li>▪ Review of Customer Service Charter 2014</li> <li>▪ Correspondence with ERA</li> <li>▪ Hardship Policy</li> </ul> | 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"> <li>▪ The Customer Service Charter was reviewed and revised by the licensee in May 2012.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of Customer Service Charter</li> </ul>   | 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"> <li>The Charter was approved by the ERA on 18 July 2008, with a 12 months extension provided resulting in the next review being required to be completed by July 2012.</li> <li>The ERA was informed of the review outcomes in a letter send by the licensee dated 25 May 2012. The ERA responded with suggested amendments on 20 June 2012 which were completed by the licensee and the revised Charter resubmitted on 21 June 2012. Although the approval from the ERA for the 2012 update of the Charter could not be found at audit, we confirmed via the 'Decision to approve the Shire of Goomalling's Customer Service Charter' on the ERA's website that it was approved on 3 July 2012.</li> </ul>                                      | <ul style="list-style-type: none"> <li>(2012 and 2014 versions)</li> <li>Correspondence with ERA</li> </ul>  |                   |
| The licensee must provide its services consistent with its Customer Service Charter. | 2012/22   | Schedule 3 Clause 2.7        | 4        | <ul style="list-style-type: none"> <li>The 2012 review and revision of the Customer Service Charter reflected the relevant conditions outlined in the licence.</li> <li>During the period December 2011 to November 2013, when the changes in legislation made the requirements related to the Customer Service Charter redundant, the Shire operated with the intention to provide services as outlined in the licence and in the Customer Service Charter.</li> <li>During the period within the current audit timeframe when the licensee was required to implement a Customer Service Charter, processes were in place to guide the operation of the Shire's wastewater services to meet the requirements outlined in the Customer Service Charter and licence. This</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of 2012 updated of the Customer Service Charter</li> <li>Review of Shire processes for managing water service</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|--|---|-------------------|
|  |   |                              |          | <p>included reviews of the Charter and advertising</p> <ul style="list-style-type: none"> <li>We observed no instances where the licensee provided its services inconsistent with the Customer Service Charter.</li> </ul>   |   |                   |
| The licensee must establish customer consultation processes as set out in Schedule 3.  | 2012/23   | Clause 8                     | 4        | <ul style="list-style-type: none"> <li>The licensee holds monthly Council meetings where public question time is a fixed agenda item and is a forum for consultation and feedback. We reviewed a sample of Council meeting minutes and confirmed that Public Questions is a fixed agenda item. We did not see any questions from the public as having been asked from the sample of minutes we reviewed.</li> <li>The Shire issues a general newsletter to its customers four times a year that can be used to include details of the operations associated with providing the services, the customer service charter and the hardship policy. We reviewed a sample of the Shire's newsletters from within the audit period but did not observe any specific items related to the services provided. However, this does not mean that the newsletter has not been used for these purposes when required.</li> <li>Based on our findings at the audit, we consider that the above two items meet the requirements of Clause 4.1(b) of Schedule 3 of the Licence (Version 2).</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of sample of monthly Council meeting minutes</li> <li>Copies of Shire newsletter</li> </ul> | 1                 |
| 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"> <li>As noted above, we consider that the Shire has met the requirements of Schedule 3, Clause 4.1.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of sample of monthly Council meeting minutes</li> </ul>                                     | 1                 |

| 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"> <li>There has been no change to the type and extent of the customer consultation that has been adopted by the Shire.</li> </ul>  | <ul style="list-style-type: none"> <li>Copies of Shire newsletter</li> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter</li> </ul> | 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"> <li>The Shire was not requested by the Authority to establish other forums or consultations. Therefore, this obligation cannot be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>  | 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"> <li>There have been no major changes to the Shire's services during the audit period. Therefore, this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Asset Management Plan</li> <li>Asset Management System</li> </ul>                 | NR                |
| The licensee must allow customers to raise matters of concern at 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"> <li>Allowance for public question time is included at each monthly Council meeting.</li> <li>However, although we reviewed a sample of minutes from Council meetings, we did not observe any questions that had been asked by the public.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of a sample of Council meeting minutes</li> </ul>                          | 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"> <li>The licensee advised that is has not been directed by the Authority to undertake a customer survey in the audit period. Therefore, this obligation cannot be rated</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>  | 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"> <li>For the period between December 2011 and 18 November 2013 that the previous operating licence was in force and this obligation was required, the</li> </ul>  | <ul style="list-style-type: none"> <li>Review of Customer Service Charter</li> <li>Interviews with licensee staff</li> </ul>                                     | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
|  |   |                              |          | licensee's conditions for connection were set out in Section 2.7 of the Customer Service Charter.  |  |                   |
| 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"> <li>As noted above, Section 2.7 of the Shire's Customer Service Charter set out the conditions for connection.</li> <li>This clause required that the services be available for connection "on any land in the Operating Area" subject to the conditions. The conditions restrict connection to where a (Shire) wastewater reticulation main is available to your land and has the capacity for the required service". We consider that these were reasonable conditions for connection.</li> </ul> | <ul style="list-style-type: none"> <li>Review of drawings of sewerage reticulation system</li> <li>Review of Customer Service Charter</li> <li>Interviews with licensee staff</li> </ul> | 1                 |
| The licensee may with the written agreement of the property owner discontinue a service where it is not commercially viable.21                               | -   | Schedule 6 Clause 2.3        | 4        | <ul style="list-style-type: none"> <li>There have been no instances of the water service being discontinued due to it being not commercially viable. Therefore, this obligation cannot be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Fees (Clause 4)</b>   |   |                              |          |  |  |                   |
| The licensee must pay the applicable fees in accordance with the Regulations.  | 155   | Clause 4                     | 5        | <ul style="list-style-type: none"> <li>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</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Compliance (Clause 5)</b>   |   |                              |          |  |  |                   |
| 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"> <li>The licensee lists legislation and regulations applicable to the operation of their organisation and provision of the services in Section 2.3 of the licensee's Asset Management Plan. Some of the information in Section 2.3 of the licensee's AMP does not reflect the current legislative environment.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Annual compliance reports</li> <li>This audit report</li> </ul>   | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
|   |   |                              |          | <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ We have identified a number of non-compliances with applicable legislation as follows:               <ul style="list-style-type: none"> <li>– Section 27 – Compliance with Code of Conduct (Obligation 11)</li> <li>– Section 29 – Duties of the Licensee (Obligation 12)</li> <li>– Section 82 (4) &amp; (5) – Notification and requirements as to building work (Obligation 17)</li> </ul> </li> </ul> |  |                   |
| <b>Water Services Act 2012</b>  |   |                              |          |  |  |                   |
| <b>Compliance with Code of Practice made by the Minister</b><br>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"> <li>▪ No code(s) of practice have been made by the Minister that apply to the licensee. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Correspondence with ERA</li> </ul>  | NA                |
| <b>Compliance with Code of Conduct made by Authority</b><br>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"> <li>▪ Obligations 92 – 153 in this table relate to specific requirements of the licensee relating to the Code of Conduct.</li> <li>▪ We have found through this audit that the licensee has not complied with all requirements of the Code of Conduct, specifically:               <ul style="list-style-type: none"> <li>– Clause 7 – Information about connections (Obligation 92)</li> <li>– Clause 18(2) – Procedure for review of bills (Obligation 114)</li> <li>– Clause 18(3) &amp; (6) Procedure for review of bills (Obligation 115)</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Annual compliance reports</li> <li>▪ Customer Service Charter April 2014</li> <li>▪ Hardship Policy</li> <li>▪ This audit report</li> </ul> | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
|---|---|------------------------------|----------|--|---|-------------------|
|   |   |                              |          | <ul style="list-style-type: none"> <li>- Clause 18(4) – Procedure for review of bills (Obligation 116)</li> <li>- Clause 21(1) – Payment methods (Obligation 119)</li> <li>- Clause 22 – Consent for Direct Debits (Obligation 121)</li> <li>- Clause 35(2) Complaints procedure (Obligations 146)</li> <li>- Clause 35(3) Complaints procedure (Obligations 147)</li> <li>- Clause 35(4) Complaints procedure (Obligations 148)</li> <li>- Clause 35(6) Complaints procedure (Obligations 149)</li> <li>- Clause 37(1) – Information to be publically available (Obligation 153)</li> </ul> |   |                   |
| 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"> <li>▪ The licensee has not had any directions from the Authority in relation to a breach of applicable legislation and therefore this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>  | NR                |
| <b>Provision of a water service ceasing — duty to leave system in safe condition</b><br>If the licensee ceases to provide a water service in an area, the licensee must ensure that the water service works are left in a safe condition, and must not remove any part of the works except with the approval of the Minister. | 13  | Section 36                   | 4        | <ul style="list-style-type: none"> <li>▪ The licensee advised that it has not ceased to provide a water service during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>  | NR                |
| <b>Interruption of water services</b><br>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"> <li>▪ The licensee has in place appropriate asset management practices to minimise the extent or duration of any interruption of its water services. We discuss asset management practices further in the second section of this report.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of asset management system</li> </ul> | 1                 |

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|--|---|------------------------------|----------|--|--|-------------------|
|  |   |                              |          | <ul style="list-style-type: none"> <li>Interruptions are predominantly due to blockages in the sewerage network. These are reported to the works supervisor via customer contact or internally.</li> <li>Although the household connections are the customer's responsibility, the Licensee would generally complete any sewer blockage repairs on behalf of the customer.</li> <li>Interruptions may also be caused by repair works on the network. The licensee consults customers before works are undertaken.</li> <li>The licensee has recorded five breaks or chokes in the audit period, one in 2011/12, three in 2012/13 and one in 2013/14.</li> <li>The licensee is the only customer for the non-potable water supply service. No interruptions to this service have been experienced during the audit period.</li> <li>The licensee has an emergency generator and a tanker that it can use to manage any interruptions to either the sewerage service or the non-potable water supply service.</li> </ul> | <ul style="list-style-type: none"> <li>Annual Compliance Reports 2011/12, 2012/13, 2013/14</li> </ul>  |                   |
| <p><b>Notification of and requirements as to building work</b></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</p> | 17  | Sections 82(4) & (5)         | 4        | <ul style="list-style-type: none"> <li>As a local government, the licensee is responsible for managing development approvals.</li> <li>Notice of any building work is provided to the licensee through its Application for Planning Approval Form and Application for Building Permit. The forms are available on the licensee's website and at its offices.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Application for Planning Approval Form</li> <li>Review of Application for Building Approval Form</li> </ul> | NR                |

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| <p>and efficacy of the provision of water services provided, or to be provided.</p> <p>The licensee must do this within 7 days of receiving the fee for dealing with the notification.</p> |   |                              |          | <ul style="list-style-type: none"> <li>▪ The licensee considers the proposed works and advises of any work that it considers necessary to ensure the safety and efficacy of the provision of water services provided, or to be provided.</li> <li>▪ The licensee requires three copies of plans to be submitted with building and planning approval applications. One copy of the plans is retained, one copy is returned to the person making the application when approved and the third copy is submitted to the Valuer General.</li> <li>▪ The Regulation 20 under the Building Act 2011 prescribes that certified plans are to be approved in 10 days and uncertified plans within 25 days. The Licensee is aware of these requirements but generally is able to complete approvals within a couple of days.</li> <li>▪ Generally the licensee would expect to complete its review and approval process within a couple of days.</li> <li>▪ The timeframe for returning plans in the Act is stricter than required by Regulation 20 under the <i>Building Act 2011</i>. Because the licensee has aligned its approvals process with the <i>Building Act 2011</i>, it does not comply with this obligation.</li> <li>▪ However, the <i>Building Act 2011</i> (Regulation 20, Clause 10 of the Building Act 2011) is the primary legislation in this area. The licensee complies with the <i>Building Act 2011</i> but does not comply with this obligation in the <i>Water Service Act 2012</i>.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Building Application Checklist</li> </ul> |                   |

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|   |   |                              |          | <ul style="list-style-type: none"> <li>As there is no evidence from the audit period that the licensee has not met the timeframe included in the <i>Water Act 2012</i>, this does not constitute a non-compliance, and a Not Rated rating has been assigned.</li> </ul> |  |                   |
| <b>Ensuring water service works are done</b><br>If the licensee has given a notice under section 83(3)(a) of the Act, and the licensee is satisfied that the person given the notice is not going to comply with the notice within a reasonable time, the licensee must give the person 21 days' notice of its intention to commence the works.   | 18  | Section 84(2)                | 4        | <ul style="list-style-type: none"> <li>The licensee has not had need to provide a notice of this kind during the audit period. Therefore, this obligation is unable to be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Review of certain decisions under or relating to Development and building control, and infrastructure contributions</b><br>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"> <li>The licensee advised that no applications have been made to the State Administrative Tribunal for review of a decision during the audit period. Therefore, this obligation is unable to be rated.</li> </ul>                     | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Construction etc. over or in vicinity of water service works of licensee</b><br>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"> <li>The licensee has not issued any compliance notices under the Act during the audit period. Therefore, this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

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| <p><b>Disconnection or reduction in rate of flow etc.</b></p> <p>The licensee cannot cut off the supply of water to an occupied dwelling unless the occupier agrees to that.</p>   | 21  | Section 95(3)                | 2        | <ul style="list-style-type: none"> <li>The licensee does not provide water supply services to dwellings. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NA                |
| <p><b>Fire hydrants</b></p> <p>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.</p> | 22  | Section 96(1)                | 4        | <ul style="list-style-type: none"> <li>The licensee does not provide water supply reticulation works to fire hydrants. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NA                |
| <p><b>Fire hydrants</b></p> <p>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.</p>   | 23  | Section 96(5)                | 5        | <ul style="list-style-type: none"> <li>The licensee does not provide water supply services. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NA                |
| <p><b>Minister may require connection to sewerage works</b></p> <p>If required to by the Minister, the licensee must connect a wastewater inlet on land to the sewerage works of the licensee.</p>   | 24  | Section 98(3)                | 4        | <ul style="list-style-type: none"> <li>The Shire 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.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NR                |
| <p><b>Tradewaste Compliance Notice</b></p> <p>The licensee must include the information specified in a compliance notice given in relation to failure to maintain fittings, fixtures and pipes.</p>  | 25  | Section 106(2)               | 4        | <ul style="list-style-type: none"> <li>The licensee does not regulate trade waste discharges to its sewerage reticulation system. This is because the system receives predominantly residential and commercial discharges. The industrial areas in town are serviced by septic systems.</li> <li>However, we note that Section 2.2 of the licensee's Customer Service Charter notes that "Industrial and commercial wastewater may be accepted for discharge in the Shire's wastewater"</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Customer Service Charter 2012</li> </ul> | NR                |

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|   |   |                              |          | <p>system subject to compliance with the Shire's requirements. An agreement with a customer for industrial and wastewater services to be provided by the Shire shall be documented in an industrial waste permit issued by the Shire".</p> <ul style="list-style-type: none"> <li>Therefore, this obligation has not been rated.</li> </ul> |  |                   |
| <b>Compliance Notices</b><br>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"> <li>The licensee has not issued any compliance notices under the Act. Therefore, this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Review of decision relating to giving compliance notices</b><br>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"> <li>The licensee has not issued any compliance notices under the Act and therefore there has been no applications to the Tribunal. Therefore, this obligation is not applicable for the audit period.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Supplying groups of dwellings</b><br>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"> <li>The licensee's fees are based on rateable land value and therefore does not apportion fees where two properties share a single property connection. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| <b>Prohibition on dealings in land</b><br>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"> <li>The licensee advised that it has not lodged any memorials with the Registrar during the audit period. Therefore this obligation is not able to be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

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| <p><b>Reading meters etc. and routine inspection and maintenance</b></p> <p>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.</p>                                       | 32  | Section 129(5)               | 4        | <ul style="list-style-type: none"> <li>The licensee is aware of its obligation to provide 48 hours' notice of a proposed entry.</li> <li>However, the licensee considers that it has not had to provide 48 hours' notice entry for routine inspection and maintenance during the audit period. Entry times would be expected to be agreed with the occupier if required.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <p><b>Ancillary works powers</b></p> <p>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.</p>  | 33  | Section 139(3)               | 4        | <ul style="list-style-type: none"> <li>The licensee is aware of its obligation to provide affected parties notice if it removes or erects a fence or gate.</li> <li>Where possible, the licensee provides written notice of any potential disruptions and this will typically be followed up by in person visits.</li> <li>We are satisfied that the licensee has met the requirements of this obligation.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <p><b>Special provisions applicable to road works</b></p> <p>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.</p> | 34  | Section 141(1)               | 4        | <ul style="list-style-type: none"> <li>The licensee is also the public authority responsible for managing roads within the operating area with the exception of the major roads that run through the Shire. Therefore this clause is generally not applicable.</li> <li>However, there are three main roads under State government control that coincide with the sewerage network. These are Highway 115, which runs north to south through the town, the Goomalling – Toodyay road and the Calingiri – Goomalling Road There are well established procedures for communication between the licensee and that State road authority regarding works.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

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|  |   |                              |          | <ul style="list-style-type: none"> <li>During the audit period the licensee has not undertaken works in the State controlled main roads.</li> </ul>  |  |                   |
| <b>Prerequisites to provision of major works</b><br>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"> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> <li>Review of SynergySoft for capital expenditure over the audit period</li> </ul> | NR                |
| <b>Licensee to prepare plans and publish and give notice of major works</b><br>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"> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Licensee to prepare plans and publish and give notice of major works</b><br>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"> <li>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.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Objections and submissions</b><br>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"> <li>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.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Licensee may amend proposal</b><br>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  | 39  | Section 145(2)               | 5        | <ul style="list-style-type: none"> <li>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.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |

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| is likely to be adversely affected by those alterations.   |   |                              |          |   |  |                   |
| <b>Powers of Minister in respect of proposal</b><br>The licensee must comply with a direction given by a Minister in respect of a proposal to provide water service works that are major works under section 143(3).                                     | 40  | Section 147(3)               | 4        | <ul style="list-style-type: none"> <li>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.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Powers of Minister in respect of proposal</b><br>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"> <li>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.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Licensee to prepare plans and give notice of general works</b><br>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"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Licensee to prepare plans and give notice of general works</b><br>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"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Asset Management Plan</li> <li>Review of SynergySoft for capital expenditure over the audit period</li> </ul> | NR                |
| <b>Objections and submissions</b><br>The licensee must have regard to an objection or submission lodged by the date specified in the notice given under section 151(2).  | 44  | Section 152(3)               | 4        | <ul style="list-style-type: none"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |

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| <b>Licensee may amend proposal</b>   |   |                              |          |  |  |                   |
| 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"> <li>The licensee has not planned for or constructed any general works (as defined by Section 134 of the Act) during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Taking of interest in land for purposes of licensee</b>   |   |                              |          |  |  |                   |
| 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"> <li>The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 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"> <li>The Shire has not been required to take an interest in land under the Act. Therefore, this clause is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Sale of land</b>  |   |                              |          |  |  |                   |
| 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"> <li>The licensee has not been required to take an interest in land under the Act. Therefore, this clause is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Entry with consent or under notice or warrant</b>   |   |                              |          |  |  |                   |
| In relation to entry to a place for the purposes of doing works, in the circumstances specified the licensee is required to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise. | 49  | Section 173(4)               | 4        | <ul style="list-style-type: none"> <li>Section 3.0 of the licensee's Customer Service Charter sets out the licensee's powers in relation to entry of property.</li> <li>However, due to the licensee's misinterpretation of the Authority's correspondence regarding the review extension of the Customer Service Charter, the information that was previously included in the Charter is currently not made publically available to its customers.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter, April 2014</li> </ul> | NR                |

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|   |   |                              |          | <ul style="list-style-type: none"> <li>We consider that a process improvement is required by the licensee in order to make customers aware of their rights and the licensee's powers</li> <li>We have previously recommended that the licensee retains its most recent update of the Customer Service Charter that was completed in April 2014 and makes it publically available in order to meet the obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013.</li> <li>The licensee has not developed any specific documentation to meet the requirements of this obligation and will agree entry with the occupier or owner.</li> </ul>  |  |                   |
| <b>Notice of entry</b><br>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"> <li>Section 3.0 of the licensee's Customer Service Charter sets out the licensee's powers in relation to entry of property.</li> <li>However, due to the licensee's misinterpretation of the Authority's correspondence regarding the review extension of the Customer Service Charter, the Charter is currently not made publically available to its customers.</li> <li>The licensee has not developed any specific documentation to meet the requirements of this obligation and will agree entry with the occupier or owner.</li> <li>Most of the Shire's pipes are located in laneways or Shire property so generally the Shire does not need to gain entry to an occupier or owner's property for any work related to the sewerage service.</li> <li>However, where customers report blockages occurring in the household</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter, April 2014</li> </ul> | NR                |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
|   |   |                              |          | <p>connection pipes, these are typically attended to by the Shire's Works staff.</p> <ul style="list-style-type: none"> <li>As above, we recommend that the licensee retains its most recent update of the Customer Service Charter that was last reviewed 1 April 2014 and makes it publically available in order to meet the obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013.</li> </ul>  |  |                   |
| <p>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.</p> | 51  | Section 174(3)               | 4        | <ul style="list-style-type: none"> <li>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.</li> <li>Although currently not publicised, Section 3.0 of the licensee's Customer Service Charter, sets out the licensee's powers in relation to entry of property.</li> <li>As above, we recommend that the licensee retains its most recent update of the Customer Service Charter that was completed in April 2014 and makes it publically available in order to meet the obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <p><b>Rights of occupier of dwelling</b></p> <p>If an occupier is present when the licensee proposes to enter a dwelling, the licensee must perform the prescribed actions before entering the premises.</p>  | 52  | Section 175(2)               | 4        | <ul style="list-style-type: none"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property.</li> <li>The licensee's staff are required to comply with the Shire's own Code of Conduct in relation to communicating and dealing with members of the public.</li> <li>Any entries to a customer's dwelling when the occupier is present are</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|---|--|-------------------|
|  |   |                              |          | <p>performed in accordance with the prescribed actions included in Section 175(2) of the Act.</p> <ul style="list-style-type: none"> <li>Where customers report blockages occurring in the household connection pipes, these are typically attended to by the Shire's Works staff.</li> <li>However no entries into a customer's dwelling for purposes related to the licenced water services are known to have been made during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>   |  |                   |
| 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"> <li>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 into an unoccupied dwelling were made during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <p><b>When authorised person must leave etc.</b></p> <p>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.</p> | 54  | Section 176(1)               | 4        | <ul style="list-style-type: none"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property.</li> <li>The licensee's staff are required to comply with the Shire's own Code of Conduct in relation to communicating and dealing with members of the public.</li> <li>However, no incidents could be recalled from the audit period where the owner or occupier has refused or withdrawn their consent and the licensee's staff have been required to leave the premises as soon as practicable after being notified. Therefore, this obligation is not able to be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| The licensee must produce their certificate of authority if asked to do so, and must not perform, or continue to perform, a function   | 55  | Section 176(3)               | 4        | <ul style="list-style-type: none"> <li>The licensee's staff are required to comply with the Shire's own Code of</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
| under the Act until they are not able to do so.   |   |                              |          | Conduct in relation to communicating and dealing with members of the public. <ul style="list-style-type: none"> <li>The licensee's requirements are in accordance with the Act and staff are required to produce their certificate of authority if asked to do so.</li> <li>However, the licensee does not recall any occasions where staff were required to produce their certificate of authority and no evidence of occasions when this has happened are recorded. Therefore, this obligation has been rated as Not Rated.</li> </ul>   |  |                   |
| 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"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property.</li> <li>The licensee's staff are required to comply with the Shire's own Code of Conduct in relation to communicating and dealing with members of the public. Staff are required to produce their certificate of authority if asked to do so.</li> <li>There have been no known cases during the audit period where staff have been requested to produce evidence of authority for that entry by the owner or occupier and not been able to provide the evidence. Therefore, this obligation is not able to be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Actions of authorised persons and others</b><br>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"> <li>Under Section 171(1) (c) (e) (f) of the Act, some of the licensee's staff have the authority to enter a property.</li> <li>The licensee's staff are required to comply with the Shire's own Code of Conduct in relation to communicating and dealing with members of the public</li> <li>There have been no known cases during the audit period where staff have</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
|   |   |                              |          | had to comply with any reasonable request from the owner or occupier intended to limit interference with the lawful activities of the owner or occupier. Therefore, this obligation is not able to be rated. |  |                   |
| <b>Contents of application</b><br>If the licensee applies for a warrant, the application must contain the prescribed information.   | 58  | Section 186                  | 4        | <ul style="list-style-type: none"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>                     | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>How application to be made</b><br>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"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>                     | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Execution of warrant</b><br>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"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>                     | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 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"> <li>The licensee advises that it has not applied for a warrant within the audit period. Therefore this obligation is not able to be rated.</li> </ul>                     | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Designation of inspectors and compliance officers</b><br>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"> <li>The licensee has not designated any person as an inspector or compliance officer. Therefore, this obligation cannot be rated.</li> </ul>                              | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|---|--|-------------------|
| <p><b>Liability of certain persons for damage caused in exercise of powers</b></p> <p>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.</p>  | 63  | Section 218(2)               | 5        | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>No complaints regarding the licensee's actions to deliver the water service have been received during the audit period.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <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"> <li>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.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Water Services Regulations 2013</b>   |   |                              |          |   |  |                   |
| <p><b>Altering position of service infrastructure in roads</b></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"> <li>The licensee has not exercised a works power in a road during the audit period. Therefore this obligation is not able to be rated.</li> <li>The licensee has well established relationships and processes for liaising with other infrastructure owners.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <p><b>Roads broken up to be reinstated</b></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"> <li>The licensee, as a local authority, is also the roads owner and manager. The exception of relevant is for the State controlled roads that coincide with the sewerage network.</li> <li>The licensee is well aware of its obligations to reinstate and make good roads following works.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 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"> <li>No road surfaces were required to be broken up and reinstated during the audit period in relation to the provision of the licenced water services.</li> </ul>  |  |                   |
| <b>Compliance Notices</b>  |   |                              |          |   |  |                   |
| 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"> <li>The licensee has not issued any compliance notices during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 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"> <li>Refer to observations detailed in Compliance Manual Reference 10.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 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"> <li>Refer to observations detailed in Compliance Manual Reference 11.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 2                 |
| <b>Water Services Code of Conduct (Customer Service Standards) 2013</b>  |   |                              |          |   |  |                   |
| <b>Information about connections</b>   |   |                              |          |   |  |                   |
| The licensee must have written information for customers about the specified matters.  | 92  | Clause 7                     | 4        | <ul style="list-style-type: none"> <li>The Shire's Customer Service Charter made under its previous licence (Version 2) fulfils some of the requirements of this obligation. However, as previously noted, the licensee does not currently make the most recent revision of the Customer Service Charter publically available and does not fulfil a number of obligations under the new legislation that could be covered by retaining the Charter.</li> <li>However, the Customer Service Charter does not cover the following:               <ul style="list-style-type: none"> <li>There is no statement about owners of land to which statutory water service charges apply being entitled</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter, April 2014</li> </ul> | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
|   |   |                              |          | <p>to service as per section 73 of the Act</p> <ul style="list-style-type: none"> <li>– There is no statement about the licensee having a duty to provide services as per section 21 of the act</li> <li>– The regulations relating to Section 21(2)(c)</li> <li>– The period in which connections are required to be completed</li> </ul> <ul style="list-style-type: none"> <li>▪ We consider that the extent of information not addressed in the Customer Service Charter constitutes a minor non-compliance.</li> <li>▪ We recommend that the licensee reviews its Customer Service Charter against the requirements of the <i>Water Services Code of Conduct (Customer Service Standards) 2013</i> and makes the necessary updates to make the information made available to customers compliant with this regulation.</li> </ul> |  |                   |
| <b>Minimum performance standards for standard water supply connections</b><br>The licensee must ensure that, in any 12 month period, 90% of connections are completed before the end of 10 business days, starting on the day on which the customer has paid the relevant fees and complied with the relevant requirements. | 93  | Clause 8                     | 4        | <ul style="list-style-type: none"> <li>▪ The licensee does not provide water supply services. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>                                   | NA                |
| <b>Bills other than for quantities supplied, discharged</b><br>The licensee must issue a bill for non-quantity charges to each customer at least once in every 12 month period.   | 94  | Clause 9                     | 4        | <ul style="list-style-type: none"> <li>▪ The licensee issues water service charges along with its general Council rates. This is undertaken annually.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of example bill</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|---|--|-------------------|
| <b>Bills for quantities supplied, discharged</b>   |   |                              |          |   |  |                   |
| The licensee must issue a bill for usage to each customer at least once in every 6 month period.   | 95  | Clauses 10(2)                | 4        | <ul style="list-style-type: none"> <li>The licensee does not issue bills for usage. Therefore this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| The licensee must ensure a bill for usage is based on a meter reading to ascertain the quantity supplied or discharged.  | 96  | Clauses 10(3)                | 4        | <ul style="list-style-type: none"> <li>The licensee does not issue bills for usage. Therefore this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| If an accurate meter reading is not possible, a bill for usage must be based on an estimation (in accordance with the prescribed regulations) of the quantity of water supplied or waste water discharged. | 97  | Clause10(4)                  | 4        | <ul style="list-style-type: none"> <li>The licensee does not issue bills for usage. Therefore this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| If an accurate meter reading is not possible and there are no applicable regulations, a bill for usage must be based on a reasonable estimate of supply or discharge using one of the prescribed methods.  | 98  | Clause 10(5)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not issue bills for usage. Therefore this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| <b>Sending bills</b>   |   |                              |          |   |  |                   |
| The licensee must send a bill to the address of the place where the water service is provided or, if the customer nominates another address, to the nominated address.                                     | 99  | Clause 11                    | 4        | <ul style="list-style-type: none"> <li>The licensee sends bills to the address nominated by the ratepayer. This does not need to be the location at which the water service is provided.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 1                 |
| <b>Estimates: licensees' obligations</b>   |   |                              |          |   |  |                   |
| If a bill is based on an estimate, the licensee must tell the customer on request the basis of the estimate and the reason for the estimate.   | 103   | Clause 13(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not base bills on usage and therefore does not need to make estimates of usage. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| The licensee must make any adjustments to the next bill to take into account the extent to which the estimate was not reasonable having regard to a subsequent and accurate meter reading.                 | 104   | Clause 13(2)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not base bills on usage and therefore does not need to make estimates of usage. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| <b>Requested meter readings, revised bills: licensee's obligations</b>   | 105   | Clause 14(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not base bills on usage and therefore does not have</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|---|--|-------------------|
| The licensee must provide to the customer on request a meter reading and a bill in in the prescribed circumstances.   |   |                              |          | meters. Therefore, this obligation is not applicable.   |  |                   |
| <b>Leaks</b><br>The licensee must have a publicly available written policy, standard or set of guidelines in relation to granting a discount to a customer whose meter reading indicates a water usage that is higher than normal for the customer but is likely to have been wasted because of a leak. | 106   | Clause 15                    | 4        | <ul style="list-style-type: none"> <li>The licensee does not charge based on usage. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| <b>Undercharging in bills</b><br>The licensee cannot recover an undercharged amount from a customer unless it is for water services provided in the 12 month period ending on the day on which the licensee informed the customer of the undercharging.   | 107   | Clause 16(2)                 | 4        | <ul style="list-style-type: none"> <li>The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential and commercial properties. There are no usage charges.</li> <li>Undercharging could occur where a property valuation used as the basis for billing is found at a later date to be incorrect or if the wrong unit rate had been applied. However, the licensee advises that it uses the latest available property valuations available from the state valuer and would not retrospectively change the valuation.</li> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| An undercharged amount must be the subject of, and explained in, a special bill or a separate item in the next bill. The licensee cannot charge interest or late payment fees on an undercharged amount. The licensee must allow a customer to pay an undercharged amount by way of a                   | 108   | Clause 16(3)                 | 4        | <ul style="list-style-type: none"> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
| repayment plan as specified in the code of conduct.  |   |                              |          |  |  |                   |
| The licensee must not charge interest or late payment fees on an undercharged amount.  | 109   | Clause 16(4)                 | 4        | <ul style="list-style-type: none"> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| The licensee must allow a customer to pay an undercharged amount by way of a repayment plan that has effect for the duration of shorter of the prescribed periods starting on the day that the bill in clause 16(3) is issued.   | 110   | Clause 16(5)                 | 4        | <ul style="list-style-type: none"> <li>The licensee is not aware of any instances of where it has undercharged customers and has therefore not sought to recover undercharged amounts during the audit period. Therefore this obligation cannot be rated.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Overcharging in bills</b><br>If the licensee overcharges a customer, the licensee must credit the customer's account and must immediately afterwards notify the customer, or inform the customer of the overcharging and recommended options for refunding or crediting the overcharged amount. | 111   | Clause 17(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee's charging is based on property valuation and a set rate (\$charge/\$land value) for residential and commercial properties. There are no usage charges.</li> <li>Although unlikely, overcharging could potentially occur when a property valuation used as the basis for billing is found at a later date to be incorrect or if the wrong unit rate had been applied. However, the licensee advises that it uses the latest available property valuations available from the state valuer and would not retrospectively change the valuation.</li> <li>The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
| The licensee must, in accordance with the customer's instructions, refund or credit the customer's account within 15 business days from starting on the day the licensee receives the instructions. | 112   | Clause 17(2)                 | 4        | <ul style="list-style-type: none"> <li>The licensee is not aware of any instances of where it has overcharged customers during the audit period. Therefore this obligation cannot be rated.</li> <li>The licensee has in place established procedures for refunding overcharged amounts on other parts of their rates bills. The overcharged amount is immediately credited to the customer's account. The customer then has the option of leaving this amount as a credit against their account or having the amount refunded to them.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Review of bills</b><br>The licensee must review a bill on the customer's request.  | 113   | Clause 18(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee reviews bills when requested to by customers.</li> <li>This is typically performed in person at the Shire offices at the time the request is made.</li> <li>The licensee reports that a small number of requests for review of bills may have been received during the audit period but would have been dealt with at the time and no records of the review or the outcomes have been maintained.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 1                 |
| The license must have a written procedure for the review of a bill on the customer's request.   | 114   | Clause 18(2)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not have a written procedure for review of a bill.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 2                 |
| The review procedure in clause 18(2) must include the specified information and be publicly available.  | 115   | Clauses 18(3) & (6)          | 4        | <ul style="list-style-type: none"> <li>The licensee does not have a written procedure for review of a bill.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 2                 |
| The review procedure must state that the customer may, but does not have to, use the licensee's complaints procedure mentioned in clause 35 before or instead of applying to the water services     | 116   | Clause 18(4)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does not have a written procedure for review of a bill.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 2                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|--|---|-------------------|
| ombudsman or, if available, making an appeal from, or applying for a review or, the decision under regulations mentioned in section 222(2)(k) of the Act.  |   |                              |          |  |   |                   |
| The licensee must inform the customer of the outcome of a review of the customer's bill as soon as practicable or otherwise less than 15 business days from the day the customer's request for review was received.  | 117   | Clause 18(5)                 | 4        | <ul style="list-style-type: none"> <li>The licensee reports that a small number of requests for review of bills may have been received during the audit period but would have been dealt with at the time and no records of the review or the outcomes have been maintained. The licensee considers that it would inform customers of the outcome of the review of bills within 5 business days if the matter could not be sorted out at the time.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NR                |
| <b>When payment due if not set under regulations</b><br>The time set by the licensee for the payment of a bill must be after 14 days from when the bill is issued.   | 118   | Clause 20                    | 4        | <ul style="list-style-type: none"> <li>The licensee requires payments of its bills within 35 days of issue.</li> <li>Customers are also able to set up a payment plan with the licensee to pay their annual rates charge in four instalments.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Sample rates bill</li> </ul>   | 1                 |
| <b>Payment methods</b><br>The licensee must allow a customer to pay a bill using any of the prescribed methods selected by the customer.<br>The prescribed methods are: <ol style="list-style-type: none"> <li>Direct debit</li> <li>Centrepay</li> <li>Internet</li> <li>Telephone</li> <li>Post</li> </ol> | 119   | Clause 21(1)                 | 4        | <ul style="list-style-type: none"> <li>The Licensee accepts payments by all the prescribed methods. However, although the Hardship Policy states that customers are allowed to pay a bill using Centrepay, the licensee noted that there has been no uptake of this payment method from its customers. Similarly, although the Licensee allows payment by direct debit, no customers use this facility.</li> <li>The licensee allows EFT payments and the details of the licensee's bank account are include on the rates notice. This allows customers to pay via internet banking although there is no specific rates payment form on the licensee's website.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Hardship Policy</li> <li>Review of example rates notice</li> </ul> | 2                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
|  |   |                              |          | <ul style="list-style-type: none"> <li>We reviewed a sample bill which we noted provided all the information necessary to make payment by the prescribed methods except for direct debit.</li> <li>The rates notice lists the payment methods of post, in person, by telephone and EFT but also specifies that "should none of the instalment option listed over the page be suitable, rates payers are welcome to approach Council with an alternative payment plan".</li> <li>Although the licensee offers direct debits in the Hardship Policy, there is currently no process in place related to the consent for direct debits (Clause 22). Therefore, although advertised, we consider that the direct debit payment method is currently not available in practice to customers.</li> <li>The licensee is the only organisation which can set up a direct debit. Customers can't actually do it for themselves, they can only set up a standing order for a fixed amount (e.g. a payment plan) and this is not the same thing as a direct debit. Therefore, we consider that this is a minor non-compliance.</li> </ul> |  |                   |
| The licensee must, when offering bill payment method options, inform the customer of the fees and charges (if any) associated with each bill payment method offered. | 120   | Clause 21(2)                 | 4        | <ul style="list-style-type: none"> <li>The license does not apply any additional fees and charges to different payment methods</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 1                 |
| <b>Consent for direct debits</b><br>Before receiving a bill payment by direct debit the licensee must obtain the express   | 121   | Clause 22                    | 4        | <ul style="list-style-type: none"> <li>The licensee accepts payment by direct debit but to date has not had any</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
|---|---|------------------------------|----------|--|---|-------------------|
| consent, either orally or in writing, of the holder of the account to be debited and of the customer or an adult person nominated by the customer, to do so.  |   |                              |          | <p>requests from customers to pay their bills using this method.</p> <ul style="list-style-type: none"> <li>Although the licensee offers direct debits in the Hardship Policy, there is currently no process in place related to the consent for direct debits (Clause 22). Therefore, although advertised, we consider that the direct debit payment method is currently not available in practice to customers.</li> <li>The licensee is the only organisation which can set up a direct debit. Customers can't actually do it for themselves, they can only set up a standing order for a fixed amount (e.g. a payment plan) and this is not the same thing as a direct debit. Therefore, we consider that this is a minor non-compliance.</li> </ul> | <ul style="list-style-type: none"> <li>Review of Hardship Policy</li> </ul>   |                   |
| <b>Payment in advance</b><br>The licensee must accept payment in advance from a customer on a customer's request.   | 122   | Clause 23(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee accepts payment in advance from customers. Payments are credited to the customer's account.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | 1                 |
| <b>Free redirection in absence, illness</b><br>The licensee must on request and at no charge redirect a customer's bills because of the customer's absence or illness.  | 123   | Clause 24                    | 4        | <ul style="list-style-type: none"> <li>The licensee is able to redirect customer's bills on request and at no charge.</li> <li>This provision is also set out in the licensee's Financial Hardship Policy.</li> <li>However, no requests for redirection of customer bills are thought to have been carried out during the audit period.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> </ul> | NR                |
| <b>Assistance for customers experiencing payment difficulties</b><br>The licensee must allow a customer to pay a bill under a payment plan or other arrangement under which the customer is given more time to pay the bill or to pay | 124   | Clause 25                    | 4        | <ul style="list-style-type: none"> <li>The licensee allows customers to pay bills under a payment plan or other arrangement.</li> <li>Information on payment plans is set out in its Financial Hardship Policy.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> </ul> | NR                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
| arrears if the customer is assessed by the licensee as experiencing payment difficulties.  |   |                              |          | <ul style="list-style-type: none"> <li>The rates notice lists the payment methods of post, in person, by telephone and EFT but also specifies that "should none of the instalment option listed over the page be suitable, rates payers are welcome to approach Council with an alternative payment plan".</li> <li>The licensee has a schedule for payment by instalments on their annual rate notices. If customers have a difficulty in paying outside of that criteria, then the licensee's Hardship Policy can be enacted. The Shire CEO has delegated authority to administer and Finance Committee can be called to assist if required.</li> <li>It could not be confirmed if there have been any instances of customers paying on a payment plan due to payment difficulties during the audit period, as opposed to using a payment plan for better budgeting,. As a result, this obligation has not been rated.</li> </ul> |   |                   |
| <b>Financial hardship policy</b><br>The licensee must have a written policy in relation to financial hardship that is approved by the Authority.   | 125   | Clauses 26(1) & (2)          | 4        | <ul style="list-style-type: none"> <li>The licensee has in place a Financial Hardship Policy that was approved by the ERA.</li> <li>The Financial Hardship Policy is available on the licensee's website.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> </ul>   | 1                 |
| If the licensee's licence was in place before the commencement of the Act, the licensee must have a financial hardship policy before the end of the 6 month period starting on the day on which section 27 of the Act comes into effect. | 126   | Clause 26(3)                 | 4        | <ul style="list-style-type: none"> <li>The licensee had in place a licence before commencement of the Act (version 2 of its licence which commenced in May 2009) and a new version of its licence came into effect on the same day that the Act came into effect.</li> <li>Therefore the licensee was required to have a financial hardship policy before</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Letter from Authority to Licensee dated 17 July 2014 regarding approval of the</li> </ul> | 1                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
|---|---|------------------------------|----------|--|---|-------------------|
|   |   |                              |          | <p>the end of the 6 month period starting on the day on which section 27 of the Act comes into effect.</p> <ul style="list-style-type: none"> <li>▪ Section 27 of the Act commenced on 18 November 2013 (See Note 1 to the Act) and therefore the licensee was required to have a Financial Hardship Policy by 18 May 2014.</li> <li>▪ The licensee submitted its Financial Hardship Policy to the Authority on 17 April 2014 for approval. The Financial Hardship Policy was approved by the Authority on 16 May 2014.</li> <li>▪ However, the Authority noticed after approval that there were errors with the telephone numbers for the TTY services included on the licensee's policy. The Authority notified the licensee of this issue in a letter dated 17 July 2014.</li> <li>▪ After the licensee made the required change, the Authority confirmed in a letter dated 25 November 2014 that the Hardship Policy had been approved on 9 September 2014.</li> <li>▪ Although the licensee was required to amend the Hardship Policy after the initial approval by the Authority, we do not consider that this is a non-compliance on behalf of the licensee in regard.</li> </ul> | <p>licensee's Hardship Policy</p> <ul style="list-style-type: none"> <li>▪ Letter from Authority dated 25 November 2014 regarding approval of the amended policy</li> </ul> |                   |
| If the licensee's licence was granted after the day on which the Act came into effect, the licensee must have a financial hardship policy within 6 months of the day of the grant of the license. | 127   | Clause 26(4)                 | 4        | <ul style="list-style-type: none"> <li>▪ The licensee was granted a licence before commencement of the Act. Therefore, this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interview with licensee staff</li> </ul>   | NA                |
| The licensee's financial hardship policy must be publicly available.  | 128   | Clause 26(5)                 | 4        | <ul style="list-style-type: none"> <li>▪ The Financial Hardship Policy is currently available on the licensee's website.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interview with licensee staff</li> </ul>   | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
| The licensee must review its financial hardship policy at least once in every 5 year period and, as part of the review process, consult with relevant consumer organisations.  | 129   | Clauses 26(6)                | 4        | <ul style="list-style-type: none"> <li>We accessed the Financial Hardship Policy at audit.</li> <li>The licensee's original Financial Hardship Policy submission was approved in May 2014 and therefore needs to be reviewed before May 2019. Therefore, this obligation cannot be rated for the audit period.</li> <li>Section 7 of the Financial Hardship Policy states that the licensee will review and update the policy at least every five years.</li> </ul>  | <ul style="list-style-type: none"> <li>Access to the licensee's website</li> <li>Interview with licensee staff</li> <li>Hardship Policy</li> </ul>             | NR                |
| <b>Assistance for customers experiencing financial hardship</b><br>The licensee must allow a customer experiencing financial hardship to pay a bill under an interest-free or fee-free payment plan other arrangement under which the customer is given more time to pay the bill or to pay arrears. | 130   | Clause 27(2)                 | 4        | <ul style="list-style-type: none"> <li>The licensee allows customers to pay bills under a payment plan or other arrangement that does not incur interest or fees.</li> <li>The rates notice specifies that "should none of the instalment option listed over the page be suitable, rates payers are welcome to approach Council with an alternative payment plan".</li> <li>Information on payment plans is set out in its Financial Hardship Policy.</li> <li>It could not be confirmed if there have been any instances of customers paying on a payment plan due to payment difficulties during the audit period, as opposed to using a payment plan for better budgeting,. As a result, this obligation has not been rated.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Example of rates notice</li> </ul> | NR                |
| The licensee must also consider reducing the amount owed, review and revise, if appropriate, how a customer is paying a bill under clause 27(2) and provide the specified written information to a customer.   | 131   | Clause 27(3)                 | 4        | <ul style="list-style-type: none"> <li>The licensee does consider writing off amounts owed to it in certain circumstances. The hardship policy informs customers that if they are in financial hardship, the Licensee will consider reducing the amount that is owed us.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Hardship policy</li> </ul>  | 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"> <li>Approval for writing off amounts owed must be given by the Council, officers are not authorised to do so.</li> <li>The licensee reports that amounts owed are written off from time-to-time.</li> </ul>   |  |                   |
| <p><b>Matters relating to customers experiencing payment difficulties or financial hardship</b></p> <p>Before the licensee enters into a payment plan or other similar arrangement with a customer who is not the owner of the land in respect of which the water service is provided, the licensee must ensure that the owner is aware of the proposed plan or arrangement.</p> | 132   | Clause 28(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee only bills owners of lands for water services.</li> <li>Therefore, as the licensee does not enter into agreements with customers who are not the owner of the land, this obligation is not rateable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <p>The licensee must have publicly available written information regarding the payment plans, arrangements and other assistance that is available to customers.</p>  | 133   | Clauses 28(4) & (5)          | 4        | <ul style="list-style-type: none"> <li>This information is available in the licensee's Financial Hardship Policy.</li> <li>The Financial Hardship Policy is publicly available on the licensee's website.</li> <li>Information on instalment plans is also included on the rates notice.</li> <li>The rates notice specifies that "should none of the instalment option listed over the page be suitable, rates payers are welcome to approach Council with an alternative payment plan".</li> </ul> | <ul style="list-style-type: none"> <li>Interview with licensee staff</li> <li>Review of Financial Hardship Policy</li> <li>Access to the licensee's website</li> </ul> | 1                 |
| <p><b>No debt collection in certain cases</b></p> <p>The licensee must not commence or continue proceedings to recover a debt from a customer who is complying with a payment plan or other arrangement, or who is being assessed for payment difficulties or who is being assessed for financial hardship.</p>  | 134   | Clause 29                    | 4        | <ul style="list-style-type: none"> <li>The licensee does not collect debts where a customer is in a payment arrangement. This is specified in the hardship policy.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Hardship policy</li> </ul>  | 1                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
| <b>Water flow not to be reduced below minimum rate</b><br>The licensee must not reduce the rate of flow of water to a customer to below 2.3 litres each minute.   | 139   | Clause 33                    | 4        | <ul style="list-style-type: none"> <li>The licensee does not provide a potable water supply service. Therefore this obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NA                |
| <b>Minimum performance standards for restoration of water supply</b><br>The licensee (other than the Water Corporation) must restore a water supply to land within the specified timeframe, unless the licensee and customer expressly agree otherwise.   | 142   | Clauses 34(4)                | 4        | <ul style="list-style-type: none"> <li>The only customer for the licensee's water supply (recycled water) service is the licensee. Therefore, the licensee will always be in agreement with itself regarding water restoration timeframes. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NA                |
| The licensee (other than the Water Corporation) must ensure that there is a 90% compliance rate with clause 34(4) in any 12 month period ending on 30 June.   | 144   | Clauses 34(6)                | 4        | <ul style="list-style-type: none"> <li>The only customer for the licensee's water supply (recycled water) service is the licensee. Therefore, the licensee will always be in agreement with itself regarding water restoration timeframes and therefore the specified timeframes are not relevant. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NA                |
| <b>Procedure for dealing with complaints about water services</b><br>The licensee must have a written complaints procedure in relation to investigating and dealing with complaints of customers about the provision of water services by the licensee or a failure by the licensee to provide a water service. | 145   | Clauses 35(1)                | 4        | <ul style="list-style-type: none"> <li>Section 2.9 of the licensee's Customer Service Charter sets out the complaints process.</li> <li>Complaints may be made in writing, by telephone, in person at the Shire service centre, by email and through the licensee's Facebook page. The licensee does not have a web form on its website.</li> <li>The Shire maintains a hard copy register for tracking complaints related to its water services. This is kept at the Shire Office front counter and was observed during the audit. .</li> <li>The Shire uses a Sewerage System Defect and Complaint Report to record</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter 2014</li> <li>Review of sewerage scheme complaints register</li> <li>Review of the Shire's website</li> <li>Complaints and Investigation Procedure</li> <li>Sewerage System Defect and Complaint Report</li> </ul> | 1                 |

| Performance Areas | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence | Compliance Rating |
|-------------------|---|------------------------------|----------|--|----------|-------------------|
|                   |   |                              |          | <p>the details of each customer complaint. The form includes:</p> <ul style="list-style-type: none"> <li>- Date &amp; Time of Report</li> <li>- Name of Person Making Report</li> <li>- Contact details for reference</li> <li>- Staff member recording the Complaint or Defect</li> <li>- Location of Defect or Complaint</li> <li>- Description of Defect or Complaint</li> <li>- Repair Work Carried Out</li> <li>- Who the repairs were carried out by</li> <li>- Date &amp; Time Completed</li> <li>- Other Work Required</li> <li>- Date &amp; Time Register Completed</li> <li>- Sighted By</li> <li>- Sighted By CEO</li> </ul> <ul style="list-style-type: none"> <li>▪ The Sewerage System Defect and Complaint Report also includes the information requirements for reporting complaints to the Authority in the Annual Compliance Report and Department for Environment and Conservation (if applicable).</li> <li>▪ The Shire has an overall Complaints and Investigation Procedure to ensure that all complaints are investigated in a timely and transparent manner by a competent person and all decisions and outcomes are justified and documented.</li> <li>▪ We confirmed that no complaints relating to the Shire's water and sewerage services have been received during the audit period.</li> </ul> |          |                   |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
| The licensee's complaints procedure must be developed using as minimum standards the relevant provisions of the AS ISO 10002-2006 and the Authority's guidelines (if any). | 146   | Clause 35(2)                 | 4        | <ul style="list-style-type: none"> <li>▪ The main components of a complaints procedure under AS ISO1002-2006 (now superseded by the 2014 version) are:               <ul style="list-style-type: none"> <li>– Commitment</li> <li>– Supporting policy and procedures</li> <li>– Defined responsibilities</li> <li>– Staff awareness</li> </ul> </li> <li>▪ Although the licensee has an overall Complaints and Investigation Procedure to ensure that all complaints are investigated in a timely and transparent manner by a competent person and all decisions and outcomes are justified and documented, we consider that some improvements need to be made to make the procedure to make it in accordance with the ISO standard.</li> <li>▪ As such, we consider that this constitutes a minor non-compliance.</li> <li>▪ We recommend that the licensee reviews its Complaints and Investigation Procedure against the AS ISO1002-2006 (now superseded by the 2014 version) and includes the procedures associated with completing the Sewerage System Defect and Complaint Report, defines responsibilities for managing, signing-off and escalation of complaints and includes the process for reporting the complaints data to the Authority in the Annual Compliance report.</li> <li>▪ We note that the Licensee has not received any complaints from customers related to its water services during the audit period.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Customer Service Charter. April 2014</li> <li>▪ Complaints and Investigation Procedure</li> <li>▪ Sewerage System Defect and Complaint Report</li> </ul> | 2                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|---|--|-------------------|
| The licensee's complaints procedure must provide for the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.   | 147   | Clauses 35(3)                | 4        | <ul style="list-style-type: none"> <li>The licensee's Complaints and Investigation Procedure addresses most of the matters under this obligation. However, these documents combined do not sufficiently address all the matters under this obligation, including dispute resolution arrangements and resolving complaints.</li> <li>We consider this to be a minor non-conformance.</li> <li>We note that the Licensee has not received any complaints from customers related to its water services during the audit period.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 2                 |
| The licensee's complaints procedure must inform the customer that they <ul style="list-style-type: none"> <li>do not have to use the licensee's complaints procedure,</li> <li>provide details of procedures under the Act, and</li> <li>set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</li> </ul> | 148   | Clauses 35(4)                | 4        | <ul style="list-style-type: none"> <li>The licensee's Complaints and Investigation Procedure addresses most of the matters under this obligation. However, these documents combined do not sufficiently address all the matters under this obligation, including dispute resolution arrangements and resolving complaints.</li> <li>We consider this to be a minor non-conformance.</li> <li>We note that the Licensee has not received any complaints from customers related to its water services during the audit period.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 2                 |
| The licensee's complaints procedure must be publicly available.  | 149   | Clauses 35(6)                | 4        | <ul style="list-style-type: none"> <li>The licensee's complaints procedure is not publically available.</li> <li>We consider this to be a minor non-conformance.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 2                 |
| <b>Services to be provided without charge</b><br>The licensee must provide a customer with the specified services on request and at no charge.   | 150   | Clause 36(1)                 | 4        | <ul style="list-style-type: none"> <li>The licensee makes these services available to customers at no charge.</li> <li>The licensee has in place a disability access and inclusion plan</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Disability access and inclusion plan</li> </ul> | 2                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence  | Compliance Rating |
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|  |   |                              |          | <ul style="list-style-type: none"> <li>▪ We have witnessed that many of the licensee's documents, e.g. the Financial Hardship Policy, include accessibility information.</li> <li>▪ However, we note that the licensee does not advertise large-print services being available if required by the customer. We recommend that the licensee includes this in its Hardship Policy.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Financial Hardship Policy</li> </ul>   |                   |
| The licensee must make available to each customer the customer's personal account information.                       | 152   | Clause 36(2)                 | 4        | <ul style="list-style-type: none"> <li>▪ The licensee provides account information such as current account balance when requested.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> </ul>  | 1                 |
| <b>Information to be publicly available</b><br>The licensee must make the prescribed information publicly available. | 153   | Clause 37(1)                 | 4        | <ul style="list-style-type: none"> <li>▪ The licensee makes the required information publically available as follows:               <ul style="list-style-type: none"> <li>(a) Fees and charges are publically available on the licensee's website in the Fees and Charges document.</li> <li>(b) Bill payment methods are available on the customer's rate notice and in the Hardship Policy. The customer bills do not include direct debit although it is publicised in the Hardship Policy.</li> <li>(c) Exemptions, rebated, discounts are included on the customer's bill. However, information regarding the exemptions, rebated, discounts that are available to customers is not advertised. We consider that this is a minor non-compliance.</li> <li>(d) The licensee's Financial Hardship Policy notes that customers can contact the Shire</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Disability access and inclusion plan</li> <li>▪ Financial Hardship Policy</li> </ul> | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|---|---|------------------------------|----------|---|---|-------------------|
|   |   |                              |          | through the National Relay Service, Speak and Listen phone service or with assistance from the National Interpreter Service. We note, however, that the licensee does not make reference to large-print services in publically available information and therefore consider that this is a minor non-compliance. The licensee does offer this service to customers on request.<br>(e) Authorised person powers – not applicable as the licensee has not authorised any persons under the Act.<br>(f) Not applicable<br>(g) Not applicable<br>(h) Not applicable<br>(i) Not applicable<br>(j) Not applicable<br>(k) Not applicable<br>(l) Not applicable |   |                   |
| <b>Accounting Records (Clause 12)</b>   |   |                              |          |   |   |                   |
| 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   | Licence Clause 12            | 5        | <ul style="list-style-type: none"> <li>▪ Accounting records are prepared in accordance with AASB standards.</li> <li>▪ Financial records are included in the Shires' annual reports and are published on the internet.</li> <li>▪ The financial statement includes a sign-off from the independent auditor and the Shire's CEO that the financial report complies with the Australian Accounting Standards and the provisions of the Local Government Act 1995 and the</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Interviews with licensee staff</li> <li>▪ Review of financial statements in annual reports</li> <li>▪ Review of Annual Budget 2014/15</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
|  |   |                              |          | regulations under that Act related to Financial Management. <ul style="list-style-type: none"> <li>The licensee also makes available its annual budget information available on its website.</li> </ul>   |   |                   |
| <b>Individual Performance Standards (Clause 13)</b>  |   |                              |          |   |   |                   |
| The licensee must comply with any individual performance standards prescribed by the Authority.  | 161   | Licence Clause 13.1          | 4        | <ul style="list-style-type: none"> <li>There are no individual performance standards specified in Schedule 3 of the licensee's licence. Therefore, this obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NA                |
| <b>Operational Audit (Clause 14)</b>   |   |                              |          |   |   |                   |
| 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   | Licence Clause 14.1          | 5        | <ul style="list-style-type: none"> <li>The licensee is currently subject to operational audits at 36 month intervals and this was confirmed by the Authority in writing at the completion of the last audit.</li> <li>The last operational audit was undertaken in 2011 by Quantum Assurance (report prepared in March 2012) which covered the period from 1 December 2008 to 30 November 2011.</li> <li>The next operational audit (this audit) covers the period from 1 December 2011 to 30 November 2014.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of previous operational audit report (Quantum Assurance, March 2012)</li> </ul> | 1                 |
| The licensee must cooperate with the independent expert and comply with the Authority's standard audit guidelines dealing with the operational audit.  | 162   | Licence Clause 14.4          | 4        | <ul style="list-style-type: none"> <li>The current operational audit follows the Audit and Review Guidelines - Water Licences – Final (July 2014)</li> <li>The audit has been conducted following the audit plan prepared in accordance with the guidelines and approved by the Authority.</li> <li>The licensee has complied with all requests for information made by the auditor and has made its staff and</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section      | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|-----------------------------------|----------|--|--|-------------------|
|  |   |                                   |          | resources freely available to assist the conduct of this audit. <ul style="list-style-type: none"> <li>The licensee's staff have acted in a professional and helpful manner throughout this audit.</li> </ul>                        |  |                   |
| <b>Reporting a Change in Circumstance (Clause 15)</b>  |   |                                   |          |  |  |                   |
| The licensee must report to the Authority, in the manner prescribed, if a licensee is under external administration or there is a material change in the circumstances upon which the licence was granted which may affect a licensee's ability to meet its obligations. | 163   | Licence Clause 15.1 (a), (b), (c) | 4        | <ul style="list-style-type: none"> <li>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.</li> </ul>                          | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| 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   | Licence Clause 15.1 (d)           | 4        | <ul style="list-style-type: none"> <li>As noted, the licensee has not undertaken any major works or general works during the audit period. Therefore, this obligation is not able to be rated.</li> </ul>                            | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Provision of Information (Clause 16)</b>  |   |                                   |          |  |  |                   |
| The licensee must provide the Authority any information that the Authority may require in connection with its functions under the Act in the time, manner and form specified by the Authority.   | 165   | Licence Clause 16.1               | 4        | <ul style="list-style-type: none"> <li>The licensee has provided the required information to the Authority.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>2011/12, 2012/13 and 2013/14 Annual Compliance Reports</li> <li>2011/12, 2012/13 and 2013/14 Annual Performance Reports</li> <li>Correspondence with ERA</li> </ul> | 1                 |
| The licensee must comply with any information reporting requirements prescribed by the Authority, including but not limited to the provisions of the Water   | 166   | Licence Clause 16.2               | 4        | <ul style="list-style-type: none"> <li>We reviewed the following compliance reports at audit:                             <ul style="list-style-type: none"> <li>2011/12 compliance report dated 19 July 2012</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 1                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|---|--|-------------------|
| Compliance Reporting Manual that apply to the licensee.   |   |                              |          | <ul style="list-style-type: none"> <li>2012/13 compliance report dated 1 July 2013</li> <li>2013/14 compliance report dated 17 July 2014</li> </ul>   | <ul style="list-style-type: none"> <li>2011/12, 2012/13 and 2013/14 Annual Compliance Reports</li> <li>Correspondence with ERA</li> </ul>  |                   |
| The licensee must provide the Authority with the data required for performance reporting purposes that is specified in Water Compliance Reporting Manual.                   | 167   | Licence Clause 16.3          | 3        | <ul style="list-style-type: none"> <li>The licensee has provided the Authority with performance reporting data</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Performance reporting data for 2011/12, 2012/13 and 2013/14</li> <li>Correspondence with ERA</li> </ul> | 1                 |
| <b>Publishing Information (Clause 17)</b>   |   |                              |          |   |  |                   |
| 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   | Licence Clause 17.2          | 4        | <ul style="list-style-type: none"> <li>The Authority has not directed the licensee to publish information related to this obligation. Therefore the obligation cannot be rated.</li> <li>Note that publication of the Financial Hardship Policy followed timing under legislation, not at the Authority's direction.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Notices (Clause 18)</b>  |   |                              |          |   |  |                   |
| Unless otherwise specified, all notices must be in writing.   | 169   | Licence Clause 18.1          | 4        | <ul style="list-style-type: none"> <li>The licensee issues all formal correspondence in writing.</li> <li>We reviewed a sample of correspondence at audit</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Annual Compliance Reports</li> <li>Correspondence with ERA file</li> </ul>                              | 1                 |
| <b>Asset Management System (Clause 20)</b>  |   |                              |          |   |  |                   |
| 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   | Licence Clause 20.1          | 4        | <ul style="list-style-type: none"> <li>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.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NA                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
| The licensee must notify the Authority of any material change to the asset management system within 10 business days of the change.                          | 171   | Licence Clause 20.2          | 5        | <ul style="list-style-type: none"> <li>The licensee advised that no material change has been made to the Asset Management System during the audit period. Therefore, this obligation is not able to be rated</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | 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   | Licence Clause 20.6          | 4        | <ul style="list-style-type: none"> <li>The asset management system review is being conducted in accordance with the Authority's <i>Audit and Review Guidelines: Water Licences (2014)</i> and the preceding <i>Audit Guidelines: Electricity, Gas and Water Licences (2009)</i> as both were in effect during the audit period.</li> <li>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.</li> <li>The outcomes of the asset management system review are in a later section of this report.</li> </ul> | <ul style="list-style-type: none"> <li>Audit and review plan</li> <li>Audit and review guidelines</li> <li>Interviews with licensee staff</li> </ul>   | 1                 |
| 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)    | 4        | <ul style="list-style-type: none"> <li>The licensee has in place an asset management system for the operation and maintenance of its water service works.</li> <li>The main components of the asset management system are:               <ul style="list-style-type: none"> <li>An Asset Management Plan</li> <li>Detailed Asset Register</li> <li>Maintenance Management spreadsheet including annual program of inspections and completed works</li> <li>Condition and Performance spreadsheet with date of inspection,</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Asset management plan</li> <li>Asset Management System Excel spreadsheets</li> <li>Training Register</li> <li>Annual O&amp;M budgets</li> <li>Capital Works Plan</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
|  |   |                              |          | condition and any comments/work completed<br>– Annual O&M budget, including capital expenditure and a breakdown of maintenance work into routine, breakdown and restorative & preventative maintenance activities<br>– Five year Capital Works Plan<br>– Staff training and awareness<br>▪ 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. |   |                   |
| The licensee must give details of the asset management system and any changes to it to the Authority.  | 7   | Section 24(1)(b)             | 5        | ▪ 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.  | ▪ Interviews with licensee staff  | NR                |
| 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)             | 5        | ▪ An asset management system review was conducted by Quantum Assurance and documented in a report prepared March 2012, which covered the period from 1 December 2008 to 30 November 2011.<br>▪ The next asset management system review (this review) covers the period from 1 December 2011 to 30 November 2014.  | ▪ Interviews with licensee staff<br>▪ Review of previous asset management review report | 1                 |
| <b>Water Services Ombudsman Scheme (Clause 21)</b>   |   |                              |          |   |   |                   |
| 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   | Licence Clause 21.1          | 4        | ▪ The Energy and Water Ombudsman of Western Australia became responsible for the water services ombudsman scheme referred to in Part 4 of the Act on 1 January 2014.  | ▪ Interviews with licensee staff<br>▪ Correspondence                                    | 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"> <li>The licensee is a member of this scheme.</li> </ul>  |   |                   |
| Licensees who are required to be a member of the water services ombudsman scheme agree to be bound by, and compliant with, any decision or direction of the water services ombudsman under the scheme.       | 15  | Section 66                   | 4        | <ul style="list-style-type: none"> <li>The licensee has agreed to be bound by and compliant with any decision or direction of the Ombudsman</li> <li>No complaints concerning the licensee have been referred to the Ombudsman during the audit period</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence</li> <li>Complaints register</li> </ul> | 1                 |
| <b>Standard Terms &amp; Conditions of Service (Clause 22)</b>  |   |                              |          |   |   |                   |
| 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   | Licence Clause 22.1          | 4        | <ul style="list-style-type: none"> <li>There are no Standard Terms and Condition of Service that apply to the licensee. This obligation is not applicable.</li> <li>The licensee seeks to provides its services in accordance with the Act and other legislation including the Local Government Act 1995</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NA                |
| <b>Customer Contract (Clause 23)</b>   |   |                              |          |   |   |                   |
| If directed by the Authority, the licensee must submit a draft customer contract for approval.   | 175   | Licence Clause 23.1          | 5        | <ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>                     | NR                |
| The licensee must comply with any Customer Contract Guidelines that apply to the licensee.   | 176   | Licence Clause 23.2          | 5        | <ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NR                |
| The licensee may only amend the customer contract with the Authority's approval.   | 177   | Licence Clause 23.3          | 5        | <ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer contract for approval. This obligation is not applicable.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Correspondence with ERA</li> </ul>                     | NR                |
| The licensee must comply with any direction by the Authority to amend the customer contract.   | 178   | Licence Clause 23.6          | 5        | <ul style="list-style-type: none"> <li>The licensee has not been directed by the Authority to submit a draft customer</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>  | NR                |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
|  |   |                              |          | contract for approval. This obligation is not applicable.  | <ul style="list-style-type: none"> <li>Correspondence with ERA</li> </ul>        |                   |
| <b>Non Standard Terms &amp; Conditions of Service (Clause 24)</b>  |   |                              |          |  |  |                   |
| 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   | Licence Clause 24.1 & 24.2   | 4        | <ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code.</li> </ul>                                    | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| 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   | Licence Clause 24.4          | 4        | <ul style="list-style-type: none"> <li>The licensee has not entered into any agreements with customers to provide water services that exclude, modify or restrict the terms and conditions of the licence or the requirements of the Customer Services Code. This obligation is not applicable.</li> </ul> | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NR                |
| <b>Supplier of Last Resort (Clause 25)</b>   |   |                              |          |  |  |                   |
| If the licensee is appointed as the supplier of last resort for a designated area, the licensee must perform the functions of a supplier of last resort, comply with the duties imposed by the Act and carry out its operations under or for the purpose of the last resort plan in accordance with the Act. | 181   | Licence Clause 25.1          | 4        | <ul style="list-style-type: none"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| 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"> <li>The licensee has not been appointed as a supplier of last resort. This obligation is not applicable.</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | NA                |
| <b>Duties of the Licensee (Clause 26)</b>  |   |                              |          |  |  |                   |
| The licensee must comply with the duties imposed on it by the Act in relation to its   | 12  | Section 29                   | 4        | <ul style="list-style-type: none"> <li>The duties of the licensee are set out in Part 2, Division 3 of the Act. The</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul> | 2                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|--|--|-------------------|
| licence and must carry out its operations in respect of the licence in accordance with the Act.   |   |                              |          | <p>compliance of the licensee with these obligations has already been tested in this audit, resulting in a number of non-compliances being found. As a result, this obligation has been rated as non-compliant.</p> <ul style="list-style-type: none"> <li>The licensee seeks to comply with its duty to provide sewerage and non-potable water services within its operating area. The licensee is the only user of the non-potable water service and provides sewerage services to most of the residents in the township of Goomalling.</li> <li>The licensee has not received any complaints regarding its water services in the audit period.</li> <li>The licensee advises it has not refused provision of sewerage services nor suspended provision of sewerage services in the audit period.</li> </ul> | <ul style="list-style-type: none"> <li>Operating Licence</li> <li>Asset Management System</li> <li>Operational Audit Report, March 2012</li> </ul>   |                   |
| <b>Provision of Water Services (Clause 27)</b>  |   |                              |          |  |  |                   |
| 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)             | 5        | <ul style="list-style-type: none"> <li>The licensee provides sewerage services and non-potable water services under the Act.</li> <li>The sewerage service is available for connection to the majority of residential areas of the town of the Goomalling. The town's industrial area is not connected to the sewerage system and this area is served by private septic tanks.</li> <li>The licensee's Customer Service Charter sets out the conditions of and process for connecting to its sewerage network.</li> <li>The previous Customer Service Charter (currently not publicised) notes that " <i>If</i></li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter, April 2014</li> <li>Review of operating area map</li> <li>Inspection of assets</li> </ul> | 1                 |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence  | Compliance Rating |
|--|---|------------------------------|----------|---|---|-------------------|
|  |   |                              |          | <p><i>the Shire's waste water system is available to a property, which produces or has capacity to produce waste water, it is a requirement for the property owner to connect to the system, subject to the provisions of section 72 of the Health Act 1911 (as amended)".</i></p> <ul style="list-style-type: none"> <li>The non-potable water supply service is not available to customers. Land owners are not entitled to this service as they do not pay a water service charge for it.</li> </ul>   |   |                   |
| The licensee must offer to provide a water service on reasonable terms, unless provision of the service is not financially viable or is otherwise not practicable, to persons within the operating area who are not entitled to the service under the Act. | 2   | Section 21(1)(b)             | 4        | <ul style="list-style-type: none"> <li>The water service charges are determined annually by Council as part of its budgeting process. Council determines reasonable charges based on its costs to operate, maintain and renew the system.</li> <li>Water service charges are based on the rateable value of the land determined by the state valuer.</li> <li>The licensee advises that there have been no instances where it has discontinued providing a service because it has been not practicable or not financially viable.</li> <li>The sewerage network is limited to the extent of the Goomalling township.</li> </ul> | <ul style="list-style-type: none"> <li>Review of annual budget 2013/14 and 2014/15</li> <li>Review of Fees &amp; Charges 2014/15</li> <li>Interviews with licensee staff</li> <li>Review of Customer Service Charter, April 2014</li> </ul>       | 1                 |
| 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"> <li>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.</li> <li>We inspected the licensee's assets at the time of audit including the two pumping stations in the town that</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of operating area map</li> <li>Inspection of assets</li> <li>Review of operation and maintenance records</li> <li>Review of licensee performance</li> </ul> | 1                 |

| Performance Areas   | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations  | Evidence   | Compliance Rating |
|---|---|------------------------------|----------|---|--|-------------------|
|   |   |                              |          | transfer the sewerage to the treatment plant, the imhoff tank, the treatment pond, the recycled water storage dam and reticulation assets and reticulation assets where visible, e.g. pit lids.   | monitoring records, e.g. pump run hours kept at the pumping station  |                   |
| <b>Provision of Water Services Outside Operating Area (Clause 28)</b>   |   |                              |          |   |  |                   |
| If the licensee provides a water service outside of the operating area the licensee must apply to amend the licence unless otherwise notified by the Authority.   | 182   | Licence Clause 28.1          | 4        | <ul style="list-style-type: none"> <li>The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review of operating area map</li> <li>Inspection of assets</li> </ul>           | NR                |
| The licensee must notify the Authority as soon as practicable before commencing to provide the water service outside of the operating area of the license.  | 4   | Section 22                   | 4        | <ul style="list-style-type: none"> <li>The licensee does not provide a water service outside of the operating area. This obligation is not able to be rated for the audit period.</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> </ul>   | NR                |
| <b>Works Holding Arrangements (Clause 29)</b>   |   |                              |          |   |  |                   |
| 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"> <li>The licensee owns all of the water service works used to provide the water service</li> </ul>  | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review financial records</li> <li>Review of financial asset register</li> </ul> | 1                 |
| <b>Hardship Policy (Clause 30)</b>  |   |                              |          |   |  |                   |
| The licensee must comply with the Authority's Financial Hardship Policy Guidelines as they apply to the licensee.   | 183   | Licence Clause 30.3          | 4        | <ul style="list-style-type: none"> <li>The licensee has prepared a Financial Hardship Policy with reference to the Authority's guideline and using the template provided by the Authority. The Financial Hardship Policy has been approved by the Authority.</li> </ul> | <ul style="list-style-type: none"> <li>Review of Financial Hardship Policy</li> <li>Review of guidelines</li> </ul>  | 1                 |
| <b>Memorandum of Understanding (Clause 31)</b>  |   |                              |          |   |  |                   |

| Performance Areas  | Compliance Manual Ref (2014 unless noted otherwise) | Licence/ Code Clause/Section | Priority | Observations   | Evidence   | Compliance Rating |
|--|---|------------------------------|----------|--|--|-------------------|
| The licensee must enter into a Memorandum of Understanding with the Department of Health as soon as practicable after the commencement date.                                 | 184   | Licence Clause 31.1          | N/A      | <ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul> | 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   | Licence Clause 31.2          | N/A      | <ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul> | NA                |
| The licensee must comply with the terms of the Memorandum of Understanding.  | 186   | Licence Clause 31.3          | N/A      | <ul style="list-style-type: none"> <li>The licensee does not provide potable water. This obligation is not applicable</li> </ul>   | <ul style="list-style-type: none"> <li>Interviews with licensee staff</li> <li>Review asset management plan</li> <li>Inspection of assets</li> </ul> | NA                |
| <b>Performance Standards (Schedule 3)</b>  |   |                              |          |  |  |                   |
| The licensee must comply with the service and performance standards as set out in Schedule 3.  | 190   | Section 9                    | N/A      | <ul style="list-style-type: none"> <li>There are no performance standards specified in Schedule 3 of the licensee's license. This obligation is not applicable.</li> </ul> | <ul style="list-style-type: none"> <li>Operating license</li> </ul>  | NA                |

## 5.2 Asset Management System Review

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

**Table 5-1 Asset Management System Review Observations**

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence  |
|---|--|---|
| <b>Asset Planning – Overall Rating: B2</b>  |  |   |
| <ul style="list-style-type: none"> <li>▪ Asset Management Plan covers key requirements</li> <li>▪ Planning processes and objectives reflect the needs of all stakeholders and is integrated with business planning.</li> <li>▪ Service levels are defined.</li> <li>▪ Non-asset options (e.g. demand management) are considered.</li> <li>▪ Lifecycle costs of owning and operating assets are assessed.</li> <li>▪ Funding options are evaluated.</li> <li>▪ Costs are justified and cost drivers identified.</li> <li>▪ Likelihood and consequences of asset failure are predicted.</li> <li>▪ Plans are regularly reviewed and updated.</li> </ul> | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>▪ The licensee's sewerage system as constructed in 1978 and has not been expanded since this time.</li> <li>▪ The system assets are considered to be in excellent condition. Our asset inspections of the above ground assets, which included the pumping stations and the treatment plant, confirmed this.</li> <li>▪ There are no capacity issues related to the reticulation system or the treatment plant.</li> <li>▪ Demand forecasts show minimal growth in the number of connections with negligible impact on the current system.</li> </ul> <p><b>Asset Management Plans</b></p> <ul style="list-style-type: none"> <li>▪ The licensee has an Asset Management Plan (AMP) for its Sewerage Scheme. The current version was reviewed and updated as part of the Post-Audit Implementation Plan actions from the previous audit and is dated 15 April 2014. Prior to the most recent update, the AMP was also reviewed and updated in March 2013 and April 2010.</li> <li>▪ The AMP includes an outline of the operating environment, Levels of Service, a description of the asset system and regulatory requirements. However, the regulatory requirements are now out of date and will require updating in the next revision of the AMP.</li> <li>▪ The AMP also documents the key aspects of operational planning for the scheme, including high-level system operation and operating rules and procedures.</li> <li>▪ The AMP outlines the performance measurement procedures for the different asset types and also outlines the activities/frequency of inspections and maintenance.</li> <li>▪ The licensee does not have a separate AMP for the assets related to the provision of its non-potable water service, and this information related to the recycled water scheme is included in the AMP.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Wastewater Assets Management System - Maintenance Management module</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Wastewater Assets Management System -Financial Planning module</li> <li>▪ Sewerage Defect and Complaints Report Form</li> <li>▪ Shire of Goomalling Local Planning Scheme No. 3, updated 20/03/2007</li> <li>▪ Shire of Goomalling Operational Audit &amp; Asset Management System Review, March 2012</li> <li>▪ Shire of Goomalling Water Services Operating Licence, WL18, Version 3, 18 November 2013</li> </ul> |

| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence  |
|---|--|---|
|   | <p><b>Standard Operating Procedures</b></p> <ul style="list-style-type: none"> <li>The licensee does not have any standard operating procedures related to the operation and maintenance of the sewerage and recycled water services. However, given the size and nature of the scheme, these would not be expected.</li> </ul>  | <ul style="list-style-type: none"> <li>Shire of Goomalling Water Services Operating Licence, WL18, Version 2, 15 May 2009</li> <li>Shire of Goomalling Long Term Financial Plan 2013</li> </ul>   |
|   | <p><b>Asset Management System</b></p> <ul style="list-style-type: none"> <li>The licensee has an Asset Management System that uses a series of linked Excel spreadsheets. The system is simplistic and was provided to the licensee by the ERA as a system that could be used by small service providers.</li> <li></li> <li>The asset management system consists of: <ul style="list-style-type: none"> <li>An Asset Register</li> <li>Condition &amp; Performance Monitoring</li> <li>Risk Assessment</li> <li>Maintenance Management</li> <li>Financial Budget</li> </ul> </li> <li>The AMS is used as the key tool for future asset predictions that are included into the licensee's asset planning.</li> </ul>   | <ul style="list-style-type: none"> <li>Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>Shire of Goomalling Annual Report 2011/12</li> <li>Shire of Goomalling Annual Report 2012/13</li> <li>Western Australia Tomorrow - Forecast Profile for the Goomalling (S) Local Government Area, Western Australian Planning Commission, February 2012</li> </ul> |
|   | <p><b>Asset Management Planning</b></p> <ul style="list-style-type: none"> <li>The CEO has the overall responsibility for overall planning and developing the Planning Scheme document that identifies what infrastructure and facilities are required.</li> <li>The licensee has a corporate budgeting process to review and approve any new works that have been identified.</li> <li>The current Planning Scheme document (Shire of Goomalling Town Planning Scheme No 3) was last updated on 20 March 2007.</li> <li>Population growth forecasts (Forecast Profile for the Goomalling (S) Local Government Area, Western Australian Planning Commission) have shown uncertainty regarding growth between 2006 and 2026. The average annual growth rate has been forecast at 1.5%, compared with a low of 0.5% and a high of 2.3% over the 20 years. However, the licensee considers that population growth will be minimal.</li> <li>The Risk Assessment included in the licensee's AMS has been completed but generally asset renewals are prioritised based on condition and performance.</li> </ul> |   |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence   |
|---|--|--|
|   | <p>The licensee uses a “run to fail” approach, which is appropriate for the size and type of schemes it operates and maintains.</p> <ul style="list-style-type: none"> <li>▪ The AMP includes a five year capital works program. This is based on the lifecycle costs for that have been populated in the AMS. These are based on renewals of assets as they reach the end of their asset life. However, no new works for growth, levels of service or legislation have been identified in the current planning projections.</li> <li>▪ The AMS forecasts a capex program out to 50 years based on the asset lives assigned to each type of asset and this is also included in the AMP. This forecast currently runs out to 2065 in the AMS. However, the asset replacement forecast in the AMP needs to be updated as it runs for a 50 year period from 2008 to 2058.</li> <li>▪ The long-term forecast shows little capital expenditure will be required until the reticulation system assets reach the end of their 80 year asset live and the system requires replacement. Although this results in an \$18M spike one-year spike in expenditure in 2058, it would be expected that this expenditure would be spread over a number of years.</li> <li>▪ Under the Local Government Act, the licensee is required to break out their planned expenditure budget to show the estimates for capex, renewals and maintenance so that there is a clear report of the predicted costs.</li> <li>▪ The Annual Operations and Maintenance module of the AMS breaks down the forecast maintenance budgets into Routine &amp; Breakdown, Restorative and Preventative forecasts. This is completed by the licensee at asset type level rather than for each individual asset.</li> <li>▪ Funding options are included in Section 5 of the AMP. The only options available to the licensee to fund its sewerage service are income from rates and reserves. The licensee does not have any loans for its sewerage or reuse services.</li> <li>▪ The licensee has a sewerage reserve that can only be used for the purpose of replacing or upgrading the Goomalling sewerage system.</li> <li>▪ The licensee has to prepare Business Cases under Section 3.59 of the Local Government Act for new assets that are identified but not for renewal of current assets. At the present time all of the asset planning work identified by the licensee has been for renewals and this is not expected to change in the short-term.</li> </ul> |  |
| <b>Asset Creation – Overall Rating: B2</b>  |  |  |
| <ul style="list-style-type: none"> <li>▪ Full project evaluations are undertaken for new assets including comparative assessment of non-asset solutions.</li> </ul> | <ul style="list-style-type: none"> <li>▪ An overview of how assets should be acquired is included in the Section 4.6 – New Assets Creation Plan in the Asset Management Plan.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage</li> </ul> |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments  | Evidence   |
|---|---|--|
| <ul style="list-style-type: none"> <li>▪ Evaluations include all life-cycle costs.</li> <li>▪ Projects reflect sound engineering and business decisions.</li> <li>▪ Commissioning tests are documented and completed.</li> <li>▪ Ongoing legal / environmental / safety obligations of the asset owners are assigned and understood.</li> </ul> | <ul style="list-style-type: none"> <li>▪ This specifies that new assets will be procured through the Government Supply system, where available, or through select and public tendering on an as needs basis.</li> <li>▪ As noted previously, full project evaluations are completed as part of the licensee's business case process required for new assets and include all life-cycle costs. This includes assessment of non-asset solutions.</li> <li>▪ Business cases are submitted through the licensee's budgeting process for review and approval by the Council Board.</li> <li>▪ The need / requirement for new sewer assets are identified from the five year capital works program and the longer-term 50 year expenditure forecast. However, at the present time all of the identified works are for renewal of assets as they reach the end of their asset lives.</li> <li>▪ No new assets have been identified in the forecast and the licensee has not created any new assets during the review period.</li> <li>▪ The licensee does not have specific testing and commissioning procedures for its active assets but would expect to include these in the conditions of contract if tendering any major work.</li> <li>▪ Legal, environmental and safety obligations are documented in Section 2.3 of the Asset Management Plan. However, although the AMP was updated in 2014, a number of the references are out of date and will need to be revised in the next update of the document.</li> <li>▪ Although the AMP includes information on the recycled water scheme assets, the legal, environmental and safety obligations related to the reuse scheme are not specified in the AMP (e.g. the Health Act 1911, the Metropolitan Water Supply and Sewerage Act 1909 and Environmental Protection Act 1986). We recommend that the legislative requirements associated with the licensee's reuse scheme are included in the next update of the AMP.</li> </ul> | <p>and Effluent Reuse Scheme Assets, Reviewed April 2014</p> <ul style="list-style-type: none"> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Wastewater Assets Management System -Financial Planning module</li> <li>▪ Shire of Goomalling Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>▪ Shire of Goomalling Annual Report 2011/12</li> <li>▪ Shire of Goomalling Annual Report 2012/13</li> <li>▪ Shire of Goomalling Local Planning Scheme No. 3, updated 20/03/2007</li> <li>▪ Western Australia Tomorrow - Forecast Profile for the Goomalling (S) Local Government Area, Western Australian Planning Commission, February 2012</li> </ul> |

**Asset Disposal – Overall Rating: B2**

|  |   |  |
|--|---|--|
| <ul style="list-style-type: none"> <li>▪ Under-utilised and under-performing assets are identified as part of a regular systematic review process.</li> <li>▪ The reasons for under-utilisation or poor performance are critically examined and corrective action or disposal undertaken.</li> </ul> | <ul style="list-style-type: none"> <li>▪ The water service system (both sewer and non-potable water service works) are considered relatively basic in concept and nature. Demand is within capacity and population forecasts indicate stable but low growth for the Shire. As such the need for disposing of assets surplus to requirements is unlikely in the foreseeable future with limited surplus availability within the asset base.</li> <li>▪ The Local Government Act 1995 sets the policy framework for asset disposal and the licensee disposes of its sewerage assets in accordance with Section</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> </ul> |
|--|---|--|

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence   |
|---|--|--|
| <ul style="list-style-type: none"> <li>▪ Disposal alternatives are evaluated.</li> <li>▪ There is a replacement strategy for assets.</li> </ul> | <p>3.58 of the Act. The licensee follows the Australian Accounting Standards to register asset disposal in its financial accounts.</p> <ul style="list-style-type: none"> <li>▪ The licensee has a renewal/ replacement program developed for the asset base based on asset age and condition (for sewerage water service works). A like for like replacement (or repair on sewer main) is typically the most appropriate option and with the existing, failed asset disposed of. Assets such as buried pipes, manholes, or worn out plant and equipment are unlikely to have any second hand market value. These assets would normally be left in ground or disposed of to landfill.</li> <li>▪ There is no formal process in place for assessing under-utilised or under-performing assets. Such assets are identified in the AMS using knowledge gained from site and historical information such as asset performance, failures and age. Assets are continually reviewed in the AMS.</li> <li>▪ The licensee has an annual inspection program for each of its assets that was developed as the result of a recommendation from the last asset management system review for the review period that ended in November 2011.</li> <li>▪ Condition and performance are recorded in the Asset Management System.</li> <li>▪ The AMP specifies that “Assets at the end of their life will be replaced with a similar capacity and the old asset dumped or recycled for scrap as appropriate”.</li> <li>▪ No assets have been disposed in the review period and no assets have been identified for disposal in the AMP or AMS.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Wastewater Assets Management System -Financial Planning module</li> <li>▪ Shire of Goomalling Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>▪ Shire of Goomalling Annual Report 2011/12</li> <li>▪ Shire of Goomalling Annual Report 2012/13</li> <li>▪ Shire of Goomalling Local Planning Scheme No. 3, updated 20/03/2007</li> <li>▪ Western Australia Tomorrow - Forecast Profile for the Goomalling (S) Local Government Area, Western Australian Planning Commission, February 2012</li> <li>▪ Local Government Act 1995</li> <li>▪ Local Government and Australian Accounting Standards requirements for asset disposal</li> </ul> |
| <b>Environmental Analysis – Overall Rating: B2</b>  |  |  |
| <ul style="list-style-type: none"> <li>▪ Opportunities and threats in the system environment are assessed.</li> </ul>                           | <ul style="list-style-type: none"> <li>▪ Section 1.3 Asset Environment included in the AMP provides an overview of the physical environment that the licensee’s assets are operating in.</li> <li>▪ The licensee has identified statutory and regulatory requirements in its Section 2.3 of the AMP. However, it makes reference to the Water Services Licensing</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> </ul>   |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence   |
|---|--|--|
| <ul style="list-style-type: none"> <li>▪ Performance standards (availability of service, capacity, continuity, emergency response, etc.) are measured and achieved.</li> <li>▪ Compliance with statutory and regulatory requirements.</li> <li>▪ Achievement of customer service levels.</li> </ul> | <p>Act 1995 which has been superseded by the Water Services Act 2012. We recommend that the asset management plan be updated to reflect the new legislative framework.</p> <ul style="list-style-type: none"> <li>▪ The licensee has a simple compliance register that is reviewed and updated annually to assist in keeping track of its statutory and regulatory obligations in the year. The licensee uses the compliance reporting procedure based on the Authority's Compliance Report Manual for preparing its annual compliance report to the Authority.</li> <li>▪ Risk assessment is undertaken within the AMS.</li> <li>▪ Two separate assessments have been developed for the risks of failing to meet the requirements of the operating licence and for the risks associated with the assets themselves.</li> <li>▪ The Risk Assessment for the assets considers the consequences for risks to the environment related to each type of asset. The risk consequences related to customers and community are also assessed and used to derive an overall consequence score.</li> <li>▪ Levels of Service for availability of service, capacity, continuity, emergency response, odours are outlined in Section 2 of the AMP.</li> <li>▪ Section 2.6.4 of the AMP outlines the performance measurement procedures that the licensee uses to assess performance against the service levels.</li> <li>▪ During the review period, the licensee complied with its licence requirement target of fewer than 40 blockages per 100km of sewer main and 90% of connecting customers experiencing no overflow in each preceding 12 month period. This was reported to the Authority in the annual Compliance Reports submitted by the licensee.</li> <li>▪ Outside of reporting requirements there does not appear to be further historical analysis of the licensee's performance against these measures. We recommend that past records on the performance measures be documented in the AMP with any significant deviation from the standard justified.</li> <li>▪ Performance standards have been reported to the ERA annually and signed-off by the CEO. This obligation was only applicable until 18 November 2013. The current licence does not impose performance standards for sewerage and non-potable water.</li> <li>▪ The licensee's recycled water scheme was assessed by a representative from the Department of Health in November 2013. The resulting assessment report identified a number of areas where the licensee was not compliant with the requirements of the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i>.</li> <li>▪ The key non-compliances that the assessment reported were that:</li> </ul> | <ul style="list-style-type: none"> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Annual ERA Compliance Reports 2011/12, 2012/13 and 2013/14</li> <li>▪ Water Recycling Assessment Report, November 2013</li> <li>▪ CEO response to Recycled Water Scheme Assessment Report – Amended Conditions of Approval</li> </ul> |

| Asset Management Process / Effectiveness Criteria | Observation / Comments  | Evidence |
|---|---|----------|
|   | <ul style="list-style-type: none"> <li>- the treated effluent is not disinfected</li> <li>- Some vegetation on the banks of the treatment pond needs to be removed</li> <li>- All above ground recycled water fittings should be clearly identified and coloured purple in accordance with AS 2700:1996</li> <li>- More signage is required around the treatment plant, storage dam and irrigated areas</li> <li>- Use of the travelling irrigator with non-disinfected water</li> <li>- A monthly sampling program as per the conditions of approval needs to be implemented</li> <li>- The recycled water quality is above the Low Exposure Risk Level water quality objectives at times</li> <li>- There is a lack of written procedures in terms of an operation management plan for the irrigation system</li> <li>▪ The licensee agreed to follow most of the recommendations from the water recycling assessment. However, it advised the Directorate that:                         <ul style="list-style-type: none"> <li>- It would not install in-ground reticulation at the sports oval due to safety concerns</li> <li>- It would not install disinfection for the re-use scheme due to cost and the licensee's assessment of the risks of providing a non-disinfected supply</li> <li>- It would develop a Recycled Water Quality Management Plan prior to June 2016.</li> </ul> </li> </ul> |          |

| Asset Operations – Overall Rating: B2  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>▪ Operational policies and procedures are documented and linked to service levels required.</li> <li>▪ Risk management is applied to prioritise operations tasks.</li> <li>▪ 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.</li> <li>▪ Operational costs are measured and monitored.</li> </ul> | <p><b>Policies</b></p> <ul style="list-style-type: none"> <li>▪ The Goals and Objectives of the Sewer and Reuse Scheme included in Section 1.2 of the AMP provides a very high level outline of the licensee's overall objectives in its provision of its services.</li> <li>▪ The AMP only includes an overview of the system. Section 2.6 Levels of Service provides an overview of the key service criteria, the service characteristics, target level of service and the performance measurement procedure for the reticulation assets, pump station assets and effluent reuse assets. This information, together with the maintenance plans included in Section 4, Lifecycle Management Plan, in the AMP, infer how the assets are operated, although explicit instructions are not provided or referenced.</li> <li>▪ Where appropriate, the manufacturer's operating instructions/manuals are kept and used by the works and maintenance staff.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Wastewater Assets Management System - Maintenance Management module</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> </ul> |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence  |
|---|--|---|
| <ul style="list-style-type: none"> <li>Staff receives training commensurate with their responsibilities.</li> </ul> | <p><b>Operational / Maintenance Procedures and Tasks</b></p> <ul style="list-style-type: none"> <li>The licensee does not have any specific Operational/maintenance procedures for operating or maintaining the sewerage and reuse schemes. Although the sewerage and reuse schemes are relatively simple, we would recommend that the licensee develops some simple step-by-step operational procedures and maintenance instructions for the key activities to be included in the appendices of the Asset Management Plan. We would recommend that the licensee develops operations and maintenance procedures for the following:               <ul style="list-style-type: none"> <li>Switchboard Maintenance</li> <li>Sewer Blockages, Overflows and Spills</li> <li>Maintenance of Wet Wells</li> <li>Submersible Sewage Pump – Routine Maintenance</li> <li>Imhoff Tank Maintenance</li> <li>Water Quality Sampling</li> <li>Operation of the Recycled Water Scheme</li> </ul> </li> <li>A Sewerage Defect and Complaints Report Form is used to record any asset issues and the repair work completed. The Condition and Performance module of the AMS includes the inspection program and allows inspection findings to be recorded against each asset.</li> <li>Pump run times are recorded on a log sheet kept at the pumping stations.</li> <li>Monthly samples are taken from the treated effluent storage dam (the source of the reuse water for the sports oval) to test for E.coli. These are couriered to Perth for testing by an accredited laboratory. The laboratory provides a report of the results and the licensee also provides this information to the Department of Health.</li> <li>Maintenance work on the sewerage and recycled schemes is predominantly reactive at the present time, with the licensee using a “run to fail” approach, which is appropriate given the simplicity of the scheme, its size and the type of assets utilised.</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>As noted previously, a risk management tool is built into the licensee’s AMS. This is used, together with performance, condition and age data recorded in the AMS to identify possible future asset issues and prioritise them for renewal/refurbishment. However, the licensee uses a “run to fail” approach so assets are only replaced on failure.</li> </ul> | <ul style="list-style-type: none"> <li>Wastewater Assets Management System - Condition &amp; Performance module</li> <li>Wastewater Assets Management System -Financial Planning module</li> <li>Sewerage Defect and Complaints Report Form</li> <li>Shire of Goomalling Long Term Financial Plan 2013</li> <li>Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>Shire of Goomalling Annual Report 2012/13</li> <li>Shire of Goomalling Annual Report 2013/14</li> <li>Water Sampling 2012, 2013, 2014 spreadsheets</li> </ul> |

| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence |
|---|--|----------|
|   | <ul style="list-style-type: none"> <li>▪ Risk management related to the non-potable water supply are included in the AMS.</li> <li>▪ The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016. This will include a detailed Health Risk Assessment in accordance with the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i>.</li> </ul>   |          |
|   | <p><b>Asset Register</b></p> <ul style="list-style-type: none"> <li>▪ The licensee's asset register is recorded in the AMS. Separate worksheets capture the asset attributes for access chambers, gravity and rising mains pipes, pump stations, the WWTP (imhoff tank and treatment pond) and the reuse scheme assets (storage dam and pump)</li> <li>▪ The details included for each asset include: <ul style="list-style-type: none"> <li>– asset reference numbers</li> <li>– description/location</li> <li>– material</li> <li>– dimensions</li> <li>– construction date</li> <li>– asset life</li> <li>– Replacement value</li> <li>– Planned replacement year</li> <li>– Current replacement value</li> </ul> </li> <li>▪ The asset register is used as the base data template for other information recorded in the AMS, e.g. condition and performance data, dates of inspection and refurbishment works.</li> <li>▪ The AMP states that the asset register will be reviewed annually. This review process provides the opportunity to refine and keep this information up-to-date and relevant. The asset registers also provide a provisional replacement value.</li> </ul> |          |
|   | <p><b>Asset Costs</b></p> <ul style="list-style-type: none"> <li>▪ Financial/accounting costs associated with the licensed services are recorded in the licensee's main finance system (Synergy).</li> <li>▪ Operational costs are recorded against costs codes. The cost codes do not break down to an asset level but are for the sewer system (including the treatment plan) and the reticulation system (the reuse assets between the storage dam and the oval).</li> </ul>  |          |

| Asset Management Process / Effectiveness Criteria | Observation / Comments  | Evidence |
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|   | <ul style="list-style-type: none"> <li>▪ The costs associated with the recycled assets are not recorded under the Sewerage cost codes but are charged to the recreation ground expenditure.</li> <li>▪ Energy bills and invoices go through the licensee's corporate system and are forwarded to the CEO for sign-off. All costs are recorded against the ongoing annual operations budget.</li> <li>▪ The operational budget is developed by the CEO with input from other members of staff. The previous year's budget is the starting point, with any new expenditure needing to be approved by the Council.</li> <li>▪ Operational costs are included in the long-term forecasts included in the AMS</li> <li>▪ Operational budget is documented in the five-year financial plan included in the AMP together with the long-term forecast.</li> </ul> <p><b>Staff Training</b></p> <ul style="list-style-type: none"> <li>▪ Field staff are trained to meet their position responsibilities.</li> <li>▪ Specialist training (e.g. confined space, working at heights) is monitored using a training register that is reviewed and updated each year.</li> <li>▪ The licensee has a contract plumber that carries out maintenance on the sewerage and reuse schemes.</li> <li>▪ The system's operator demonstrated a good level of understanding of the system, its assets and associated operating procedures.</li> </ul> |          |

**Asset Maintenance – Overall Rating: B2**

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| <ul style="list-style-type: none"> <li>▪ Maintenance policies and procedures are documented and linked to service levels required.</li> <li>▪ Regular inspections are undertaken of asset performance and condition.</li> <li>▪ Maintenance plans (emergency, corrective and preventative) are documented and completed on schedule.</li> <li>▪ Failures are analysed and operational / maintenance plans adjusted where necessary.</li> <li>▪ Risk management is applied to priorities maintenance tasks.</li> <li>▪ Maintenance costs are measured and monitored.</li> </ul> | <p><b>Policies and Procedures</b></p> <ul style="list-style-type: none"> <li>▪ Refer to previous section for details of policies and procedures.</li> </ul> <p><b>Asset Inspections</b></p> <ul style="list-style-type: none"> <li>▪ As a result of a recommendation in the 2012 asset management system review, the licensee has developed an annual inspection program for all of the assets. This is repeated each year.</li> <li>▪ Inspections of assets at the WWTP are recorded in the AMS.</li> <li>▪ To date, no CCTV inspections of the pipework have been undertaken but given that the system is less than 40 years old and no issues with have been experienced, this would not be unexpected. It is likely that in the next 10 to 15 years the licensee will need to plan for a sample of CCTV inspections to assess the condition of the below ground assets.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Wastewater Assets Management System - Maintenance Management module</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> </ul> |
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| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence  |
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|   | <p><b>Maintenance Plans</b></p> <ul style="list-style-type: none"> <li>▪ The Planned Maintenance Plan is included in Section 4.4 of the AMP but needs to be updated as the timelines for the due dates are out of date.</li> <li>▪ Section 4 of the AMP outlines the Lifecycle Management Plan, including the routine maintenance activities and their frequencies.</li> <li>▪ The schedule of routine maintenance activities is included in the Maintenance Management module of the AMS and included as an Appendix to the AMP.</li> <li>▪ The current planned maintenance work program is included in the maintenance management module of the AMS. This provides a checklist of maintenance activities but is reliant on the knowledge and ability of the person performing the maintenance to carry them out satisfactorily. We have recommended that the licensee develops a small number of operations and maintenance procedures in the previous section.</li> <li>▪ The licensee's Contingency Plan includes the emergency responses for Flooding, Electrical Supply Breakdown, Control or Switchboard Breakdown, Bushfire and Main Pressure Line Failure.</li> </ul> <p><b>Asset Failure Analysis</b></p> <ul style="list-style-type: none"> <li>▪ The AMP is reviewed annually and any failures that have occurred and been recorded in the AMS are considered in the budget cycle and the operation/maintenance plans. There is no asset failure analysis outside of the budget process.</li> </ul> <p><b>Risk Management</b></p> <ul style="list-style-type: none"> <li>▪ Refer to previous section for details of risk management included in the AMS.</li> </ul> <p><b>Maintenance Costs</b></p> <ul style="list-style-type: none"> <li>▪ Financial/accounting costs associated with maintenance costs are recorded in the licensee's main finance system (Synergy).</li> <li>▪ Maintenance costs are recorded against costs codes. The cost codes do not break down to an asset level but are for the sewer system (including the treatment plan) and the reticulation system (the reuse assets between the storage dam and the oval). As noted previously, the costs associated with the recycled assets are not recorded under the Sewerage cost codes but are charged to the recreation ground expenditure.</li> <li>▪ All sewerage maintenance costs are recorded against the ongoing annual operations budget.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Wastewater Assets Management System -Financial Planning module</li> <li>▪ Sewerage Defect and Complaints Report Form</li> <li>▪ Shire of Goomalling Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>▪ Shire of Goomalling Annual Report 2012/13</li> <li>▪ Shire of Goomalling Annual Report 2013/14</li> </ul> |

| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence |
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|   | <ul style="list-style-type: none"> <li>▪ A planned maintenance register and a works schedule are built into the AMS but are not fully utilised.</li> <li>▪ Maintenance costs are recorded in the AMS against the different asset types in the Planned Work worksheet of the Maintenance Management module.</li> <li>▪ Maintenance tasks are also recorded against the Works Register included in the Maintenance Management module of the AMS but this has not been utilised.</li> <li>▪ The maintenance budget included in the AMS has been budget broken down into for routine &amp; breakdown, restorative and preventive maintenance at an asset type level, as opposed to being developed for each individual asset. By observation, there are some errors in the formulae and we recommend that this spreadsheet is reviewed and corrected by the time the next budget is prepared.</li> <li>▪ Actual O&amp;M expenditure vs budget is regularly reviewed. There is a formal 6 and 9 monthly reporting process for reporting the financial data to Council as part of the budgeting process. The report also includes the actual capital spend against the proposed budget.</li> </ul> |          |

**Asset Management Information System – Overall Rating: B2**

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| <ul style="list-style-type: none"> <li>▪ Adequate system documentation for users and IT operators</li> <li>▪ Input controls include appropriate verification and validation of data entered into the system</li> <li>▪ Logical security access controls appear adequate, such as passwords</li> <li>▪ Physical security access controls appear adequate</li> <li>▪ Data backup procedures appear adequate</li> <li>▪ Key computations related to licensee performance reporting are materially accurate</li> <li>▪ Management reports appear adequate for the licensee to monitor licence obligations</li> </ul> | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>▪ The licensee utilises the following asset information systems:               <ul style="list-style-type: none"> <li>– AMS – the City’s Asset Management System, for the sewerage assets, consisting of the asset register, inventory control, condition and performance monitoring, maintenance management, risk assessment and financial planning.</li> <li>– Synergy Soft – corporate financial system.</li> </ul> </li> <li>▪ Manuals and other documentation are maintained for the licensee’s corporate systems.</li> <li>▪ For the scale of the scheme, the AMS is considered to be fit-for-purpose.</li> </ul> <p><b>Data Entry</b></p> <ul style="list-style-type: none"> <li>▪ The data is only generally verified and validated on input, although ad hoc reporting is used to identify and rectify any errors in the input information.</li> </ul> <p><b>Management Reports</b></p> <ul style="list-style-type: none"> <li>▪ There is no regular internal management reporting related to the sewerage system. Licence obligations are continually monitored by the Environmental Health Officer but would only be expected to be reported upwards to the CEO when issues are experienced and to the Council if required.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Wastewater Assets Management System - Maintenance Management module</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Wastewater Assets Management System -Financial Planning module</li> <li>▪ SynergySoft</li> </ul> |
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| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence   |
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|   | <ul style="list-style-type: none"> <li>▪ Performance standards have been reported to the ERA annually and signed-off by the CEO. This obligation was only applicable until 18 November 2013. The current licence does not impose performance standards for sewerage and non-potable water.</li> <li>▪ Sampling and monitoring data related to the recycled water scheme is reported to the Department of Health.</li> <li>▪ Performance standards are not included in the Annual Report. Any key activities related to the operation of the sewer network would only be included in the Annual Report by exception.</li> </ul> <p><b>Security access of system</b></p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ All systems require a password to log on.</li> <li>▪ Access to the AMS server is not password restricted and can be accessed by any members of the licensee's staff. Given the small number of staff in the licensee's office and the type of information stored on the AMS server, we consider that this is acceptable and that the licensee's overall IT access protocols are sufficient.</li> <li>▪ Some areas of the system (e.g. administration and the finance information) are write-access restricted to the relevant staff, with other staff members only having read access.</li> <li>▪ All systems are backed up offsite and overnight every day by an IT consultant based in Perth.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Water Sampling 2012, 2013, 2014 spreadsheets</li> <li>▪ Annual Performance Reports (2012, 2013, 2014)</li> </ul>  |
| <b>Risk Management – Overall Rating: B2</b>   |  |  |
| <ul style="list-style-type: none"> <li>▪ Risk management policies and procedures exist and are being applied to minimise internal and external risks associated with the asset management system</li> <li>▪ Risks are documented in a risk register and treatment plans are actioned and monitored</li> <li>▪ The probability and consequences of asset failure are regularly assessed</li> </ul> | <ul style="list-style-type: none"> <li>▪ The licensee has a corporate Risk and Prioritisation Matrix that is included in its Asset Management Plan.</li> <li>▪ As noted previously, a risk management tool is built into the licensee's AMS. This is used, together with performance, condition and age data recorded in the AMS to identify possible future asset issues and prioritise them for renewal/refurbishment. However, the licensee uses a "run to fail" approach so assets are only replaced on failure.</li> <li>▪ Two separate assessments have been developed for the risks of failing to meet the requirements of the operating licence and for the risks associated with the assets themselves.</li> <li>▪ Risk management related to the non-potable water supply are included in the AMS.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> </ul> |

| Asset Management Process / Effectiveness Criteria  | Observation / Comments  | Evidence   |
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|  | <ul style="list-style-type: none"> <li>▪ The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016. This will include a detailed Health Risk Assessment in accordance with the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i>.</li> <li>▪ The risk consequences related to customers and community are assessed and used to derive an overall consequence score based on the maximum individual score. The licensee's risk assessment does not include risk consequences associated with the water licence, financial impact, the environment and OHS. We recommend that the licensee's risk assessment be updated to include these risks.</li> <li>▪ Likelihood scores are used to assign inherent risk scores to each element in the assessment. The adequacies of existing controls are also assigned and risk mitigation and minimisation strategies listed against each identified risk.</li> <li>▪ The risk mitigation and management strategies for key risk events, including Earthquake, Imhoff Failure, Major Storm, Illegal Load, Unexpected Demand and Pipe/Manhole/collapse are included in the Asset Management Plan.</li> <li>▪ The Risk Register is reviewed annually and was last reviewed in April 2014 by the Environmental Health Officer and a committee consisting of the CEO, Works Supervisor and a Councillor.</li> </ul> |  |
| <b>Contingency Planning – Overall Rating: B2</b>   |   |  |
| <ul style="list-style-type: none"> <li>▪ Contingency plans are documented, understood and tested to confirm their operability and to cover higher risks</li> </ul> | <ul style="list-style-type: none"> <li>▪ The licensee's Contingency Plan includes the emergency responses for Flooding, Electrical Supply Breakdown, Control or Switchboard Breakdown, Bushfire and Main Pressure Line Failure.</li> <li>▪ We note that the risk mitigation and management strategies included in the Asset Management Plan are for the key risk events of Earthquake, Imhoff Failure, Major Storm, Illegal Load, Unexpected Demand and Pipe/Manhole collapse. We recommend that the licensee looks to expand its Contingency Plan to include the strategies and activities for managing these incidents.</li> <li>▪ The Contingency Plan does not include any information related to incident management for the non-potable water supply. The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016. This will include a detailed Incident Management Plan in accordance with the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i>.</li> <li>▪ We also recommend that the Contingency Plan be expanded, with appendices added to include a Key Contacts list, a list of available equipment and spares and a list of suppliers and contact details of key external businesses that could assist with emergencies (e.g. contract electricians/plumbers/manufacturers etc.).</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Shire of Goomalling Wastewater Services Contingency Plan 2014</li> <li>▪ Wastewater Assets Management System - Risk Management module</li> <li>▪ Site visit to pumping stations, treatment plant and storage dam</li> </ul> |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments  | Evidence  |
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|   | <ul style="list-style-type: none"> <li>▪ The Incident Management Plan for inclusion in the Recycled Water Quality Management Plan will need to include classification, notification processes, emergency response and communications, containment and remediation procedures and incident cause and investigation procedures.</li> <li>▪ The Contingency Plan is reviewed annually and was last reviewed in May 2014 by the Environmental Health Officer and a committee consisting of the CEO, Works Supervisor and a Councillor.</li> <li>▪ The licensee's Contingency Plan is not specifically tested via emergency incident scenario exercises but is considered to be tested occasionally under normal operating conditions. There have been times when maintenance work, particularly on the imhoff tank and the pumping station, has essentially required contingency plan actions to be invoked for a short time while the maintenance has been completed. The capacity in the sewerage means that even if the pump stations break down or the WWTP has to go out of commission, there are 2-3 days before anything needs to be done to remove wastewater from the network. Although annual testing would be best practice, we do not consider that they are essential for a small shire such as Goomalling based on the assets they operate, especially as they only manage sewerage and non-potable reuse, and the risks involved with small populations in relatively low density urban areas.</li> <li>▪ The Contingency Plan includes a date sign-off for 'Testing by Works Department' but this is a desktop review by the Works Department to confirm that the response actions are still appropriate.</li> <li>▪ Both of the schemes two pump station have two pumps that alternate in a duty/standby mode of operation.</li> <li>▪ The licensee has a standby generator that can be used to pump the sewerage from the main pumping station to an adjacent emergency basin in the event of a prolonged power or pump failure.</li> <li>▪ The licensee also has a water tanker that it can be used for collecting and transferring wastewater in emergency situations.</li> <li>▪ There are two electricians based on the town that can be called upon if there are any electrical issues or the switchboards break down. A noted previously, the licensee has a contract plumber to carry out its maintenance work.</li> </ul> |   |
| <b>Financial Planning – Overall Rating: B2</b>  |   |   |
| <ul style="list-style-type: none"> <li>▪ The financial plan states the financial objectives and strategies and actions to achieve the objectives</li> </ul> | <ul style="list-style-type: none"> <li>▪ Financial planning is carried out in accordance with the requirements of the Local Government Act.</li> <li>▪ The licensee undertakes its financial planning for its sewerage service in accordance with its Integrated Planning Framework used to develop a ten year Corporate Business Plan. However, given the simplicity of the licensee's sewerage scheme and the current age and condition of the assets, there are</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> </ul> |

| Asset Management Process / Effectiveness Criteria   | Observation / Comments   | Evidence  |
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| <ul style="list-style-type: none"> <li>▪ The financial plan identifies the source of funds for capital expenditure and recurrent costs</li> <li>▪ The financial plan provides projections of operating statements (profit and loss) and statement of financial position (balance sheets)</li> <li>▪ The financial plan provide firm predictions on income for the next five years and reasonable indicative predictions beyond this period</li> <li>▪ The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services</li> <li>▪ Significant variances in actual / budget income and expenses are identified and corrective action taken where necessary</li> </ul> | <p>currently no items in the licensee’s Corporate Plan related to the water services it provides.</p> <ul style="list-style-type: none"> <li>▪ The overall responsibility for financial planning lies with the CEO and Financial Officer.</li> <li>▪ The AMS contains a 50 year financial planning forecast. The need / requirement for new sewer assets are identified from the five year capital works program and the longer-term 50 year expenditure forecast. However, at the present time all of the identified works are for renewal of assets as they reach the end of their asset lives.</li> <li>▪ An overview to financial planning for the sewerage service is outlined in Section 5 of the Asset Management Plan. This includes a summary of the financial objectives and strategies and actions to achieve the objectives.</li> <li>▪ The licensee prepares an overall long term 10 year Financial Plan, which includes the expenditure for its sewerage service. The financial planning includes predicted income for its services and the forecast expenditure.</li> <li>▪ A five year breakdown of the scheme operating expenditure is included in the AMP. However, this information provides the breakdown for the five years between 2007/08 and 2011/12 and needs to be updated.</li> <li>▪ The Financial Statement identifies the balance and anticipated movement in reserve funds.</li> <li>▪ The capital expenditure component of the Financial Summary included in the Asset Management Plan is based on the five year capital works forecast developed in the AMS. This is all for renewals at the present time. However, as noted above, the AMP needs to be updated as the latest revision of the document shows the proposed capital expenditure between 2008/09 and 2012/13.</li> <li>▪ The income forecasts included in the Shire’s financial planning are based on an annual increase of CPI and also take into account the very slight future population changes.</li> <li>▪ Ongoing general operations and maintenance budgets are based on the previous year’s expenditure and inflated for CPI, and refined where required.</li> <li>▪ We reviewed the Financial Statement and confirmed that it includes projections of operating statements, statements of financial position and predictions of income for a 10 year period. We confirmed that the capital expenditure forecasts reconcile with the renewals expenditure in the AMS.</li> <li>▪ Funding options are included in Section 5 of the AMP. The only options available to the licensee to fund its sewerage service are income from rates and reserves. The licensee does not have any loans for funding its licenced water services.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>▪ Shire of Goomalling Annual Report 2011/12</li> <li>▪ Shire of Goomalling Annual Report 2012/13</li> <li>▪ Shire of Goomalling Fees &amp; Charges 2014/15</li> </ul> |

| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence |
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|   | <ul style="list-style-type: none"> <li>▪ The licensee maintains a “Sewerage” reserve. The funds in the reserve can only be used for the purposes of replacing and upgrading of capital facilities for the Goomalling Sewerage Scheme. The amount in the reserve is expected to be sufficient to cover the projected capital replacement costs of the assets when they have been forecast to be required. No significant expenditure on the scheme is expected until 2032.</li> <li>▪ Variances in expenditure are identified and tracked typically monthly for operating expenditure and as needed for capital expenditure. Where required, corrective action can be taken. We witnessed evidence of variance tracking and analysis in the six and nine month reports from Synergy Soft that are used for preparing the annual budget.</li> <li>▪ We also confirmed that the sewerage service budgets and expenditure are included in the overall financial planning carried out by the licensee.</li> <li>▪ Replacement costs for the sewer network are based on unit rates. However, the asset valuations included in the Financial Planning module of the AMS and presented in Table 5 of the AMP that are being used to forecast future renewals and replacement capital expenditure were developed in 2007 and need to be updated.</li> </ul> |          |

**Capital Expenditure Planning – Overall Rating: A2**

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| <ul style="list-style-type: none"> <li>▪ There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates</li> <li>▪ The plan provides reasons for capital expenditure and timing of expenditure</li> <li>▪ The capital expenditure plan is consistent with the asset life and condition identified in the asset management plan</li> <li>▪ There is an adequate process to ensure that the capital expenditure plan is regularly updated and actioned</li> </ul> | <ul style="list-style-type: none"> <li>▪ The responsibility for developing the capital expenditure budget lies with the Environmental Health Officer, with input from other senior members of the licensee’s staff.</li> <li>▪ The capital expenditure plan forms part of the 10 year Financial Statement. The capital budget is developed in conjunction with the AMS and forward planned maintenance and, where identified, system development.</li> <li>▪ The need / requirement for new sewer assets are identified from the five year capital works program and the longer-term 50 year expenditure forecast. However, at the present time all of the identified works are for renewal of assets as they reach the end of their asset lives.</li> <li>▪ The AMP includes a five year capital works program. This is based on the lifecycle costs for that have been populated in the AMS.</li> <li>▪ The capital works are based on renewals of assets as they reach the end of their asset life. However, no new works for growth, levels of service or legislation have been identified in the current planning projections.</li> <li>▪ The licensee has not created any new assets during the review period.</li> <li>▪ However, as noted above, the AMP needs to be updated as the latest revision of the document shows the proposed capital expenditure between 2008/09 and 2012/13.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Shire of Goomalling Long Term Financial Plan 2013</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2014</li> <li>▪ Shire of Goomalling Annual Budget for the year ended 30<sup>th</sup> June 2015</li> <li>▪ Shire of Goomalling Annual Report 2011/12</li> <li>▪ Shire of Goomalling Annual Report 2012/13</li> <li>▪ Wastewater Assets Management System - Annual Operations and Maintenance Budget</li> </ul> |
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| Asset Management Process / Effectiveness Criteria | Observation / Comments   | Evidence   |
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|   | <ul style="list-style-type: none"> <li>▪ The AMS forecasts a capex program out to 50 years based on the asset lives assigned to each type of asset and this is also included in the AMP. This forecast currently runs out to 2058 and needs to be updated as 2008 is the starting year.</li> <li>▪ The long-term forecast shows little capital expenditure will be required until the reticulation system assets reach the end of their 80 year asset live and the system requires replacement. Although this results in an \$18M spike one-year spike in expenditure in 2058, it would be expected that this expenditure would be spread over a number of years.</li> <li>▪ We confirmed that the capex forecasts included in the AMP reconcile with the asset data included in the AMS.</li> <li>▪ The capex planning is consistent with asset lives. The asset lives are captured in the AMS against each asset and form the basis of the future works program.</li> <li>▪ The licensee also captures asset condition data during its annual inspection program and takes account of this in renewals planning.</li> <li>▪ To date, no CCTV inspections of the pipework have been undertaken but given that the system is less than 40 years old and no issues with have been experienced, this would not be unexpected. It is likely that in the next 10 to 15 years the licensee will need to plan for a sample of CCTV inspections to assess the condition of the below ground assets.</li> <li>▪ The licensee does not use deterioration models or renewals planning models. However, given the fairly small size of the asset base, models like these are unlikely to greatly improve the renewals planning process.</li> <li>▪ Any expenditure on new assets (as opposed to renewals) that is identified will need to go through the licensee's business planning process.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Wastewater Assets Management System - Condition &amp; Performance module</li> <li>▪ Wastewater Assets Management System -Financial Planning module</li> </ul> |

**Review of Asset Management System – Overall Rating: B2**

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| <ul style="list-style-type: none"> <li>▪ A review process is in place to ensure that the asset management plan and asset management system described therein are kept current</li> <li>▪ Independent reviews (e.g., internal audit) are performed of the asset management system</li> </ul> | <ul style="list-style-type: none"> <li>▪ Section 7.3 of the Asset Management Plan outlines the internal and external review requirements for the Plan.</li> <li>▪ The current version of the Asset Management Plan was reviewed and updated as part of the Post-Audit Implementation Plan actions from the previous audit and is dated 15/04/2014.</li> <li>▪ The current Improvement Plan is included in Section 7.2 of the AMP. However, we note that this needs to be updated as the latest action was due to be completed by May 2008.</li> <li>▪ We have made a number of recommendations throughout the overall Asset Management System Review related to updating the contents of the Asset Management Plan as a number of sections are out of date.</li> <li>▪ External review of the AMS is undertaken as part of Clause 20 of licensee's licence under the Act. The last review was undertaken for the three year period</li> </ul> | <ul style="list-style-type: none"> <li>▪ Shire of Goomalling - Asset Management Plan - Sewerage and Effluent Reuse Scheme Assets, Reviewed April 2014</li> <li>▪ Shire of Goomalling Operational Audit and Asset Management System Review, Final Report, March 2012</li> </ul> |
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| Asset Management Process / Effectiveness<br>Criteria | Observation / Comments   | Evidence |
|--|--|----------|
|  | <p>ending 30 November 2011. No other intermediary reviews have been undertaken between the previous review and this review which covers the period 1 December 2011 to 30 November 2014.</p> <ul style="list-style-type: none"> <li>▪ The AMS is reviewed and updated annually as part of the budget process. The AMS was last reviewed in April 2014</li> <li>▪ The AMS is considered fit-for-purpose and suitable for the organisation.</li> <li>▪ Based on our review of the most recent version of the Asset Management Plan, we consider that there are a number of issues relating to the information in the document being kept up to date. Although the document has been reviewed during the review period, this suggests that the review process is not being adequately performed. We have made a number of recommendations in the following section related to updating the information included in the AMP in order to bring it up-to-date.</li> </ul> |          |

## 6 Recommendations

### 6.1 Performance Audit

**Table 6-1 Table of Current Non Audit Compliances and Recommendations**

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

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

|         |  |   |  |
|---------|--|---|--|
|         | B2<br><i>Water Services Act 2012, Clause 5.1</i>   | Refer to the recommendations A5/2015 to A16/2015 for where the licensee has not complied with the required legislative obligation   |  |
| A1/2015 | Licensee has not complied with all applicable legislation.<br>We have identified a number of non-compliances with applicable legislation as follows: <ul style="list-style-type: none"> <li>▪ Section 27 – Requirements for Licences (Obligation 11)</li> <li>▪ Section 29 – Duties of the Licensee (Obligation 12)</li> </ul> | The remaining recommendations included in this table (A3/2015 and A4/2015) relate to improvement opportunities to address control issues.   |  |
| A2/2015 | B2<br><i>Water Services Act 2012, Clause 5.3</i><br><br>Licensee has not complied with all of the obligations of the Water Services Code of Conduct (Customer Service Standards) 2013  | We recommend that the licensee address the recommendations A5/2015 to A152015.  |  |
| A3/2015 | B2<br><i>Water Services Act 2012, Sections 82(4) &amp; (5)</i><br><br>The licensee to provide required notification of and requirements as to building work within 7 days of receiving the fee for dealing with the notification.  | Licensee to amend its current approval approach to accommodate the response times of both the Building Act 2011 (Regulation 20, Clause 10 of the Building Act 2011) and the Water Service Act 2012. |  |

**B. Unresolved at end of current Audit period**

|         |   |   |
|---------|---|---|
| A4/2015 | <p>B2<br/> <i>Water Services Act 2012, Section 173(4)</i></p> <p>The requirement for the licensee to give 48 hours' notice of proposed entry to a place to the occupier or owner, as applicable, unless the occupier or owner agrees otherwise is currently not communicated to customers.</p>  | <p>We recommend that the licensee publish the information required to meet the obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013.</p> <p>The licensee could achieve this by retaining its most recent update of the Customer Service Charter that was completed in April 2014 and making it publically available or by developing and publishing a new document that contains the required information.</p> <p>Although a document on the licensee's website will not replace the need to provide the occupier a direct notice at least 48 hours before the entry, unless otherwise agreed, it informs the customer that this is a requirement and provides the knowledge that the customer can act on if not met (e.g. a complaint to the licensee)</p> |
| A5/2015 | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 7</i></p> <p>Licensee must have written information for customers about the specified matters under Section 21(2)(c) or (3)(c) and Section 73 of the Act.</p>  | <p>We recommend that the licensee publish the information required to meet the obligations under Clause 7 of the Water Services Code of Conduct (Customer Service Standards) 2013.</p> <p>The licensee could achieve this by reviewing its Customer Service Charter against the requirements of the Water Services Code of Conduct (Customer Service Standards) 2013, making the necessary updates and making the document publically available or by developing and publishing a new document that contains the required information.</p>  |
| A6/2015 | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(2)</i></p> <p>License does not have a formal written procedure for the review of a bill on the customer's request.</p>  | <p>Prepare a written procedure for review of a bill consistent with the requirements of the Code, Compliance Manual 2014 Obligations 114 to 116.</p>  |
| A7/2015 | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clauses 18(3) &amp; (6)</i></p> <p>Licensee does not have a formal written procedure for the review of a bill on the customer's request. Therefore, it does not meet the obligation to include the specified information and be publically available.</p> | <p>Make the written procedure for the review of a bill (refer to recommendation A6/2015) publically available.</p>  |

**B. Unresolved at end of current Audit period**

|          |  |   |
|----------|--|---|
| A8/2015  | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 18(4)</i></p>   | <p>Refer to recommendation A6/2015.</p>   |
|          | <p>License does not have a formal written procedure for the review of a bill on the customer's request.</p>  |   |
| A9/2015  | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 21(1)</i></p>   | <p>In addition to the other bill payment options, the licensee to make provision of direct debit services available as identified in its Financial Hardship Policy and as consistent with the Authority's Financial Hardship Policy Guidelines.</p>   |
|          | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 22</i></p>  |   |
|          | <p>Although the licensee offers direct debits in the Hardship Policy, there is currently no process in place related to the consent for direct debits (Clause 22). Therefore, although advertised, we consider that the direct debit payment method is currently not available in practice to customers.</p> |   |
| A10/2015 | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(2)</i></p>   | <p>Amend the current complaints procedure to reflect the relevant provision of AS ISO 10002. The amendments should include:</p> <ul style="list-style-type: none"> <li>▪ Include the procedures associated with completing the Sewerage System Defect and Complaint Report,</li> <li>▪ Defining responsibilities for managing, signing-off and escalation of complaints</li> <li>▪ Include the process for reporting the complaints data to the Authority in the Annual Compliance report.</li> </ul> |
|          | <p>Licensee's complaints procedure not developed using provisions of the AS ISO 10002</p>  |   |
| A11/2015 | <p>B2<br/> <i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(3)</i></p>   | <p>Amend the current complaints procedure to comply with the matters identified in clause 35(3) of the Water Services Code of Conduct.</p>  |
|          | <p>Licensee's complaints procedure does not fully address the matters specified in relation to lodgement of complaints, responding to complaints, dispute resolution arrangements and resolving complaints.</p>  |   |
| A12/2015 | B2   | <p>Amend the current complaints procedure to comply with the</p>  |

**B. Unresolved at end of current Audit period**

|          |   |   |
|----------|---|---|
|          | <p><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(4)</i></p> <p>Licensee's complaints procedure does not set out the costs and benefits to the customer if the use the complaint resolution procedure or instead of the procedures under the Act.</p> | <p>matters identified in clause 35(4) of the Water Code.</p>  |
| A13/2015 | <p>B2<br/><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 35(6)</i></p> <p>The licensee's complaints procedure must be publicly available.</p>  | <p>Licensee to publish the amended complaints procedure that addresses the recommendations included in A10/2015, A11/2015 and A12/2015 on its website.</p>  |
| A14/2015 | <p>B2<br/><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 36(1)</i></p> <p>The licensee does not reference large print services being available if required by its customers</p>  | <p>We recommend that the licensee amends its Financial Hardship Policy to make reference to large-print services being available if required by the customer.</p>   |
| A15/2015 | <p>B2<br/><i>Water Services Code of Conduct (Customer Service Standards) 2013, Clause 37(1)</i></p> <p>The licensee has not made all of the prescribed information publicly available.</p>  | <p>Information regarding the exemptions, rebated, discounts that are available to customers is not advertised. We recommend that the licensee amends its most recent Customer Service Charter to provide information on the types of exemptions, rebated, discounts that are available to customers and makes the document publically available on its website.</p> |
| A16/2015 | <p>B2<br/><i>Water Services Act 2012, Section 29 (Clause26)</i></p> <p><i>The licensee has not complied with all the duties imposed on it by the Act as it was unable to meet all Code requirements.</i></p>  | <p>Refer to recommendation A2/2015</p>  |

## 6.2 Asset Management System Review

**Table 6-2 Table of Current Review Asset System Deficiencies/Recommendations**

| A. Resolved during current audit period      |   |   |  |
|--|---|---|--|
| Ref.   | Asset System Deficiency<br>(Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)   | Date Resolved (& management action taken)   | Auditor's Comments                             |
| <hr/>  |   |   |  |
| B. Unresolved at end of current Audit period |   |   |  |
| Reference (no./year)                         | Asset System Deficiency<br>(Rating / Asset Management System Component & Effectiveness Criteria / Details of Asset System Deficiency)   | Auditor's recommendation  | Management action taken by end of Audit Period |
|  | <p>B2</p> <p><i>Asset Creation - Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</i></p>  |   |  |
| R1/2015                                      | <p>Legal, environmental and safety obligations are documented in Section 2.3 of the Asset Management Plan. However, as the AMP has not been updated since 2012, a number of the references are out of date and will need to be revised in the next update of the document.</p>                                    | <p>We recommend that the legal, environmental and safety obligations included in the Asset Management Plan are reviewed and revised in the next update of the document.</p> |  |
|  | <p>B2</p> <p><i>Asset Creation - Ongoing legal / environmental / safety obligations of the asset owner are assigned and understood</i></p>  |   |  |
| R2/2015                                      | <p>Although the AMP includes information on the recycled water scheme assets, the legal, environmental and safety obligations related to the reuse scheme are not specified in the AMP (e.g. the Health Act 1911, the Metropolitan Water Supply and Sewerage Act 1909 and Environmental Protection Act 1986).</p> | <p>We recommend that the legislative requirements associated with the licensee's reuse scheme are included in the next update of the AMP.</p>                               |  |
|  | <p>B2</p> <p><i>Environmental Analysis – Compliance with statutory and regulatory requirements</i></p>  |   |  |
| R3/2015                                      | <p>The licensee has identified statutory and regulatory</p>   | <p>We recommend that the asset management plan be updated to reflect the new legislative framework.</p>   |  |

**B. Unresolved at end of current Audit period**

|                |   |  |
|----------------|---|--|
|                | <p>requirements in its Section 2.3 of the AMP. However, it makes reference to the Water Services Licensing Act 1995 which has been superseded by the Water Services Act 2012.</p>   |  |
| <p>R4/2015</p> | <p><b>B2</b><br/> <i>Environmental Analysis – performance standards (availability of service, capacity, continuity, emergency response etc.) are measured and achieved / achievement of customer service levels.</i></p> <p>Outside of the compliance reporting requirements there does not appear to be further historical analysis of the licensee’s performance against these measures.</p>  | <p>We recommend that past records on the performance measures be documented in the AMP with any significant deviation from the standard justified.</p>   |
| <p>R5/2015</p> | <p><b>C3</b><br/> <i>Environmental Analysis – Compliance with statutory and regulatory requirements</i></p> <p>The licensee’s recycled scheme was assessed by a representative from the Department of Health in November 2013. The resulting assessment report identified a number of areas where the licensee was not compliant with the requirements of the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011.</i></p> | <p>The licensee has completed some of the actions required by the Department of Health but we note that it is contesting some of the other recommendations.</p> <p>We recommend that the licensee continue to communicate with the Department of Health until a resolution on these matters can be reached.</p> <p>The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016.</p>   |
| <p>R6/2015</p> | <p><b>B2</b><br/>         Asset Operations – Operational policies and procedures are documented and linked to service levels required</p> <p>The licensee does not have any specific operational or maintenance procedures for operating or maintaining the sewerage and reuse schemes.</p>   | <p>Although the sewerage and reuse schemes are relatively simple, we would recommend that the licensee develops some simple step-by-step operational procedures and maintenance instructions for the key activities to be included in the appendices of the Asset Management Plan. We would recommend that the licensee develops operations and maintenance procedures for the following:</p> <ul style="list-style-type: none"> <li>▪ Switchboard Maintenance</li> <li>▪ Sewer Blockages, Overflows and Spills</li> <li>▪ Maintenance of Wet Wells</li> <li>▪ Submersible Sewage Pump – Routine Maintenance</li> <li>▪ Imhoff Tank Maintenance</li> <li>▪ Water Quality Sampling</li> <li>▪ Operation of the Recycled Water Scheme</li> </ul> |

**B. Unresolved at end of current Audit period**

|          |  |   |
|----------|--|---|
| R7/2015  | <p><i>B2</i><br/> <i>Asset Maintenance – maintenance costs are measured and monitored</i></p> <p>The Planned Maintenance Plan is included in Section 4.4 of the AMP but needs to be updated as the timelines for the due dates are out of date.</p>  | <p>Update the Planned Maintenance Plan in the AMS</p>   |
| R8/2015  | <p><i>B2</i><br/> <i>Asset Maintenance – maintenance costs are measured and monitored</i></p> <p>By observation, there are some errors in the formulae in the maintenance budget included in the AMS.</p>  | <p>We recommend that maintenance budget spreadsheet in the AMS is reviewed and corrected by the time the next budget is prepared.</p>   |
| R9/2015  | <p><i>B2</i><br/> <i>Risk Management – Risks are documented in a risk register and treatment plans are actioned and monitored</i></p> <p>The licensee’s risk assessment does not include risk consequences associated with the water licence, financial impact, the environment and OHS.</p>   | <p>We recommend that the licensee’s risk assessment be updated to include these risks.</p>  |
| R10/2015 | <p><i>B2</i><br/> <i>Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover high risks</i></p> <p>The risk mitigation and management strategies included in the Asset Management Plan are for the key risk events of Earthquake, Imhoff Failure, Major Storm, Illegal Load, Unexpected Demand and Pipe/Manhole collapse.</p> | <p>We recommend that the licensee looks to expand its existing Contingency Plan to include the strategies and activities for managing these incidents in addition to the events it has already documented.</p>  |
| R11/2015 | <p><i>B2</i><br/> <i>Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover high risks</i></p> <p>The Contingency Plan does not include any information related to incident management for the non-potable water supply.</p>   | <p>The licensee has committed to developing a Recycled Water Quality Management Plan by June 2016. This will include a detailed Incident Management Plan in accordance with the <i>Guidelines for the Non-Potable Uses of Recycled Water in Western Australia, August 2011</i>.</p> |
| R12/2015 | <p><i>B2</i></p>   | <p>We recommend that the Contingency Plan be expanded,</p>  |

**B. Unresolved at end of current Audit period**

*Contingency Planning – Contingency plans are documented, understood and tested to confirm their operability and to cover high risks*

The Contingency Plan does not include any contact information or details of equipment and spares that is available to be used in an event.

with appendices added to include a Key Contacts list, a list of available equipment and spares and a list of suppliers and contact details of key external businesses that could assist with emergencies (e.g. contract electricians / plumbers / manufacturers etc.).

*B2*

*Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.*

R13/2015

A five year breakdown of the scheme operating expenditure is included in the AMP. However, this information provides the breakdown for the five years between 2007/08 and 2011/12

Update the operating expenditure information included in the Asset Management Plan to provide details of forecasted costs.

*B2*

*Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.*

R14/2015

The capital expenditure component of the Financial Summary included in the Asset Management Plan is based on the five year capital works forecast developed in the AMS. However, the AMP needs to be updated as the latest revision of the document shows the proposed capital expenditure between 2008/09 and 2012/13.

Update the capital expenditure information included in the Asset Management Plan to provide details of forecasted capital expenditure costs.

*B2*

*Financial Planning – The financial plan provides for the operations and maintenance, administration and capital expenditure requirements of the services.*

R15/2015

Section 4.2.4 of the Asset Management Plan includes the asset valuations for the sewer and reuse assets. However, the values included were established as at 30 June 2007 and will need to be re-valued and updated.

We recommend that the licensee's asset valuations be updated as the AMS and Asset Management Plan currently reports them as they were valued at 30 June 2007.

**B. Unresolved at end of current Audit period**

*B2*

*Capital Expenditure – There is a capital expenditure plan that covers issues to be addressed, actions proposed, responsibilities and dates*

R16/2015

The AMS forecasts a capex program out to 50 years based on the asset lives assigned to each type of asset and this is also included in the AMP. This forecast currently runs out to 2058 and needs to be updated as 2008 is the starting year.

Update the capital expenditure forecast in the AMS

*B2*

*Review of AMS – A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current*

R17/2015

The current Improvement Plan is included in Section 7.2 of the AMP. However, we note that this needs to be updated as the latest action was due to be completed by May 2008.

We recommend that the Asset Management Plan is updated with details of the improvement opportunities that have been identified through this review of the AMS.

*B2*

*Review of AMS – A review process is in place to ensure that the asset management plan and the asset management system described therein are kept current*

R18/2015

*We observed during the review of the asset management system that a number of items included the Asset Management Plan were out of date which indicates that the reviews of the document that have taken place have not been as thorough as they should have been.*

We recommend that the Asset Management Plan is reviewed and updated each year so that as a minimum the financial/expenditure, improvement plan and maintenance schedule dates can be updated.

Given the number of put-of-date items included in the latest version of the AMP, we recommend that the document is reviewed and updated by 30 June 2015.

## 7 Confirmation of the Audit/Review

I confirm that the audit/review carried out at the Shire of Goomalling on 4 – 5 February 2015 and recorded in this report is an accurate presentation of our findings and opinions.

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Justin Edwards  
Cardno (QLD) Pty Ltd  
515 St Paul's Terrace  
Fortitude Valley QLD 4006

12 May 2015

Shire of Goomalling

**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.<br>Delays in providing a small proportion of new connections.  | Customer complaints procedures not followed in a few instances.<br>Small percentage of disconnections or reconnections not completed on time.<br>Small percentage of bills not issued on time.   | Legislative obligations or licence conditions not fully complied with, minor impact on customers or third parties.<br>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.<br>Supply interruptions affecting significant proportion of customers on the network for up to one day.<br>Significant number of customers experiencing excessive number of interruptions per annum.<br>Significant percentage of new connections not provided on time/ some customers experiencing extended delays. | Significant percentage of complaints not being correctly handled.<br>Customers not receiving correct advice regarding financial hardship.<br>Significant percentage of bills not issued on time.<br>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.<br>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.<br>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.<br>Ongoing instances of wrongful disconnection.   | Wilful breach of legislative obligation or licence condition.<br>Widespread and/or ongoing breaches of legislative obligations or licence conditions.<br>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 |        |

**Inherent Risk****Adequacy of Existing Controls**

Low

Audit Priority 5

Shire of Goomalling

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

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

### Asset Management Performance Ratings

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